HYPOPORT
THE FINANCE INTEGRATOR

Hypoport AG
annual report for 2011

HYPOPORT
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Key performance indicators

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010	Change
Financial performance (€'000)			
Revenue	84,386	66,912	26 %
Gross profit	44,483	40,278	10 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,095	11,147	0 %
Earnings before interest and tax (EBIT)	5,915	6,426	-8 %
EBIT margin (EBIT as a percentage of gross profit)	13.3	16.0	-17 %
Net profit (loss) for the year	3,749	3,262	15 %
attributable to Hypoport AG shareholders	3,717	3,274	14 %
Basic earnings (loss) per share (€)	0.60	0.53	13 %
Diluted earnings (loss) per share (€)	0.60	0.53	13 %
Financial position (€'000)	**31 Dec 2011**	**31 Dec 2010**	
Current assets	37,090	30,130	23 %
Non-current assets	35,046	37,048	-5 %
Equity	31,269	27,390	14 %
attributable to Hypoport AG shareholders	31,049	27,202	14 %
Equity ratio (%)	43.3	40.8	6 %
Total assets	72,136	67,178	7 %

Contents

1. Letter to Shareholders

Dear shareholder

2011 was another good and, at the same time, challenging year for Hypoport.

Significant revenue growth and improved earnings figures ensured that the year got off to a successful start. By the end of 2011 the Company had substantially expanded its market share, generating record revenue of €84.4 million and thereby establishing an even stronger position for itself in the financial services market. Earnings before interest, tax, depreciation and amortisation (EBITDA) came to €11.1 million, close to its prior-year all-time high.

Economic conditions provided only a partial stimulus to this impressive operating performance while increasing the challenge for companies trying to maintain their status in the market. The sovereign debt and currency crisis in the euro zone brought mortgage interest rates in Germany down to historically low levels despite the strong performance of the country's economy. This significantly boosted demand for real estate, which had a positive impact on the revenue generated by the Hypoport Group's three largest business units. As the banking crisis, burgeoning regulation and more restrictive lending practices transformed the banking market, product suppliers' business was again characterised by strong growth and shifting market forces in 2011. The net result of these trends was to raise our development costs and selling expenses.

v.l.n.r.: Thilo Wiegand, Ronald Slabke, Hans Peter Trampe und Stephan Gawarecki

It was therefore especially encouraging to see that the Financial Service Providers business unit had already generated disproportionately strong revenue growth in the first half of the year, impressively turning around its profitability. Competitive pressures and intensified regulation are increasingly underscoring the benefits of the automated and networked systems offered by EUROPACE, GENOPACE and FINMAS. The introduction of the first customised sales platform for the distribution channels run by BHW Bausparkasse and Deutsche Postbank made a further contribution to revenue growth. The volume of transactions generated topped the €6 billion mark for the first time in the third quarter and exceeded it again in the fourth quarter with a total of 165 partners. This made 2011 the most successful year to date for EUROPACE in terms of transaction volumes. The product appeal of building finance significantly expanded its share of the total transaction volume. In August the Company launched an alliance to introduce the first insurance product on the platform as an addition to its established products.

2011 saw further robust demand for Dr. Klein's comprehensive one-stop advisory services, which meet customers' specific needs in terms of loans, investments and insurance. The volume of transactions rose sharply across all product segments, with business in loan products increasing by 18 per cent and insurance growing by as much as 45 per cent. The number of advisers advanced to 643, bucking the market trend. The independent agent sales business carved out a distinctive position for itself in the marketplace and continued to offer a mix of high-quality service, regional support and advice, access to integrated and intelligent sales tools, and a diverse product range. The fact that the number of brokers rose by 550 to 3,434 and that the volume of transactions grew – by 14 per cent in the case of loans and by as much as 177 per cent in the case of insurance – is proof positive of this strategy's success. This overall trend reveals that the Private Clients business unit has succeeded in convincing advisers, customers and the general public that it is a serious market player.

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The Corporate Real Estate Clients business unit started the year on a positive note, with its large-volume business driving up revenue in the second half of 2011 on the back of the traditionally high levels of intra-year volatility. As an entity that specialises in structuring such big-ticket deals, this unit continued to enhance its sectoral reputation during the reporting year.

The Institutional Clients business unit used its market leadership in the Netherlands to explore the option of further internationalisation in the form of selected projects in Belgium and South Africa. In the second quarter this unit set up a joint venture with ATC in order to meet the European Central Bank's requirements for banks' financial reporting.

The Hypoport Group delivered an impressive performance across all its business lines, hitting its forecasts in the process. Assuming that market conditions remain unchanged, we again expect to achieve double-digit revenue growth and a year-on-year improvement in net profit for 2012.

Yours sincerely

Ronald Slabke
Chief Executive Officer

2. Highlights

January

Roughly €75 billion generated by EUROPACE since its launch

The volume of transactions executed via the EUROPACE platform in 2010 reached a new all-time high of €15.107 billion, which was a year-on-year increase of 17.1 per cent. Benign market conditions, carefully targeted capital expenditure and the growing marketplace effect enabled the Company to continue on its growth trajectory.

Dr. Klein brings its professional strengths to bear in the mortgage finance market

The Private Clients segment of Dr. Klein & Co. AG starts the new year in a position of strength. Its strategy of delivering impartial and comprehensive advice on all aspects of mortgage finance fuelled strong growth in both transaction volumes and the number of advisers in 2011. The success of this strategy enabled Dr. Klein to recruit 99 new advisers and increased their total number by 18 per cent to 643. The volume of loans brokered increased by 18 per cent over the same period, while the total value of insurance brokered jumped by 45 per cent.

February

Qualitypool: quality always shines through

Some 500 additional brokers opted to use Qualitypool in 2010. The main reasons for their decision were its wide product range, extensive sales support, financial strength and non-captive status. These factors enabled Qualitypool to achieve double-digit percentage growth in the volumes of insurance and property finance business that it transacted.

March

Ad-hoc disclosure: Hypoport AG's 2010 figures outstrip analysts' forecasts

The revenue and earnings figures reported by Hypoport AG for the 2010 financial year are likely to be the best results that the Company has ever presented. This means that it will not only hit its own forecasts but also exceed the challenging targets set by analysts.

Dr. Klein awarded seven top marks by Finanztest

Dr. Klein offers some of the best interest rates on home finance products. This is the conclusion reached by the experts at German consumer organisation Stiftung Warentest in the latest edition of the Finanztest consumer finance magazine. Dr. Klein has been awarded top marks in seven of the eight model cases tested.

April

Hypoport AG: EUROPACE gets off to promising start in 2011

Finance transactions worth a total of €4.12 billion were processed on the EUROPACE financial marketplace platform in the first quarter of 2011. This enabled EUROPACE to achieve the second-best quarterly result in its history in terms of transaction volumes on the back of benign economic conditions and the continuation of low interest rates in the mortgage finance market.

Dr. Klein produces film for DESWOS

Dr. Klein has been supporting DESWOS, a German housebuilding development aid charity, for many years. In 2011, Dr. Klein decided that instead of giving a financial donation to DESWOS it would raise the charity's public profile by producing a film. To this end, Hans Peter Trampe travelled on behalf of Dr. Klein to Arusha, Tanzania, where he gained a first-hand impression of DESWOS's work – and returned with some very moving images. The film has since been available to watch at www.drklein.de and on the websites of many housing companies and housing associations. The huge impact that the film made in Germany has funded the full cost of the housebuilding project in Arusha. Dr. Klein will support further DESWOS projects in future by putting creative ideas into practice.

May

Hypoport starts the year on a high

Hypoport achieved impressive year-on-year improvements in its revenue and earnings in the first quarter of 2011. Revenue jumped by 46.3 per cent to €17.7 million in the first three months of the year (Q1 2010: €12.1 million). All business units increased their revenue. EBITDA amounted to €2.3 million (Q1 2010: loss of €28 thousand).

June

Insurance companies expanding their lending business
The German insurance industry has significantly expanded its role as a lender in the commercial real-estate finance business. This can be seen in the latest figures from Dr. Klein & Co. AG's business with corporate clients. In the first half of 2011, Dr. Klein brokered loans with a total volume of €450 million. Almost half of this amount – €220 million – was accounted for by insurers and pension funds.

August

Strong first half of 2011 for Hypoport with 28 per cent revenue growth
Growth, new all-time records, and the 1,000 or so specialists operating as independent financial product distributors in the first half of the year mean that the Hypoport Group is well equipped for the coming months. The Company generated first-half revenue of €35.8 million, which represents a year-on-year increase of 28 per cent on the first six months of 2010 (revenue for H1 2010: €28 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 17 per cent year on year to €3.9 million (EBITDA for H1 2010: €3.3 million).

September

More and more real-estate professionals obtaining loans from financial service providers
Growing numbers of professional real-estate investors are increasingly discovering something that is already virtually commonplace for private individuals looking to buy their own homes – namely that you can obtain inexpensive loans from financial service providers. Dr. Klein expanded its volume of new business in the Corporate Real Estate Clients unit in the first three quarters of 2011 by more than 35 per cent from €977 million in 2010 to €1,327 million this year.

October

Approx. €100 million brokered on EUROPACE every day
The volume of transactions generated on the EUROPACE platform in the third quarter of 2011 topped the €6 billion mark for the first time. The improvement in market conditions and the many years of capital investment in this platform generated aggregate growth of roughly 38 per cent compared with the corresponding period of 2010.

Dr. Klein generates strong growth by offering impartial advice
The Private Clients segment of Dr. Klein & Co. AG brokered significantly more loans and insurance in the first nine months of 2011 than in the corresponding period of 2010. The volume of loans brokered grew by 17 per cent, while the total value of insurance brokered jumped by 77 per cent.

November

Hypoport expands market share significantly
The strategy of expansion rigorously pursued in the first nine months of 2011 enabled the Hypoport Group to raise its revenue by an impressive 31 per cent to €58.8 million. The Company also increased its EBITDA by 13 per cent.

3. Report of the Supervisory Board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2011 financial year.

The Supervisory Board discharged the responsibilities incumbent upon it during 2011 in ac-cordance with the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board regularly advised the Management Board on the running of the Company and continuously supported and monitored its actions. This advisory and monitoring function was based on the detailed written and oral reports submitted by the Management Board, which informed the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, 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 meet-ings. 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 funda-mental 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 2011. In addition, two resolutions were adopted in writing (by email) and one resolution was adopted by telephone at the request of the Supervisory Board chairman following detailed preparation and dissemination of information in each case. All the members of the Supervisory Board attended each meeting and took part in the resolutions adopted outside the 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 corporate strategy and operational issues concerning the Company and the Hypoport Group, important transactions, 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 28 January 2011 the Supervisory Board noted with approval the budget for 2011 submitted by the Management Board and also fixed the date for the Annual Share-holders' Meeting of Hypoport AG.

In addition, the Supervisory Board adopted a resolution on compliance with the German Corporate Governance Code and issuance of a declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG).

The meeting also included a presentation on the development and performance of EUROPACE 2 to date.

Representatives of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting held on 11 March 2011 and presented a comprehensive report on their audit of the single-entity and consolidated financial statements for 2010. As required by section 171 AktG, the Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2010 as well as both man-agement reports. Furthermore, the Supervisory Board examined the Management Board's pro-posal for the appropriation of profit, which it approved and voted to adopt.

The Management Board reported on the fourth quarter of 2010, adding that 2011 had got off to a sluggish start for seasonal reasons and that a modest net profit was expected to be earned for the first quarter of 2011.

The Management Board and Supervisory Board proposed to the Annual Shareholders' Meeting that the Company's distributable profit of €13,524,321.99 be carried forward to the next accounting period.

In addition, the Supervisory Board adopted the necessary resolution on the report of the Supervisory Board and approved the leasing of office space by Hypoport B.V., Amsterdam, following a presentation on the subject by Management Board member Hans Peter Trampe.

The Supervisory Board meeting held by telephone on 29 April 2011 mainly dealt with the interim report for the first quarter of 2011.

The meeting held on 17 June 2011 discussed the Management Board's report on the first quarter and the Company's second-quarter performance to date.

The Supervisory Board acknowledged the internal audit report on the purchasing function and approved the relevant internal audit plan including the future audit area covering distribution partners' commissions.

The meeting on 29 July 2011 mainly discussed the Management Board's report on the Hypoport Group's second-quarter performance and the interim report for the period ended 30 June 2011. In addition, the Management Board reported on specific developments and trends in the individual business units.

Furthermore, the Supervisory Board approved the signing of a commercial lease on the Company's new Frankfurt office with effect from 1 December 2011.

On 5 October 2011 the Supervisory Board adopted a written resolution (by email) approving Hypoport AG's plans to raise new loans totalling €15 million, which includes public funding from the ERP innovation programme offered by Germany's KfW development bank.

The Supervisory Board meeting held by telephone on 2 November 2011 primarily dealt with the interim report for the period ended 30 September 2011.
The meeting held on 11 November 2011 looked in detail at the Company's operating performance in the third quarter of 2011 as well as the latest developments and trends in the business units.

The Supervisory Board discussed the draft declaration of compliance with the German Corpo-rate Governance Code for 2012 and, in this connection, examined to what extent the Company had met the requirements of the German Corporate Governance Code over the course of the year to date.

When the Management Board members were not present the Supervisory Board then used a check-list to review the effectiveness of its own work.

No committees

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

Corporate Governance Code

In 2011 the Supervisory Board once again discussed the content of the German Corporate Governance Code and adopted the necessary resolutions on compliance with its recommendations and on individual exceptions from these recommendations. Further information on corporate governance at the Company can be found in the corporate governance report. The remu-neration report contains detailed information on the level and structure of remuneration paid to the Supervisory Board and Management Board. The Management Board and Supervisory Board voted to issue the declaration of compliance required by section 161 AktG and they have made it permanently available to the Company's shareholders.

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.

Single-entity and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2011 single-entity financial statements that it had prepared in accordance with the German Commercial Code (HGB), the 2011 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), both management reports, the proposal for the appropriation of profit, and the corresponding independent auditors' reports.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors appointed by the Company, audited its single-entity financial statements, the consolidated financial statements and both management reports for the year ended 31 December 2011 and they issued an unqualified opinion in each case. As required by section 171 AktG, the Supervisory Board reviewed and discussed the single-entity and consolidated financial statements for 2011 and both management reports. The auditors reported to the Supervisory Board in person at the meeting held on 16 March 2012 to discuss the Company's financial statements. The Supervisory Board also examined the Management Board's proposal for the appropriation of profits.

The Supervisory Board agreed with the auditors' findings. Having completed its own examina-tion, it had no objections to raise. The Supervisory Board approved the single-entity and consol-idated financial statements for 2011 prepared for the Company by the Management Board; they have thus been adopted. After itself examining the Management Board's explanation of its proposed appropriation of profits, 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, 16 March 2012

Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

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4. Corporate Governance

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 its business over the long term. It is also essential if we are to honour the trust placed in us by investors, financial markets, business partners, customers, employees and the public at large. Hypoport AG regularly examines amendments to the German Corporate Governance Code to ensure that it constantly refines its own system.

Declaration of compliance with the German Corporate Governance Code

The latest version of the German Corporate Governance Code dated 26 May 2010, which was published on 2 July 2010, has been closely scrutinised. The declaration of compliance documented below shows in what ways and for what reasons the Company deviates from the Code's recommendations. The declaration submitted by the Management Board and Supervisory Board of Hypoport AG on 23 January 2012 is reproduced below. The declaration of compliance has been made permanently available to the public and can be viewed at www.hypoport.de/corporate-governance.html.

Declaration of compliance 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 last declaration of compliance was submitted on 28 January 2011, Hypoport AG has complied with the recommendations made by the German government commission on the German Corporate Governance Code, which are published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, with the exception of the recommendations listed below.

Hypoport AG will continue to comply with these recommendations in future with the exception of the recommendations listed below. For the corporate governance practices adopted by Hypoport AG at present and those to be adopted in future, this declaration relates to the recommendations made by the German government commission on the German Corporate Governance Code, as amended on 26 May 2010 and published in the electronic Federal Gazette on 2 July 2010.

1. Paragraph 3.8 (3) of the German Corporate Governance Code recommends that an appropriate excess should be agreed when directors' and officers' (D&O) liability insurance is taken out 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 5.1.2 of the German Corporate Governance Code recommends, among other things, that an age limit should 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 it 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 or Supervisory Boards.

3. Paragraph 5.3.1 of the German Corporate Governance Code recommends that supervisory boards should 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 should 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.

4. Paragraph 5.4.1 (2) of the German Corporate Governance Code recommends that the Supervisory Board should set specific targets for its composition which, while taking account of the Company's particular situation, cover the Company's international activities, potential conflicts of interest, a specific age limit for members of the Supervisory Board, and diversity. In particular, these specific targets are supposed to include appropriate quotas for the number of female Supervisory Board members. The Supervisory Board of Hypoport AG has not yet set such targets for its composition.

   Because the current members of the Supervisory Board were elected at the Company's 2010 Annual Shareholders' Meeting, the Supervisory Board was and still is of the view that there is currently no need to specify the targets recommended by paragraph 5.4.1 (2) for the composition of the Supervisory Board. The Supervisory Board is of the opinion that its current composition takes account of the Company's particular situation. The Supervisory Board is also of the view that specific targets for its composition – which take account of the Company's particular situation, especially its size and the number of members of the Supervisory Board – should not be set until it is clear that specific issues have been raised about the composition of the Supervisory Board, so that the latter can then respond appropriately to the situation prevailing at the time.

Berlin, 26 January 2012
Supervisory Board Management Board

Management Board and Supervisory Board

The Management Board is responsible for running the Company. The statutes of Hypoport AG specify that the Management Board of the Company 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 four members. The Management Board provides the Supervisory Board with regular, timely and comprehensive information on all relevant matters relating to the Company's business development, operating performance, planning, funding, and business situation.

The Supervisory Board of Hypoport AG consists of three members. The chairman of the Supervisory Board is elected from among the members of this body. The 2010 Annual Shareholders' Meeting elected the Supervisory Board for a five-year period.

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

Shareholders and the Annual Shareholder's 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 attend the meeting. All the documentation that they need in order to attend is published in advance on the internet. Shareholders who do not attend the Annual Shareholders' Meeting in person have the option of appointing a bank, a shareholder association or another person – including an employee of Hypoport AG – as a proxy in writing or by email to exercise their voting rights in accordance with their instructions. Alternatively, they may cast a postal vote.

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Transparency

Hypoport AG attaches great importance to the provision 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. All reports, notifications, presentations, statements and other releases are made permanently available in the Press and Investor Relations sections of the Company's website.

Hypoport AG has compiled an insider list as required by section 15b of the German Securities Trading Act (WpHG). The persons concerned have been informed about their legal obligations and the potential sanctions.

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 single-entity 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 compliance 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.

Shareholdings and directors' dealings

The members of the Management Board and Supervisory Board hold a considerable number of shares in Hypoport AG. The exact numbers of shares held by the members of the Management Board are disclosed in note [7.2] ‚Related parties' in the notes to the consolidated financial statements of the annual report.

Directors' dealings are published at www.hypoport.de/directors_dealings.html as soon as they are notified in accordance with section 15a WpHG.

A list of all the directors' dealings published in 2011 can be found in the ‚Hypoport's shares' section of this annual report.

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 6 August 2010. 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 business allocation plan and rules of procedure, 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. In addition, certain material measures must be approved by the Group Management Board. The Management Board is quorate if all members of the Management Board participate in the vote. Decisions are taken by a simple majority of the votes cast. In practice, the Management Board often takes decisions by reaching a consensus.

In accordance with the statutes of the Company, if only one member of the Management Board is available, Hypoport AG is represented in and out of court by this one member of the Management Board; if there are two or more members of the Management Board available, the Company is represented on a joint basis by two members of the Management Board or by one member of the Management Board together with one person with full commercial power of attorney (Prokurist). If two or more members of the Management Board are available, the Supervisory Board can authorise one or more members of the Management Board to represent the Company individually. The Supervisory Board can exempt members of the Management Board from the restrictions under section 181 German Civil Code (BGB) within the limits specified by section 112 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 in accordance with 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 a vote. 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 31 March 2008. 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 2015.

Remuneration of the Management Board and Supervisory Board

The overall structure and level of the Management Board's remuneration are determined by the Supervisory Board. Both aspects are reviewed regularly, most recently in the autumn of 2011. The total remuneration paid to the members of the Management Board is composed of a fixed annual salary, a performance-related salary, variable compensation assessed over several years, and non-cash remuneration. The main criteria used to assess the appropriateness of remuneration are the functions and responsibilities of the respective Management Board member, his or her personal performance and the financial situation, performance and prospects of Hypoport AG. The structure of the remuneration paid is designed to enhance the Company's long-term development and performance.

Details of the Company's remuneration model and a breakdown of the remuneration paid to the members of the Management Board in 2011 can be found in section [10.] ‚Remuneration report' within the management report of the annual report.

Section 12 of the statutes of Hypoport AG stipulates how the Supervisory Board is remunerated. Any changes to the existing remuneration system require the Company's statutes to be amended by the Annual Shareholders' Meeting. Details and a breakdown of the remuneration currently paid to the members of the Supervisory Board are contained in the remuneration report (section [10.]) within the annual report.

5. Hypoport's shares

Share price performance

Hypoport's share price started 2011 on a positive note, jumping from €9.13 on 1 January to its high for the year of €12.00 on 31 January, before fluctuating within a range of €11.00 to €12.00 for much of the first half of the year. A single big-ticket transaction in June triggered a plunge in the share price to below €9.00. Generally bearish market sentiment in August then caused the share price to fall further. It subsequently remained at just under €8.00 for most of the next couple of months before mainly settling at around €7.00 towards the end of the year. The lowest share price during the year was €6.95, which was first recorded on 25 November and subsequently on six further days. The share price recovered slightly at the end of the year to close at €7.22 on 30 December. The low level of stock market turnover meant that Hypoport's share price was heavily impacted by individual buying and selling transactions.

Performance of Hypoport´s share price, January to December 2011 (daily closing prices on Frankfurt Stock Exchange)

Earnings per share

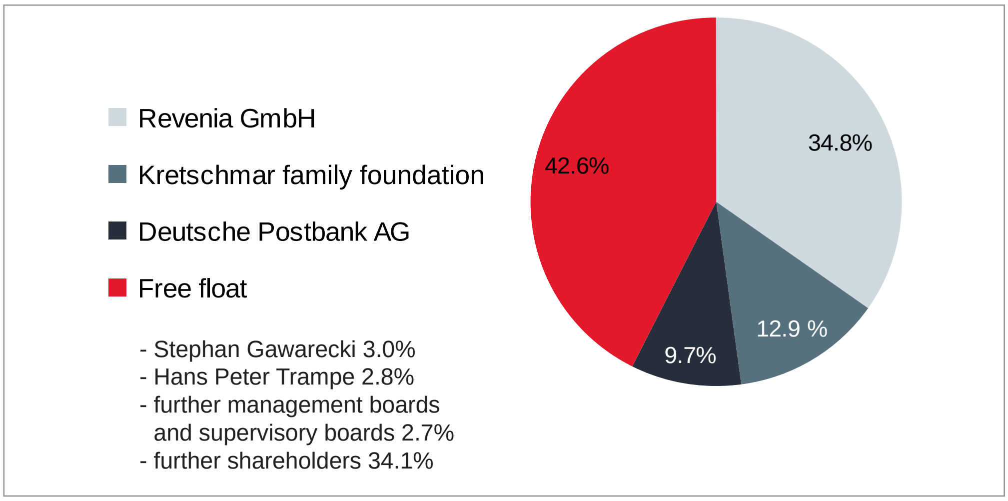
Earnings per share for 2011 came to €0.60 (2010: €0.53).

Trading volumes

The daily volume of Hypoport shares traded in 2011 averaged €34,754.99. The highest average daily turnover was in the second quarter (8,505 shares), followed by the third quarter (5,630 shares). The lowest daily turnover was recorded in the first quarter, when an average of only 2,578 Hypoport shares changed hands. Av-erage daily turnover in the fourth quarter was only slightly higher at 2,665 shares.

Shareholder structure

The free float in Hypoport's shares amounts to 42.6 per cent.



Breakdown of shareholders as at 31 December 2011

Designated sponsors

Designated sponsors enhance a share's liquidity by quoting binding prices at which they will buy and sell the share. The designated sponsor for Hypoport AG is Close Brothers Seydler Bank AG, Frankfurt am Main.

Research

Three analysts published research studies on Hypoport's shares in 2011.

Broker	Recommendation	Target price	Transaction date
CBS Research	Buy	€17.00	7 November 2011
Equinet Investigator	Buy	€13.00	11 August 2011
Lang & Schwarz	Buy	€14.40	10 August 2011
CBS Research	Buy	€16.00	10 August 2011
CBS Research	Buy	€16.80	9 May 2011
Lang & Schwarz	Buy	€16.00	9 May 2011
Equinet Investigator	Buy	€17.00	18 April 2011
CBS Research	Buy	€16.80	5 April 2011
Lang & Schwarz	Buy	€16.00	4 April 2011
CBS Research	Buy	€15.00	25 January 2011
Equinet Investigator	Buy	€17.00	20 January 2011

Ad-hoc disclosures

As a publicly traded company we are required to make ad-hoc disclosures of facts that could influence our share price. The following ad-hoc disclosure made on 1 March was the only one in 2011:

„Berlin, 1 March 2011: The revenue and earnings figures reported by Hypoport AG for the 2010 financial year are likely to be the best results that the Company has ever presented. This means that it will not only hit its own forecasts but also exceed the challenging targets set by analysts.

Hypoport, a Berlin-based financial service provider, is set to report year-on-year revenue growth of more than 30 per cent for 2010, having generated revenue of €50.5 million in 2009. Its earnings performance was particularly impressive. The earnings before interest, tax, depreciation and amortisation (EBITDA) reported for last year is likely to be in the double-digit millions for the first time ever. Meanwhile, earnings before interest and tax (EBIT) is set to jump to over €6 million. „Assuming that things turn out as we expect, these revenue and earnings figures will make 2010 the best year in Hypoport's history", stressed Ronald Slabke, the Company's CEO. Building on what had already been a strong performance in the second and third quarters, he added, the exceptionally good final quarter of 2010 had made this a record-breaking year.

Hypoport's preliminary results will be published on 7 March."

Ad-hoc disclosures can be downloaded from our website at www.hypoport.com.

Notification of directors' dealings

The table below shows the directors' dealings notified and published in 2011.

Transaction date	Notifying person/entity	Transaction	Stock exchange	Number of shares	Execution price
17 June 2011	Monika Schröder	Sale	XETRA	10,000	€9.04
16 June 2011	Kretschmar family foundation*	Sale	XETRA	257,211	€9.08
17 May 2011	Kretschmar family foundation*	Sale	XETRA	35,000	€11.48
11 May 2011	Kretschmar family foundation*	Sale	XETRA	64,142	€11.50
11 May 2011	Beate Hübner	Sale	XETRA	2,500	€11.50
11 May 2011	Dr. Ottheinz Jung-Senssfelder	Sale	XETRA	7,500	€11.50
7 April 2011	Monika Schröder	Sale	Stuttgart	1,000	€10.25
30 March 2011	Hans Peter Trampe	Sale	XETRA	3,500	€10.00
29 March 2011	Hans Peter Trampe	Sale	XETRA	10,000	€9.98
13 January 2011	Kretschmar Research GmbH**	Sale	Off-exchange	201,335	€10.00

* Prof. Dr. Thomas Kretschmar ist Vorstand der Kretschmar Familienstiftung.
** Prof. Dr. Thomas Kretschmar is managing director of Kretschmar Research GmbH.

HYPOPORT
THE FINANCE INTEGRATOR

Key data on Hypoport's shares

Security code number (WKN)	549 336
International securities identification number	DE 000 549 3365
Stock exchange symbol	HYQ
Type	No-par-value shares
Notional value	€1.00
Subscribed capital	€6,194,958.00
Stock exchanges	Frankfurt
	XETRA
Market segment	Regulated market
Transparency level	Prime standard
Membership of indices	CDAX
	Classic All Share
	DAXsector All Financial Services
	DAXsubsector Diversified Financial
	GEX
	Prime All Share
Performance	
Share price as at 1 January 2011	€9.13 (Frankfurt)
Share price as at 30 December 2011	€7.22 (Frankfurt)
High in 2011	€12.00 (31 January 2011)
Low in 2011	€6.95 (25 November 2011)
Market capitalisation	€44.7 million (30 December 2011)
Trading volume	€34,754.99 (daily average for 2011)

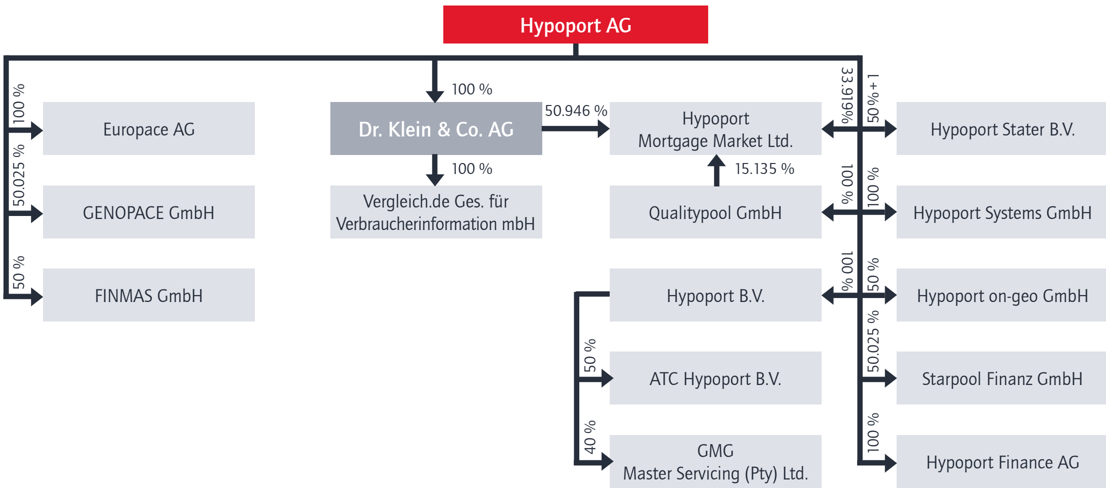
6. Management Report

Business report

1. Business and economic conditions

Business model and strategy

The Hypoport Group is an internet-based financial service provider. Its parent company is Hypoport AG, which is headquartered in Berlin, Germany. Its business model is based on two mutually supporting pillars: the Financial Product Sales and B2B Financial Marketplaces divisions.



Operating through its subsidiaries Dr. Klein & Co. Aktiengesellschaft, Vergleich.de Gesellschaft für Verbraucherinformation mbH and Qualitypool GmbH (hereinafter also referred to jointly as ‚Dr. Klein'), the Hypoport Group offers private clients internet-based banking and financial products (providing advice, if requested, either by telephone or face to face) ranging from current accounts and insurance to mortgage finance. Dr. Klein selects the best products for its clients from a wide offering of over 100 leading banks and insurance companies. By using web-based processes, it generates cost advantages that it passes on to its private clients. This usually enables Dr. Klein to offer much better terms and lower prices than individual banks and insurance agents. According to its own surveys, Dr. Klein is also a market leader in the financing of municipal and cooperative housing companies in its Corporate Real Estate Clients business, which has been running since 1954.

The Hypoport Group uses its EUROPACE B2B financial marketplace – Germany's largest online transaction platform – to sell banking products. A fully integrated system links a large number of banks with several thousand financial advisers, thereby enabling products to be sold swiftly and directly. The highly automated processes used on this platform generate significant cost advantages. EUROPACE is now used to process several hundred financing transactions every day.

The growing acceptance of the internet, the superiority of our independent model for selling financial products and services, and the unique combination of financial product distribution, process-related and IT expertise in a single business model lead us to believe that the Hypoport Group will continue to perform well in 2012.

In addition to its head office in Berlin, Hypoport AG is also represented in Lübeck, Germany.

Economic conditions

Although 2011 got off to a generally positive start from a global perspective, it increasingly slipped into a turbulent downward trend as the year progressed. The International Monetary Fund (IMF) reckons that the global economy grew by 3.8 per cent in 2011.

Global economic activity weakened slightly in 2011

Urgent monetary and fiscal policy measures taken to mitigate the impact of the financial crisis had fuelled strong growth by the end of 2010. Having pump-primed their economies in this way, unfortunately, few countries managed to provide further stimulus in the form of consumer spending in 2011. Exports, which might have compensated for restrained domestic demand, also faltered in many regions. A large number of industrialised nations failed to replicate the growth rates they had achieved in the previous year, which had a direct impact on the global economy. The low level of growth exacerbated the fiscal problems faced by highly indebted countries. At the same time there was mounting uncertainty about the solvency of other European nations as well as that of the United States and Japan.

Europe' economy hit by the sovereign debt and currency crisis

Events in the euro zone in 2011 were dominated by the sovereign debt and currency crisis. Europe's politicians took unprecedented action by agreeing to launch bailouts and rescue packages worth hundreds of billions of euros. By the end of the year major euro-zone member states such as Italy and Spain were having to pay exorbitantly high rates of interest to refinance their debt, whereas Germany was able to successfully issue a bond on which investors demanded no interest at all. The European Central Bank (ECB) cut its key lending rate to the historically low level of 1.0 per cent in December 2011.

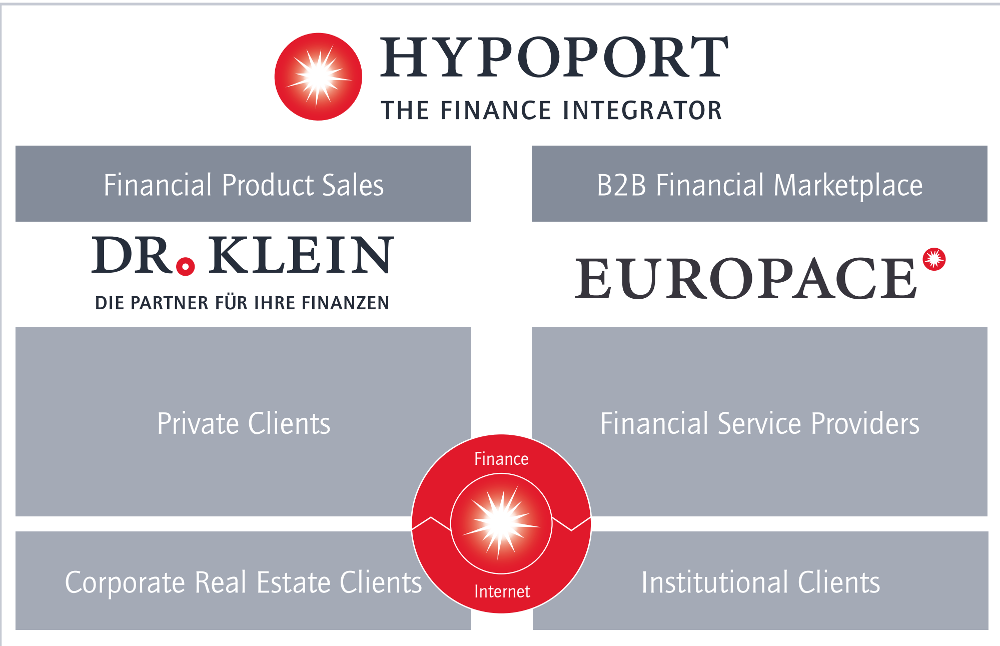
However, it was not only the yields on many government bonds and the credit quality requirements for loans that increased as a result of the growing uncertainty surrounding the political and economic sustainability of the global financial system. Many companies were also hit by falling market prices and a decline in new orders. Ten years after the euro was introduced as cash, it has become evident that the Stability and Growth Pact has failed to compensate for the instability of many European countries' public finances.

Germany an anchor of stability and engine of growth

By the end of 2011 – which was sooner than many had expected – Germany's economic output had already bounced back to where it had been prior to the finan-cial crisis in 2008. According to the Federal Ministry of Economics and Technology, Germany's gross domestic product (GDP) grew by 3.0 per cent in 2011. The country's exports increased by 8.2 per cent and its imports advanced by 7.2 per cent compared with 2010. The number of people in gainful employment also rose on the back of this economic recovery. Germany's Federal Employment Agency reported a particularly sharp rise in the number of jobs for which social insurance contributions are payable. Unemployment and underemployment plunged to their lowest levels since 1991. At the same time, the number of those gainfully employed in 2011 was at its highest level since German reunification. Prices rose across the board on the back of historically low euro-zone interest rates and the strong performance of the domestic economy. According to Germany's Federal Statistical Office, the country's rate of inflation increased by an average of 2.3 per cent year on year in 2011, which was significantly higher than it had been in recent years (1.1 per cent in 2010 and 0.4 per cent in 2009). The last time that inflation had been higher was in 2008, when prices had risen by 2.6 per cent compared with 2007.

Business units and sectoral performance

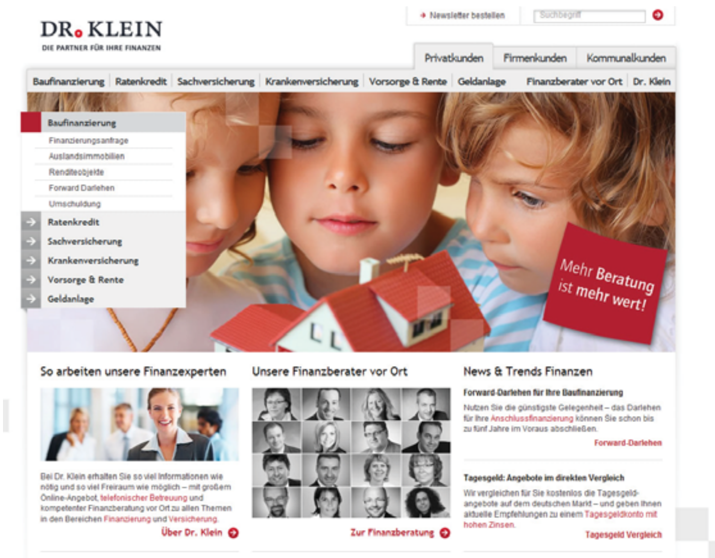
The Hypoport Group operates as an internet-based distributor of financial products in its Private Clients and Corporate Real Estate Clients business units and as a provider of B2B financial marketplaces in its Financial Service Providers and Institutional Clients business units.



Within the Hypoport Group, Hypoport AG performs the functions of a strategic and management holding company and it includes the central Information Technology unit, which carries out software development for all Group companies as well as IT project management for internal and external clients. Most business operations are conducted by a total of 14 German and international subsidiaries or joint ventures.

Financial Product Sales - Private Clients

The financial services market is consolidating in the face of increasing regulation, the stricter liability imposed on advisers as a consequence, and the growing volatility of markets. The winners in this process are nimble and financially strong com-panies that are quick to implement new legislation, mitigate market fluctuations and are able to finance their growth. In these respects Dr. Klein draws significant benefits from its membership of the Hypoport Group.



www.drklein.de

Private clients' willingness to obtain information on financial products from the internet remained pronounced in 2011. One increasingly common aspect of this trend is that people do not want to be contacted by an adviser until they have shown interest in a particular product. This trend has fuelled the success of Dr. Klein because its business model focuses on winning customers who have already signalled their interest on the internet. The customer's preferences and the complexity of the product determine whether the transaction is completed on the inter-net or in a face-to-face discussion. This efficient client acquisition process constitutes a further key factor in Dr. Klein's success.

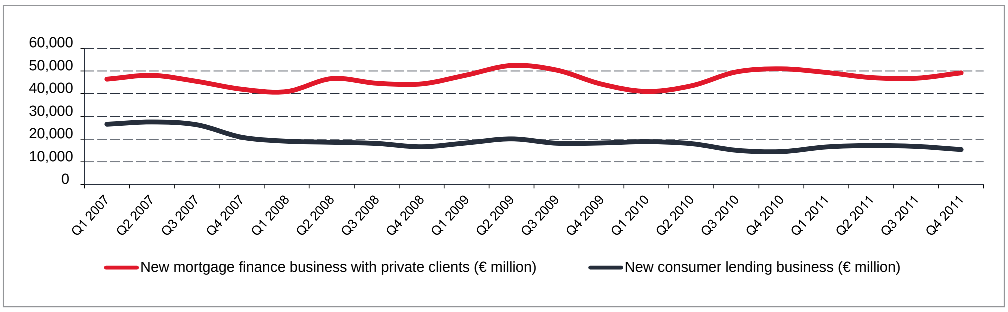
Customers, lawmakers and the public at large are constantly placing ever-greater demands on fi-nancial advisers. What they want is comprehensive, clear and impartial advice. What's more, many products are becoming increasingly complex, which places greater demands on the quality of advice offered. Consequently, Dr. Klein can only provide such one-stop advice effectively by combining the strengths of several specialists. To this end, it draws on its expertise in real estate and mortgage fi-nance. By adopting this holistic advisory approach, Dr. Klein's 650 or so advisers analyse the overall situation of each customer.

Dr. Klein's relevant specialists analyse customers' specific needs in terms of loans, insurance, pension provision and investments for each phase of their life and advise them accordingly. Especially in cases where complex products are involved, what customers want is face-to-face advice and a long-term relationship with their adviser. As the largest franchise organisation in the financial services market, Dr. Klein benefits from its strong regional presence. Customers also expect their financial adviser to have an overview of the entire market and to be well-acquainted with all the product suppliers in the market. The latter presupposes that the adviser concerned is not reliant on any particular product provider.

The market in which independent providers of financial products operate continues to be highly competitive.

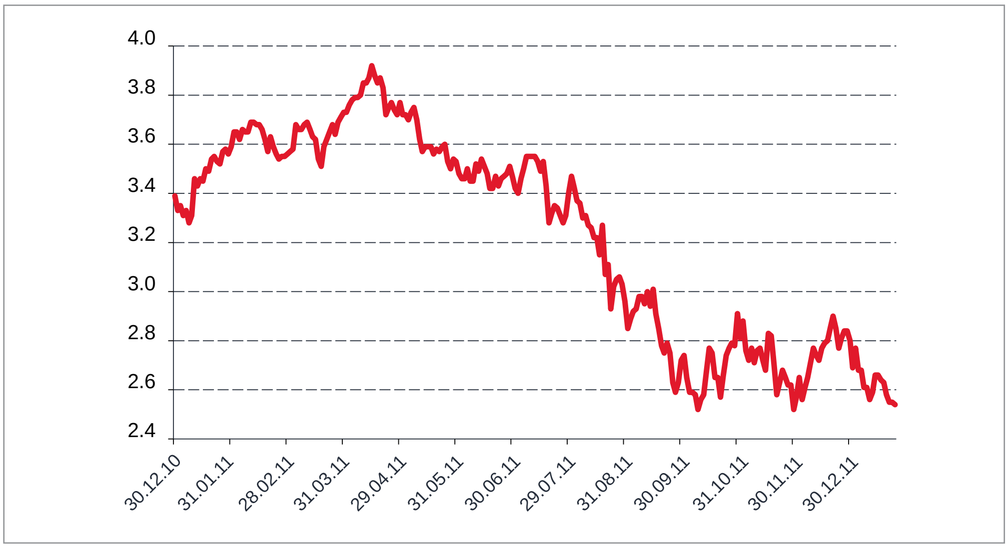
According to Bundesbank statistics, the total volume of mortgage finance provided in 2011 rose slightly year on year. Following a 5.2 per cent contraction in demand in 2010 to €185.0 billion, the total value of mortgages sold in Germany in 2011 grew by 4.0 per cent to €192.4 billion. This trend demonstrates that real estate is now in greater demand than ever, partly in order to mitigate the potential impact of mounting sovereign debt on personal pensions and savings.

Having fallen sharply in 2010, the level of business in personal loans remained low in 2011. The Bundesbank reckons that the total volume of personal loans provided in 2011 remained virtually unchanged year on year, declining by a modest 0.8 per cent to approximately €65.9 billion (2010: €66.5 billion).



Total volume of private mortage finance and personal loans (source: Deutsche Bundesbank)

The level of interest rates in Germany during 2011 was significantly influenced by European factors in addition to domestic market conditions. Ten-year swap rates rose slightly from the beginning of the year until April. Once Europe's sovereign debt and currency crisis started to intensify, swap rates and, consequently, building finance rates in Germany fell constantly until October. As the end of the year approached, interest rates temporarily rose slightly in October and December. As in 2010, the massive fall in interest rates boosted sales of financial products relating to real estate in 2011.



Ten-Year swap rates of the year 2011

Demand for building finance continued to grow in 2011, as it had done in the previous year. This trend is illustrated by the relevant Bundesbank statistics, which reveal that the monthly figures for January to October all exceeded the corresponding figures for 2010. The total value of building finance products sold in 2011 grew by 7.0 per cent year on year to €99.2 billion (2010: €92.7 billion).

2011 was a very challenging year for the insurance sector according to the German Insurance Association (GDV), which expects gross premium income across the insurance industry to have fallen by 1.2 per cent.

According to portfolio investment statistics compiled by the Federal Association of German Fund Management Companies (BVI), the total value of assets under management in Germany decreased by 1.9 per cent between 31 December 2010 and 31 December 2011. German investment companies had total fund assets of €1.497 trillion under management as at 31 December 2011 (31 December 2010: €1.525 trillion), of which roughly €651 billion (31 December 2010: €710 billion) was allocated to retail funds and €846 billion (31 December 2010: €815 billion) was attributable to specialised funds for institutional investors.

Consumers continued to generate increasing demand for conservative investments in 2011, with the result that Bundesbank statistics reported a rise in total funds invested in fixed-term, instant-access and savings accounts as at 31 December 2011, which grew by 3.4 per cent from €1,532.9 billion (31 December 2010) to €1,585.0 billion. As one of the leading online distributors of instant-access and fixed-term products, the Private Clients business unit benefited from this trend.

Financial Produkt Sales - Corporate Real Estate Clients

The sector of municipal and cooperative housing companies is characterised by a considerable degree of continuity. The level of housing starts in Germany has remained low for years. The disappearance of many lenders as a result of the finan-cial crisis has further exacerbated the stagnation in the market for new builds. It was not until almost the end of 2011 that activity in this segment picked up slightly. According to the German Housing and Property Companies Association (GdW), the firms organised in the GdW are likely to have built more houses and apartments than in 2010, although housing starts in general remained at a low level. In 2011 this sector continued to focus mainly on upgrading the existing housing stock through modernisation and refurbishment.

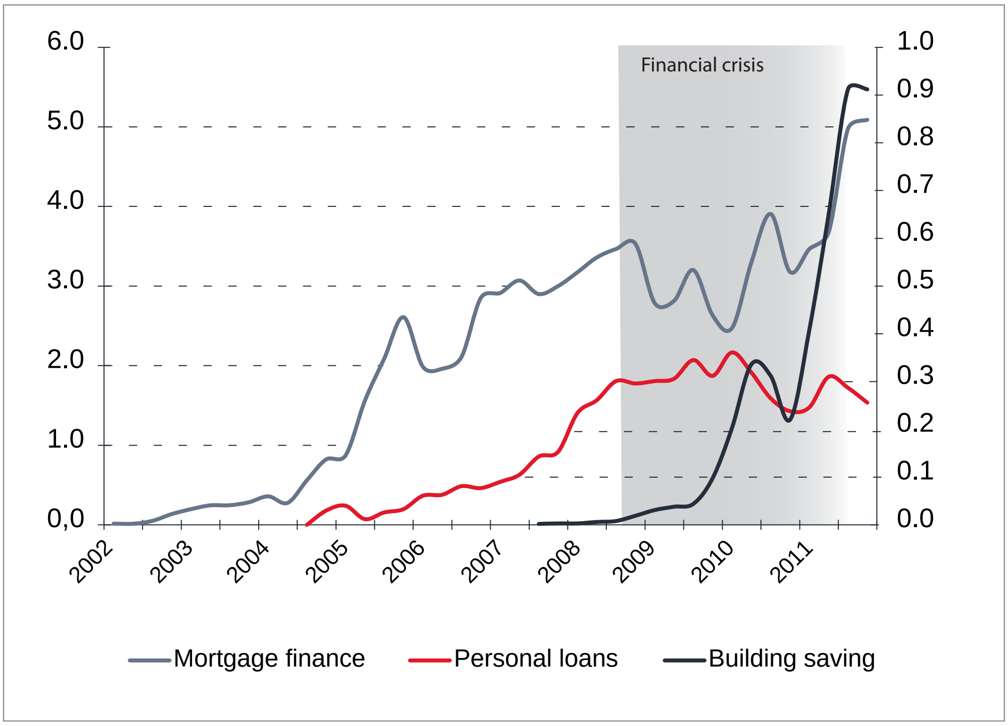
Whereas some banking partners withdrew from lending to the municipal and coop-erative housing sector, the German insurance industry significantly stepped up its lending activities in commercial real-estate finance in 2011. This trend especially benefited the Corporate Real Estate Clients business unit under the Dr. Klein brand. The insurance-related proportion of the commercial real-estate finance brokered by Dr. Klein rose sharply. Roughly €220 million of the total lending volume of €450 million brokered in the first half of 2011 went to insurers and pension funds. This proportion therefore increased to almost 50 per cent compared with 25 per cent in the first half of 2010 – at the expense of the banking sector. Although insurers are playing a greater role as lenders to the real-estate sector, however, their selling of insurance products to this industry still leaves a lot to be desired in many areas in terms of quality and the degree of specialisation. Insurers now no longer extensively offer the best-possible advice or the ability to buy reasonably priced insurance. This situation has benefited Dr. Klein, which provides expertise, consistent and high-quality advisory services, and a specialist product range for the real-estate sector.

B2B Financial Marketplaces - Financial Service Providers

The B2B financial marketplaces EUROPACE, GENOPACE (for cooperative banks) and FINMAS (for savings banks) are affected by the same economic environment as the Private Clients business unit described above. As the central marketplaces for processing mortgages, personal loans and building finance agreements, they reflect the trends in these aggregate markets. Bundesbank statistics reveal that the total volume of personal loans brokered contracted slightly in line with the overall market. By contrast, the strong demand for tangible assets fuelled significant growth in the total value of mortgages and building finance transactions processed on all B2B financial marketplaces in the Hypoport Group.

In addition to the products on offer, other economic factors that impact on financial product distributors and product suppliers are having an effect on the B2B financial marketplaces. The market share achieved by independent distributors is very im-portant for EUROPACE in this respect. The trend towards independent brokers continues unabated; studies even predict that more than half of all mortgage finance provided in five years' time will be sold by independent intermediaries. At the same time it is becoming evident that, apart from independent intermediaries, bank product distributors are also tending to collaborate with several product suppliers. They are increasingly using the GENOPACE or FINMAS platform solutions in order to reap the benefits of such a multi-lender model. This trend has boosted the Hypoport Group's business: the total number of partners for its B2B financial marketplaces rose to 165 in 2011 (2010: 141 partners).

Benign market conditions and the trend for customers to use the central B2B fi-nancial marketplaces had a direct impact on the volume of transactions: total busi-ness worth €21.2 billion was brokered via these transaction platforms between January and December 2011 (2010: €15.1 billion), which represented a year-on-year increase of 40.2 per cent. This made 2011 the most successful year to date for EUROPACE.



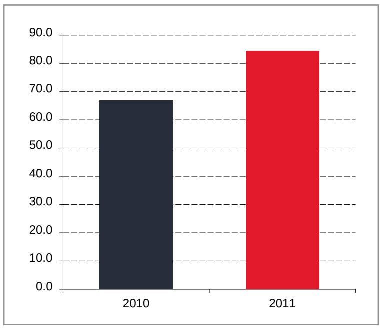
Volume of transactions on EUROPACE (€ billion)

B2B Financial Marketplaces - Institutional Clients

Institutional Clients, which was still the smallest of the Hypoport Group's business units in 2011, managed to retain its leading market position during the reporting year. Europe's securitisation market remained largely inactive last year in the wake of the financial crisis. Although small numbers of securitisations were successfully placed within corporate groups or with the European Central Bank, this type of trading was virtually non-existent in the capital markets. There is still strong demand for regular reporting of existing securitisations. This situation is benefiting our Amsterdam-based subsidiary Hypoport B.V. because it offers its EUROPACE for issuers platform, which was specially designed for this purpose. Hypoport man-aged to acquire further users in the Netherlands and its first partners in other Eu-ropean countries in 2011.

Revenue

The Hypoport Group continued to demonstrate the strength of its growth in 2011. Its revenue jumped by 26.2 per cent from €66.9 million to €84.4 million. The Company therefore once again met its target of achieving double-digit revenue growth. Selling expenses rose at a higher rate than revenue owing to a shift between higher-margin and low-margin revenue models in some cases. Nonetheless, gross profit still managed to achieve double-digit growth of 10.7 per cent, advancing from €40.3 million to €44.6 million.
The figures for revenue and selling expenses described below include revenue and selling expenses shared with other segments.

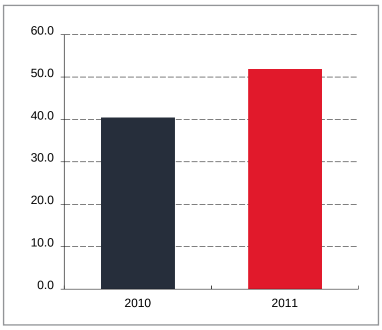


Group revenue (€ million)

Private Clients business unit

The Private Clients business unit, which specialises in online sales of financial products, once again generated significant growth in its revenue – which rose by 28.2 per cent to €51.8 million (2010: €40.4 million) – against a backdrop of varying market conditions.

As expected, the ongoing expansion of branch-based and agent sales – mainly of insurance – incurred higher selling expenses, which translated into a lower gross margin. Nonetheless, gross profit in this business unit rose by an impressive 6.4 per cent to €18.3 million (2010: €17.2 million).



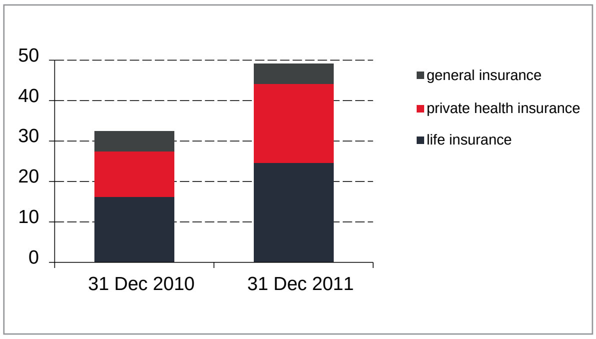
Private Clients revenue (€ million)

Private Clients	2011	2010
Revenue (€ million)	51.8	40.4
Selling expenses (€ million)	33.5	23.2
Net Revenue (€ million)	18.3	17.2

The loan brokerage product segment was expanded on the back of benign market conditions and its unique position as the leading franchise system in the financing market, reporting strong growth in its total volume of lending, which increased by 24.1 per cent from €3.11 billion to €3.86 billion.

	2011	2010
Volume of financing transactions (€ billion)	3.86	3.11
Volume of insurance transactions (€ million)	27.45	14.62
life insurance	11.51	6.51
private health insurance	14.08	6.94
general insurance	1.86	1.17

The massive expansion of the Company's presence in the insurance market generated significant growth stimulus, with the value of its transactions soaring by 87.8 per cent from €14.62 million in annual premiums to €27.45 million.

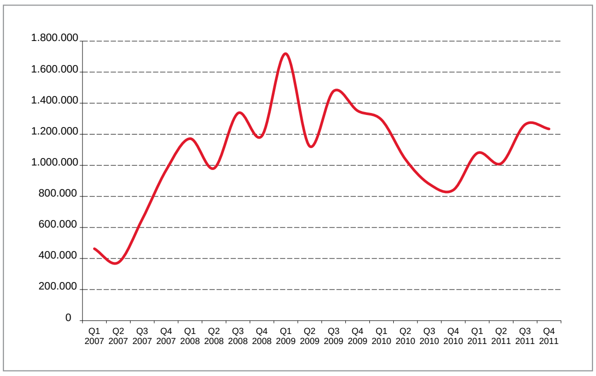


Portfolio of insurance policies/annual premiums (€ million)

As a result of this highly encouraging increase in new business the Company significantly expanded the portfolio of insurance policies under its management.

The year-on-year growth in this insurance portfolio enabled Hypoport to raise its annual life insurance premiums by 51.6 per cent from €16.25 million to €24.64 million, its annual private health insurance premiums by 74.2 per cent from €11.16 million to €19.44 million and its annual general insurance premiums by 1.8 per cent from €5.00 million to €5.09 million. The total portfolio of insurance policies under management therefore reached a new all-time high of €49.17 million in annual premiums at the end of 2011 compared with €32.41 million at the end of 2010.

Likewise, the number of leads acquired in 2011 rose by 0.5 million year on year to 4.6 million (2010: 4.1 million). This mainly reflects the increasingly important role played by the internet in promoting trust in financial products.



Number of Leads

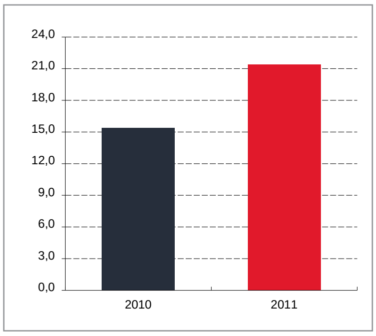
The number of advisers working in the various distribution channels of the Private Clients business unit was significantly increased and had reached a new all-time high by 31 December 2011. The map on the right gives an impressive overview of the extensive network of branches established by our franchisees in Germany as well as the Hypoport branches that are located in the major German commercial centres.

Distribution channels	31 Dec 2011	31 Dec 2010
Advisers in branch-based sales	643	544
Branches run by franchisees	177	178
Independent financial advisers acting as agents	3,434	2,877

Financial Service Providers business unit

Boosted by the buoyant real-estate market, the low level of interest rates and the trend towards independent financial product distributors, Financial Service Providers – the second-largest business unit – managed to meet the continued challenges posed by the considerable diversification in the supplier market that has existed since the outbreak of the banking crisis; consequently, this business unit sharply increased its revenue and transaction volumes in 2011.

The volume of transactions executed via the EUROPACE financial marketplace grew by 40.4 per cent year on year to a new record of €21.2 billion in 2011.



Financial Service Providers revenue (€ million)

The total volume of mortgage finance transactions completed in 2011 rose by 33.3 per cent to €17.2 billion (2010: €12.9 billion). The marketplace's ongoing ex-pansion into the cooperative and public-sector regional banking industry is having an increasing impact and accelerating the growth of EUROPACE.

The total value of building finance agreements and loans brokered via EUROPACE more than doubled year on year to €2.9 billion (2010: €1.1 billion). This reflected both the migration of Deutsche Postbank's financial advisory services to BOXL – the EUROPACE front-end mortgage finance sales platform specially devised for Postbank – as well as the encouraging trend towards the long-term hedging of interest-rate risk.

Our business in personal loans is still feeling the effects of weaker consumer demand and banks' reluctance to lend in the wake of the financial crisis. The value of personal-loan transactions generated via EUROPACE remained virtually unchanged year on year at €1.1 billion (2010: €1.2 billion).

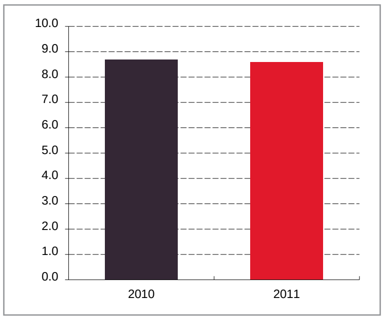
Revenue jumped by 39.0 per cent to €21.4 million (2010: €15.4 million) on the back of larger transaction volumes, the growth in collaborations and Packager-related business, and longer average fixed-interest periods. Selling expenses rose more strongly than revenue as a result of the sharp increase in low-margin collaborations and Packager-related business. Nonetheless, the gross profit earned in 2011 advanced by an impressive 23.9 per cent to €14.5 million (2010: €11.7 million).

EUROPACE	2011	2010
Volume of transactions (€ billion)	21.2	15.1
thereof mortgage finance	17.2	12.9
thereof personal loans	1.1	1.2
thereof building saving	2.9	1.0
Revenue (€ million)	21.4	15.4
Selling expenses (€ million)	6.9	3.7
Net Revenues (€ million)	14.5	11.7

More than 230 participants – a record figure – attended the 18th EUROPACE Conference that was held in September. The two main focal topics of interest at this gathering were building finance and the latest technological developments around EUROPACE 2.

Corporate Real Estate Clients business unit

The loan brokerage product segment in the Corporate Real Estate Clients business unit benefited from its exceptionally strong market position as the central in-termediary for high-quality commercial real-estate finance and managed to build successfully on the record results that it had achieved in 2010. This product seg-ment increased the volume of new business it brokered by a further 22.1 per cent to a record €1.8 billion. Including loan renewals it brokered in excess of €2.1 billion for the first time.



Corporate Real Estate Clients revenue (€ million)

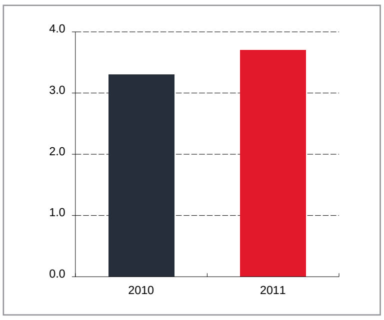
The fact that revenue remained flat while the total value of new loans brokered grew was largely attributable to the lower margins available on big-ticket transac-tions.

Corporate Real Estate Clients	2011	2010
Loan brokerage		
Volume of new business (€ million)	1,787	1,464
Volume of loan renewals (€ million)	363	325
Revenue (€ million)	8.6	8.7
Selling expenses (€ million)	0.4	0.4
Net Revenue (€ million)	8.2	8.3

Institutional Clients business unit

Institutional Clients, the smallest of the four business units, generated record revenue of €3.7 million in 2011 (2010: €3.3 million) from its EUROPACE for issuers product (for issuers of securitisations, pfandbriefs and other covered bonds).

Although the fallout from the financial crisis means that there are still hardly any securitisations being issued in the market, issuers are greatly in need of automation, advice and tools for increasing transparency as a result of portfolio asset sales, corporate restructuring and the issuance of covered bonds in return for central bank funding.



Institutional Clients revenue (€ million)

Institutional Clients	2011	2010
Revenue (€ million)	3.7	3.3
Selling expenses (€ million)	0.1	0.2
Net revenue (€ million)	3.6	3.1

HYPOPORT
THE FINANCE INTEGRATOR

2. Financial performance

	2011 €'000	2010 €'000	Change €'000	%
Revenue	84,386	66,912	17,474	26.1
Selling expenses	-39,903	-26,634	-13,269	49,8
Gross profit	**44,483**	**40,278**	**4,205**	**10.4**
Own work capitalised	4,021	5,742	-1,721	30.0
Other operating income	1,845	1,363	482	35.4
Personnel expenses	-26,690	-24,603	-2,087	8.5
Other operating expenses	-12,564	-11,633	-931	8.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,095**	**11,147**	**-52**	**0.5**
Depreciation, amortisation expense and impairment losses	-5,180	-4,721	-459	9.7
Earnings before interest and tax (EBIT)	**5,915**	**6,426**	**-511**	**8.0**
Net finance costs	-808	-1,603	795	49.6
Earnings before tax (EBT)	**5,107**	**4,823**	**284**	**5.9**
Current income taxes	-1.274	-301	-973	218.3
Deferred taxes	-84	-1,260	1,176	66.0
Profit from continuing operations, net of tax	**3,749**	**3,262**	**487**	**14.1**

The pronounced improvement in the Hypoport Group's revenue that had been evident since the beginning of 2010 continued unabated in 2011. 2011 was the most successful year in the Company's history to date. All business units managed to sustain their growth strategies. On the other hand, the Hypoport Group's profitability was dented by the decrease in own work capitalised.

Against the backdrop of the operating performance described above, earnings before interest, tax, depreciation and amortisation (EBITDA) remained more or less flat, while earnings before interest and tax (EBIT) fell by 8.0 per cent to €5.9 million (2010: €6.4 million). The EBIT margin (EBIT as a percentage of gross profit) declined accordingly from 16.0 per cent to 13.3 per cent.

Own work capitalised relates to the pro-rata personnel expenses and operating costs incurred by the expansion of the EUROPACE platform.

Other operating income mainly comprises income of €462 thousand (2010: €532 thousand) from the reversal of provisions, employee contributions to vehicle purchases of €448 thousand (2010: €348 thousand), and insurance compensation of €358 thousand (2010: €28 thousand).

Personnel expenses rose in line with the increase in the average headcount for the year from 452 employees to 478 and the higher bonuses paid.

The rise in other operating expenses mainly relates to operating expenses of €4.755 million (2010: €4.266 million) and other selling expenses of €2.360 million (2010: €1.887 million), whereas administrative expenses fell to €3.756 million (2010: €4.046 million).

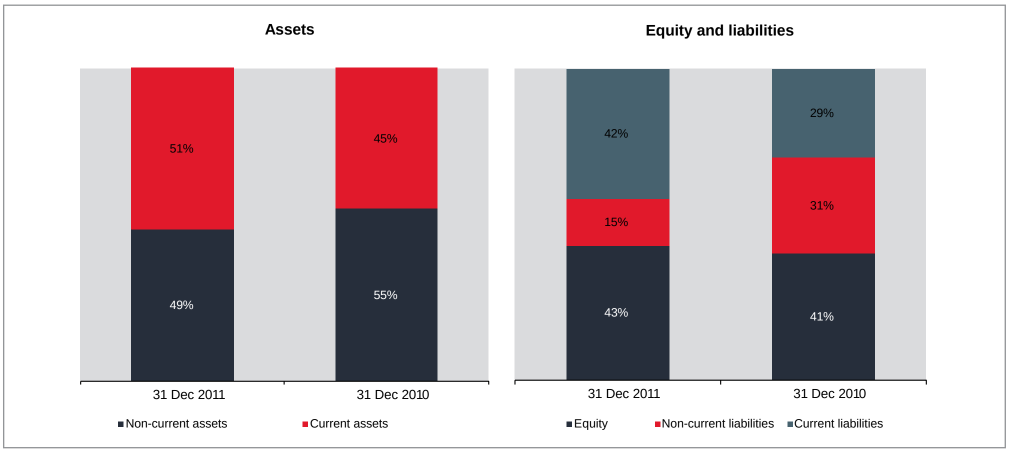
The net finance costs mainly comprise interest expense and similar charges of €1.023 million (2010: €1.291 million), which stemmed from bank loans totalling €17.4 million (2010: €20.0 million).

3. Net assets

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2011 is based on the balance sheet figures ag-gregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as ‚current', while all others – unless shown separately – are reported as ‚non-current'.

Assets	2011 €'000	2011 %	2010 €'000	2010 %	Change €'000	Change %
Intangible assets	27,867	38.5	27,809	41.5	58	0.2
Property, plant and equipment	2,452	3.4	2,431	3.6	21	0.9
Financial assets	985	1.4	501	0.7	484	96.6
Trade receivables	2,498	3.5	5,004	7.4	-2,506	-50.1
Other assets	26	0.0	26	0.0	0	0.0
Deferred tax assets	1,218	1.7	1,277	1.9	-59	-4.6
Non-current assets	**35,046**	**48.5**	**37,048**	**55.2**	**-2,002**	**-5.4**
Trade receivables	25,115	34.8	15,453	23.0	9,662	62.5
Other current items	3,862	5.4	3,039	4.5	823	27.1
Income tax assets	595	0.8	438	0.7	157	35.8
cash and cash equivalents	7,518	10.4	11,200	16.7	-3,682	-32.9
Current assets	**37,090**	**51.5**	**30,130**	**44.8**	**6,960**	**23.1**
Total assets	**72,136**	**100.0**	**67,178**	**100.0**	**4,958**	**7.4**
Equity and liabilities						
Subscribed capital	6,195	8.6	6,195	9.2	0	0.0
Treasury shares	-1	0.0	-13	0.0	12	-92.3
Reserves	24,855	34.4	21,020	31.4	3,835	18.2
	31,049	43.0	27,202	40.5	3,847	14.1
Non-controlling interest	220	0.3	188	0.3	32	17.0
Equity	**31,269**	**43.3**	**27,390**	**40.8**	**3,851**	**14.2**
Financial liabilities	7,769	10.8	17,914	26.7	-10,145	-56.6
Provisions	299	0.4	437	0.7	-138	-31.6
Other current liabilities	10	0.0	10	0.0	0	0.0
Deferred tax liabilities	2,219	3.1	2,194	3.3	369	1.1
	10,297	**14.3**	**20,555**	**30.6**	**-9,914**	**-49.9**
Provision	281	0.4	172	0.3	109	63.4
Financial liabilities	10,890	15.1	2,680	4.0	8,210	306.3
Trade payables	12,176	16.8	9,631	14.2	2,545	26.4
Income tax liabilities	905	1.3	148	0.2	442	511.5
Other current liabilities	6,318	8.8	6,602	9.8	-285	-4.3
Current liabilities	**30,570**	**42.4**	**19,233**	**28.5**	**11,021**	**58.9**
Total equity and liabilities	**72,136**	**100.0**	**67,178**	**100.0**	**4,958**	**7.4**

The Hypoport Group's consolidated total assets as at 31 December 2011 amounted to €72.1 million, which was a 7.4 per cent increase on the total as at 31 December 2010 (€67.2 million).



Balance sheet structure

Non-current assets totalled €35.0 million (31 December 2010: €37.0 million). This amount included goodwill which, at an unchanged €14.8 million, remained the largest non-current asset on the balance sheet.

Financial assets essentially comprise a loan of €813 thousand (31 December 2010: €375 thousand) to a joint venture.

Current assets grew by €7.0 million, primarily as a result of the €9.7 million increase in trade receivables on the back of the higher revenue. By contrast, cash and cash equivalents decreased by €3.7 million.

The equity attributable to Hypoport AG shareholders as at 31 December 2011 grew by €3.8 million, or 14.1 per cent, to €31.0 million. The equity ratio rose from 40.8 per cent to 43.3 per cent despite the increase in total assets.

The €10.3 million decrease in non-current liabilities to €10.3 million stemmed primarily from the fall in non-current financial liabilities. This was mainly because three non-current loans for €8.1 million were reclassified as current financial liabilities owing to their agreed terms to maturity.

This effect in particular increased current liabilities by €11.3 million to €30.6 million. Other current liabilities mainly comprised advance commissions received totalling €1.7 million (2010: €1.6 million) and bonus commitments of €2.4 million (2010: €2.8 million).

Total financial liabilities fell by €1.9 million to €18.7 million largely as a result of scheduled repayments.

4. Financial position

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

	31 Dec 2011 €'000	31 Dec 2010 €'000	Change €'000
Current liabilities	30,570	19,233	11,337
Cash and cash equivalents	7,518	11,200	-3,682
	23,052	8,033	15,019
Other current assets	29,572	18,930	10,642
Surplus cover	**6,520**	**10,897**	**-4,377**

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

	31 Dec 2011 €'000	31 Dec 2010 €'000	Change €'000
Non-current assets	35,046	37,048	-2,002
Equity	31,269	27,390	3,879
	3,777	9,658	-5,881
Non-current liabilities	10,297	20,555	-10,258
Surplus cover	**6,520**	**10,897**	**-4,377**

121 per cent (2010: 157 per cent) of the current liabilities of €30.570 million (2010: €19.233 million) are covered by current assets.

89 per cent (2010: 74 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 Dec 2011	31 Dec 2010
Return on investment = EBIT / (equity + non-current liabilities)	14.2 %	13.4 %
Cash flow (CF) return on equity = CF from operating activities / equity	14.5 %	36.5 %
EBIT margin = EBIT / gross profit	13.3 %	16.0 %
Tier-1 liquidity = cash and cash equivalents / current liabilities	24.6 %	58.2 %
Equity ratio = equity / total equity and liabilities	43.3 %	40.8 %
Gearing = liabilities / total equity and liabilities	56.7 %	59.2 %
Tier-1 capital ratio = equtiy / (intangible assets + property, plant and equipment)	103.1 %	90.6 %

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 €1.1 million to €9.1 million (2010: €8.0 million). The total net cash provided by operating activities as at 31 December 2011 amounted to €4.7 million (2010: €10.0 million). The reduction in cash flow compared with 2010 was mainly attributable to the fact that the cash used for working capital rose by €6.4 million to €4.4 million (2010: decrease of €3.3 million in cash used for working capital).

The net cash outflow of €5.7 million from investing activities (2010: net outflow of €7.7 million) stemmed primarily from the €4.4 million increase in capital expenditure on non-current intangible assets.

The net cash outflow of €2.6 million from financing activities (2010: net cash inflow of €1.7 million) largely relates to the repayment of €2.6 million of loans.

Cash and cash equivalents as at 31 December 2011 totalled €7.5 million, which was €3.7 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 €8.255 million related to rentals and leases covering a number of years. Included in the other financial commitments are commitments of €2.396 million due within one year and €5.859 million due in one to five years.

Summary assessment of the Company's financial position and financial per-formance at the time the management report was prepared

Based on the information available at the time the management report was prepared, the Company's financial position and financial performance have been consistent.

5. Capital expenditure and finance

The main capital expenditures in 2011 related to the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces.

Other capital expenditure during the reporting period related to investment in office furniture and equipment and in externally generated software.

Capital expenditure was mainly financed by positive operating cash flow.

6. Unrecognised assets

The brokerage activities of the Private Clients and Corporate Real Estate Clients business units provide Hypoport with information on its clients' assets and revenue and on the financial products sold to them. This client base and transaction portfolio constitute an unrecognised asset, because Hypoport can use this information to sell further suitable financial products to the same client in future. For example, Hypoport 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 its Financial Service Providers business unit, Hypoport provides several thou-sand financial advisers with access to its EUROPACE marketplace so that they can process their new business in mortgages, building finance and personal loans. This enables Hypoport to assemble a 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 EUROPACE marketplace and constitutes a significant unrecognised asset. Furthermore, Hypoport can enable affiliated financial advisers to participate in the renewal or refinancing of financial products that have already been brokered on the EUROPACE marketplace, for which it can earn additional transaction-related fees.

Moreover, Hypoport possesses a valuable brand that is becoming increasingly well-known; this is particularly true of its Private Clients business. Dr. Klein regularly comes top in the product tests and reviews conducted by independent consumer organisations, and the growing number of regional franchisees 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 the Company. This constitutes a significant unrecognised asset for Hypoport, because a trusted brand provides a valuable competitive advantage in the sale of financial products.

In its Institutional Clients business unit, Hypoport has long-term licensing and ser-vice agreements on the provision of EUROPACE for issuers for the reporting of ABS transactions throughout their term, which usually runs for many years. These agreements provide Hypoport with long-term income streams and client relation-ships.

7. Procurement and distribution

Financial Product Sales - Private Clients

By intensifying our online marketing activities for drklein.de and vergleich.de and focusing on acquiring high-quality leads, we continued to provide a sound basis on which to generate sustainable growth in online sales in 2011.

The systematic development of our franchise-based branch sales network was also continued to great effect in 2011. We have so far managed to acquire 148 franchisees (2010: 146) for our stationary distribution channel. By 31 December 2011, 643 advisers (end of 2010: 544) were working in our six (end of 2010: six) flagship stores and at the 177 (end of 2010: 174) branches of our franchise partners.

The franchise systems for mortgage finance and insurance products sold by Dr. Klein and Freie Hypo, which had previously been run separately, were merged under the Dr. Klein brand to exploit potential synergies and cross-selling opportunities. However, advisers will retain their specialisation in either mortgages or insurance and pension products under this ‚new' brand.

In 2011 we continued to recruit new partner banks and insurance companies as product suppliers. Because it offers a broad range of products from more than 100 partners, Dr. Klein is setting a clear benchmark against which other financial product distributors are measured. Furthermore, Dr. Klein's growing sales volumes are gradually helping to improve its purchasing terms and conditions, which has significantly strengthened its competitiveness.

Financial Product Sales - Corporate Real Estate Clients

The financial crisis continued to have a considerable impact on the producer market. The trend for some business to gradually shift from banks to insurers and pen-sion funds – something that had already been observed in 2010 – continued in 2011 in anticipation of the introduction of Basel III and Solvency II. We continued to step up our collaboration with insurance companies in 2011 as a response to banks' reluctance to lend and in order to minimise much of the risk of becoming reliant on individual producers. The newly acquired partners helped to broaden Dr. Klein's product range further and they increased the variety of products available to our clients.

There is brisk demand for our loan and collateral analysis advisory products and our EUROPACE WoWi software program. These products help strengthen our client loyalty and provide us with vital support in our attempts to acquire new sources of finance.

We are constantly expanding the range of insurance products that we offer the real-estate sector. In addition to the usual types of insurance available, Dr. Klein regularly provides specialist information on current and future issues concerning the real-estate industry.

B2B Financial Marketplaces - Financial Service Providers

Apart from signing up new partners for this platform, we continued to broaden its functionality and refine its technology in 2010, a process in which we increasingly tend to involve our existing partners.

In order to ensure that our EUROPACE marketplace prospers, we need, above all, to attract new distribution partners and product suppliers and to strengthen our business relationships with existing partners and suppliers.

Despite the fact that our partner-specific financial marketplaces GENOPACE and FINMAS are still fairly new, they are already being used by 54 (2010: 45) and 33 (2010: 19) partner entities respectively, while the total number of partners access-ing our EUROPACE platform rose from 141 at the end of 2010 to 165 as at 31 December 2011. These organisations, which include Germany's largest banks, building finance associations and financial product distributors, provide several thousand users with a fully integrated method of purchasing financial services on EUROPACE.

The constantly growing number of major partners on both sides (i.e. distributors and product suppliers) is enhancing the marketplace's appeal to new partners. In 2011 this network effect continued to boost demand for access to this marketplace, thereby consolidating EUROPACE's prominent position in the market.

In order to increase the platform's efficiency and the volume of transactions it can process, our subsidiaries continued to invest heavily in the expansion of the IT infrastructure in 2011. This created considerable spare capacity, which improved the platforms' performance.

B2B Financial Marketplaces - Institutional Clients

Our subsidiary Hypoport B.V. continues to be successful in offering our service for issuers. It handled projects for customers in Germany, the United Kingdom, Greece and South Africa as well as for our established customers in the Netherlands.

8. Employees

The number of employees in the Hypoport Group rose significantly in line with rev-enue growth and stood at 489 people as at 31 December 2011. This was an increase of 7 per cent on the end of 2010 (31 December 2010: 455 people). The average number of people employed in 2011 was 478, which was a year-on-year increase of 6 per cent (2010: 452 people).

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

	31 Dec 2011 Anzahl	%	31 Dec 2010 Anzahl	%	Change Anzahl	%
Financial Product Sales - Private Clients	123	25	161	35	-38	-24
Financial Product Sales - Corporate Real Estate Clients	38	8	36	8	2	6
B2B Financial Marketplaces - Financial Service Providers	105	21	84	18	21	25
B2B Financial Marketplaces - Institutional Clients	16	3	16	4	0	0
Information Technology	97	20	101	22	-4	-4
Administration	110	22	57	13	53	93
	489		455		34	7

In today's business environment 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's ability to compete and adapt in future. The Company's human resources management strategy is therefore geared to identifying, recruiting, retaining and developing the right people as Hypoport employees. In order to achieve these goals, the Company is constantly taking steps to ensure that it provides all members of staff with the necessary training and development opportunities and optimises the working atmosphere.

The quality of cooperation between managers, co-workers and other employees is absolutely key to the Company's success. The manner in which we interact with each other is therefore characterised by a spirit of respect and openness, thereby avoiding unfair behaviour.

Hypoport uses a number of tools to encourage a performance-driven culture and an entrepreneurial mindset among its workforce. The mandatory ‚development and performance dialogues' held twice a year provide a convenient setting in which managers and their staff can have a structured discussion on issues such as aspirations, career opportunities and performance incentives.

Hypoport's employees form an integral part of the Company's success and bear their share of the responsibility for achieving its goals. Part of their remuneration is therefore often contingent on the attainment of pre-defined targets and objectives. Depending on their effectiveness and the position of the employee concerned, these targets are based either on the Company's net profit or on the performance of individual business units. Performance-related remuneration systems that enable the workforce to share in the firm's success increase personal responsibility and encourage teamwork. In addition, the Company pays contributions to government or private pension insurance providers under the terms of its pension scheme. Contributions are either voluntary or based on statutory or contractual requirements.

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 home office solutions, childcare facilities at some sites and customised schemes that make it easier for employees to return to work after they have taken parental leave.

Hypoport's activities and numerous projects in the reporting year placed excep-tional demands on our workforce. We would like to take this opportunity to thank all members of staff wholeheartedly for their valuable contribution and their commit-ment.

9. 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.

10. Remuneration report

The overall structure and level of the remuneration paid to the Management Board are determined by the Supervisory Board, which currently comprises its chairman Dr Ottheinz Jung-Senssfelder, its vice-chairman Professor Dr Thomas Kretschmar, and Christian Schröder. Both the structure and amount of this remuneration are reviewed regularly, most recently in the summer of 2011.

The total remuneration paid to the members of the Management Board in 2011 was composed of a fixed annual salary, a guaranteed performance-related salary, a variable year-end payment, and non-cash remuneration.

The main criteria used to assess the appropriateness of remuneration are the functions and responsibilities of the respective Management Board member, his or her personal performance and the financial situation, performance and prospects of Hypoport AG.

The variable year-end payment must be no more than the total of the respective annual basic and performance-related salaries. The calculation of the year-end payment for 2011 was based on the Company's EBIT figure as reported in its IFRS consolidated financial statements less €5 million. The year-end payment amounts to 5 per cent of this basis of calculation. It falls due when the Supervisory Board adopts the single-entity annual financial statements and approves the consolidated annual financial statements of Hypoport AG.

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 2011.

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, annuities or similar benefits have been agreed with any of the members of the Management Board. The remuneration paid to the Management Board for 2011 totalled €1.127 million and was broken down as follows:

	Fixed remuneration[1]		Variable remuneration		Other remuneration		Total remuneration	
€'000	2011	2010	2011	2010	2011	2010	2011	2010
Ronald Slabke	204	192	58	30	11	15	273	237
Thilo Wiegand	204	192	58	30	13	15	275	237
Hans Peter Trampe[2]	204	112	58	30	10	6	272	148
Stephan Gawarecki[2]	204	112	58	30	45	32	307	174
Prof. Dr. Thomas Kretschmar[3]	0	80	0	0	0	0	0	80
Total	**816**	**688**	**232**	**120**	**79**	**68**	**1,127**	**876**

1) The fixed remuneration includes the guaranted bonus

2) Hans Peter Trampe and Stephan Gawarecki were appinted to the Management Board of Hypoport AG with effect from 1 June 2010.

3) Prof. Dr. Thomas Kretschmar resigned from the Management Board of Hypoport AG with effect from 31 May 2010.

The remuneration paid to the 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 4 June 2010 and consists of three components: an annual fixed remuneration, special remuneration for the chairman and vice-chairman of the Supervisory Board, and a performance-related element.

Pursuant to section 12 of the Company's statutes, the members of the Supervisory Board receive a fixed remuneration of €12,000.00 for every full financial year during which they serve on the Supervisory Board, plus reimbursement of their out-of-pocket expenses. In addition, the members of the Supervisory Board receive a variable remuneration equivalent to 0.1 per cent of any positive earnings before interest and tax (EBIT) as reported in the Company's IFRS consolidated annual financial statements, but in any event no more than €5,000, for every full financial year during which they serve on the Supervisory Board.

Both the fixed and variable remuneration are 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 and variable 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 and variable 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 paid to the Supervisory Board for 2011 totalled €80 thousand and was broken down as follows:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
in TEUR	2011	2010	2011	2010	2011	2010	2011	2010
Dr. Ottheinz Jung-Senssfelder	24	24	10	10	2	3	36	37
Prof. Dr. Thomas Kretschmar[1]	18	18	7	7	0	0	25	25
Christian Schröder	12	12	5	5	2	1	19	18
Total	**54**	**45**	**22**	**22**	**4**	**4**	**80**	**80**

1) Prof. Dr. Thomas Kretschmar was elected to the Supervisory Board of Hypoport AG with effect from 4 June 2010.

11. Disclosures under German takeover law

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

Composition of subscribed capital

The Company's subscribed capital amounted to €6,194,958.00 at the end of 2010. It is divided into 6,194,958 no-par-value registered shares.

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

Restrictions on voting rights and the transfer of shares

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

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

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

Ronald Slabke, Berlin, holds 36.19 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1), sentence 1, no. 1 of the German Securities Trading Act (WpHG).

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.26 per cent of Hypoport's shares. Of these, the 0.26 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

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 sharehold-ers 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 ap-pointment 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 inter-ested 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

With approval of a resolution at the Annual Shareholders' Meeting on 1 June 2007, the Management Board was authorised, subject to the consent of the Supervisory Board, at any time up to 31 May 2012 to increase the subscribed capital of the Company by way of an issue of no-par-value registered shares for cash and/or non-cash contribution, on one or more occasions, by up to a maximum of €3,000,000.00. The Management Board can decide to disapply the statutory pre-emption rights of the shareholders, subject to the consent of the Supervisory Board.

The Annual Shareholders' Meeting held on 4 June 2010 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 of the German Stock Corporation Act (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 3 June 2015. The resolution adopted by the Annual Shareholders' Meeting of Hypoport AG on 5 June 2009 authorising the Management Board to purchase treasury shares was set aside when the resolution issuing this new authorisation came into effect. 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.

The Annual Shareholders' Meeting on 26 August 2002 approved a conditional capital increase of up to €276,808.00 in the Company's subscribed capital, which now amounts to €122,650.00. The purpose of the conditional capital increase was to allow share options to be granted to employees, members of the Management Board and to directors of Hypoport Group companies. The share option programme ended on 31 December 2010. Since it is no longer possible to issue shares from conditional capital in connection with the exercise of share options, the authorisation for the conditional capital has been set aside.

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

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

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

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

12. Corporate management declaration

Hypoport AG has issued the declaration required by section 289a (1) HGB and has made it permanently available to the public on the Company's website at www.hypoport.com.

II. Opportunities and risks report

It is not possible for medium-sized companies such as the Hypoport Group to influence or control fundamental overarching risks. Hypoport'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 management first and foremost as an entrepreneurial function that consists of exploiting opportunities whilst weighing up the risks that arise from doing so 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 a risk management and early-warning system as required by section 91 (2) AktG. All risks are registered, measured and monitored on a quarterly basis. The Hypoport Group's early-warning system for risk is adjusted as soon as possible to reflect changes in the market environment.

1. Integrated risk management system

Internal monitoring system

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

The security and reliability of our IT infrastructure is constantly being refined and is regularly reviewed. The same applies to the Company's compliance with data pro-tection regulations.

Financial planning and reporting

Strategic, operational and functional financial planning and reporting are conducted in all business units and are based on regular strategic reviews. 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.

The achievement of these targets and objectives (target/actual comparison) is analysed at all managerial levels in the form of regular meetings, at which control measures are agreed and their effectiveness is reviewed.

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 imple-mented throughout the Hypoport Group.

From the full range of risks to which we are exposed, we have described below the types of risk that we consider to be material at present.

2. Aggregate risk

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. At present we have not identified any additional risks that might jeopardise the Company as a going con-cern.

3. Macroeconomic risk

Through its various business units, the Hypoport Group serves a number of target groups in diverse product segments. It is therefore affected by the performance of its individual target markets, its competitors in each market and, in particular, the real-estate and capital markets.

A sustained decline in market share and market potential owing to heightened competitive pressures in its business units' respective target markets could have an adverse impact on the performance of the Hypoport Group's business if the profitability of its businesses were impaired. The Hypoport Group took account of this factor by investing in innovation, distribution and quality improvements in 2011 and plans to do the same in 2012. These measures improved its competitive position last year.

The most important macroeconomic risk continues to be a slackening of demand for mortgage finance, 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 German housing market has remained flat in terms of prices and volumes for many years now, with government intervention regularly causing temporary sharp fluctuations. Given the stable population figures, the slight rise in per capita demand for housing, the weak propensity to invest in residential property as a form of pension provision and the stability of construction prices due to the stiff competition, we believe that conditions in the German housing market will remain stable over the next few years, so we cannot expect to see any significant positive or negative changes in the market.

The interest rate on long-term investments, which serve as the benchmark rate on property finance, could also have a significant impact on the demand for finance and, consequently, on the performance of both Dr. Klein as a financial product distributor and EUROPACE as a financial marketplace. A sharp rise in long-term interest rates might curb demand for such finance, while lower interest rates could stimulate it. We expect interest rates to remain low against a backdrop of persistently challenging economic conditions. The year-to-date trend in 2012 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 – and, consequently, the risk to which it is exposed – is strictly limited.

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. However, recent studies suggest that the internet is becoming an increasingly accepted medium by private clients and in business transactions. Even the long-running debate about the security of the internet and the data it transmits has not curbed its growing use in recent years. The internet's growing 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 impairments of the internet's availability.

The Hypoport Group increasingly serves a large number of target groups in various product segments, which reduces its dependence on individual markets. When assessing their target markets, management and product distributors constantly use the internal and external information sources available so that they can identify any imminent changes in these markets before they occur.

If the revenue in one of our business units falls, the low probability of a fall in earnings elsewhere and the low anticipated fall in such earnings therefore mean it is unlikely to give rise to risks that jeopardise the continued existence of the Company as a whole.

The financial services market is growing rapidly. In particular, changes to the sys-tem of retirement pensions towards more responsibility for the individual, increasingly complex products and the disintegration of traditionally established (banking) market structures are fuelling the growth of innovative product distribution concepts such as Dr. Klein.

At the same time, however, the market is undergoing a period of consolidation. Increasingly restrictive legal requirements and technological innovations demand that companies operate on an efficient scale. The need to achieve this critical mass is currently driving the market in mergers and acquisitions. The Hypoport Group will be an active player rather than a target in this process. 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.

4. Operational risk

Information technology (IT) is key to all the Hypoport Group's business models. If the EUROPACE platform were to fail, this would reduce the revenue generated by the transaction-based business models on the B2B financial marketplaces and impair the work of our Dr. Klein financial product distribution and could damage the Hypoport Group's general reputation as a technology partner.

The Company therefore pursues a Group-wide IT strategy to mitigate its IT risks. When selecting our IT systems we usually opt for software packages supplied by reputable providers, supplementing them where necessary with proprietary soft-ware developed specifically for Hypoport. To ensure that they work properly, we subject all IT systems to rigorous testing before they go live. The operation of critical infrastructure is outsourced to specialist service providers. Our internal IT systems are protected physically and systemically against unauthorised access.

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.

Timely and high-quality product development forms the backbone of any service-driven technology company. We have clearly defined 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.

5. Financial risk

As a medium-sized company, the Hypoport Group 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 borrow sufficient amounts, the Hypoport Group maintains business relationships with several banks. It discusses its future borrowing requirements with these institutions in a timely fashion. We subject our banking part-ners 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.

The Company's liquidity is maintained by a central liquidity management system. In addition, the Hypoport Group can draw on credit lines from its partner banks.

A further aspect of the Company's financial risk is the credit risk attaching to its receivables. The Management Board centrally approves the funds it lends as part of its operating activities, and these approved lending limits are documented in the Company's electronic manual. Most of the Hypoport Group's accounts receivable are owed by employees and medium-sized or large financial service providers.

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 should 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. These are supported by an early-warning system in the form of financial and revenue planning across all business units. This enables the Company to discuss its financial requirements with its lenders in a timely manner.

6. Strategic risk

Strategic risks can arise if the Company's management misjudges significant developments and trends in the financial services sector or fails to identify them at a sufficiently early stage. This can result in key decisions being made which, in terms of the achievement of the Company's long-term objectives and targets, prove with hindsight to be disadvantageous and may be difficult to reverse.

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 our long-term planning. 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 domestic and international environment and keep our strategic market position under constant review. This enables us, where necessary, to respond to changing market conditions by adjusting our business model or processes. When formulating such strategic initiatives, the Management Board liaises closely with the Supervisory Board.

This system ensures that strategic risk is identified on a timely basis and preventive action can be taken at a sufficiently early stage.

7. 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 (2) no. 5 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 and clearly allocated areas of responsibility.

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

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

There is an effective system of standards and policies (e.g. accounting standards, payment guidelines, travel policy etc.) which is constantly updated.

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.

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Incoming and outgoing accounting data is subject to regular random checks to ensure that it is complete and accurate. Software is used to carry out in-built validation checks – as part of payment runs, for example.

Appropriate controls have been integrated into all the processes relevant to financial reporting (e.g. checking by a second member of staff, analytical checks).

All material separate financial statements for the Group companies that are included in the consolidated financial statements are audited by an external auditor or sworn auditor at least once a year.

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

The financial reporting 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 financial reporting function also acts as a central contact point at Group level for special issues in the Group, such as specific accounting questions. Special analysis requested by the Management Board during the year is also carried out by the financial reporting and financial control functions.

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 possi-ble to take appropriate swift action.

Processes connected with financial reporting are regularly reviewed for efficiency and effectiveness and they are subject to an ad-hoc (non-process based) internal audit.

As far as possible, standard software is used for the Company's financial systems.

The IT systems used for financial reporting are protected from unauthorised access by special security devices.

The main features of Hypoport AG's existing internal risk management system applicable to the (consolidated) financial reporting process are described below.

The objective of the risk management system is to identify potential risks at an early stage and, where possible, to take appropriate action to counter them as quickly as possible. The Management Board is responsible for setting up and monitoring the system. The risk management system is part of the Group's planning, control and reporting process.

The principles on which the risk management system is based include the responsibility of each employee to prevent losses to the Company, and they lay down certain procedures and aids for fulfilling this responsibility. This applies in particular to financial reporting.

Risk is assessed by comparing the likelihood of risks occurring with the potential losses they may cause, and outcomes of individual risks are collated to form a risk portfolio.

The risk management system includes quarterly reports that all departments, including financial reporting, are required to submit and a procedure for reacting quickly to sudden negative developments. Actions to avert or minimise risk are defined and categorised.

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

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

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 the 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 itself, systematic controls undertaken by internal and external auditors and the early identification of risk by the risk management function ensure that financial reports are error free and coherent.

In particular, this ensures that financial reporting at Hypoport AG and across the Hypoport Group is carried out uniformly and in line with statutory requirements, generally accepted accounting principles, international accounting standards and Group policy. It also ensures that transactions are recorded, recognised and eval-uated 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.

8. 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, defective controls, 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.

9. Opportunities

We assess and exploit the opportunities that arise for us and our business at all levels of the Group. We monitor trends and developments in our product areas and identify operational opportunities. We proceed with projects if the probable income exceeds the associated costs.

In terms of revenue, we benefit from our diversified business model, which makes Hypoport ideally placed in a highly competitive market. This means that the Group is in an excellent starting position for the next growth phase that will begin as soon as the markets have recovered.

We concentrate closely on our target groups by using our multi-channel sales strategy to ensure that we optimise our customer focus.

Our lean structures shorten our decision-making channels and allow us to respond quickly to customer preferences and market trends.

Growing demand for financial provision for old age is a long-term trend that is set to continue as life expectancy increases and the birth rate falls. Privately funded pensions will continue to gain in importance given the current challenges faced by countries and their governments in overcoming the present economic crisis. The importance of professional financial product distributors, who offer independent advice and allow customers to select the best product for them, will continue to grow.

III. Events after the balance sheet date

After the balance sheet date there were no particularly significant events that would have affected the presentation of the Company's financial position or financial performance.

IV. Outlook

The International Monetary Fund is forecasting global economic growth of 3.3 per cent for 2012. The problems in the banking and financial sectors will continue to pose a challenge worldwide over the coming year. The imbalance in the US government's fiscal position and the severely strained public finances of industrialised nations as a whole will act as an additional drag on global growth. Energy and commodity prices are further key factors that will affect the performance of the economy during the current year.

The Federal Ministry of Economics and Technology is predicting that Germany's gross domestic product (GDP) will grow by 0.7 per cent in 2012. At 2 per cent, its forecast for German export growth this year is much lower than in 2011 because it expects the European economy to continue to weaken. Growth is gradually shifting towards domestic demand, as it has done in recent years. The continued buoyancy of the labour market will give an added stimulus to consumer spending.

The Main Association of the German Construction Industry (HDB) reckons that 2012 will see German building firms continue to benefit from the crisis in capital markets. Consequently, the ongoing uncertainty prevailing in capital markets means that more capital will be switched into residential property investments. The HDB expects to see especially strong growth in house-building this year.

The low level of interest rates at the beginning of 2012 will probably continue to boost mortgage finance business. The persistence of Europe's sovereign debt and currency crisis suggests that interest rates in Germany are set to remain flat in the short term. The strict austerity policies being pursued by EU member states will initially reduce their economic output, particularly in highly indebted eurozone countries. However, the implementation of the rescue packages and further political solutions for the euro zone as a whole might cause interest rates in Germany to rise over the course of the year. Higher interest rates could temporarily dampen demand for mortgage finance.

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The other general parameters influencing the Hypoport Group's sector remain intact despite the uncertainties emanating from the euro area and prevailing global trends.

Use of the internet by end customers, financial advisers and product suppliers will continue to grow. The severe loss of trust in the financial services industry will considerably strengthen demand for impartial advice and market transparency in future. The internet – as an efficient medium for information, communication and transactions – is assisting this trend. The Private Clients business unit and the marketplaces of the Financial Service Providers unit will continue to benefit from these developments.

Demographic trends and the growing uncertainty about the level of government assistance available will further increase the importance of making private provision for retirement and long-term care. Because it has highly qualified advisers and offers a wide range of products, Dr. Klein's business for private clients will be able to meet customers' individual needs and position itself clearly in this market.

Regardless of any movements in interest rates, many more Germans will realise their dream of becoming a homeowner in 2012. As energy prices continue to rise, those who have already bought their own property will have to consider modernising and refurbishing their homes to make them more energy efficient. This will be a major priority not only for private clients but also for commercial entities, local authorities and housing companies that own real estate. In this segment, too, Dr. Klein is excellently placed to provide its customers with comprehensive one-stop advisory solutions.

Because the Hypoport Group – with its competitive and diversified business models – is well positioned in this growth market despite the subdued macroeconomic outlook, we are cautiously optimistic and expect the Company's business to continue to perform well over the next two years, generating significant double-digit growth in revenue and gross profit as well as a year-on-year improvement in earnings before interest and tax (EBIT).

Berlin, 8 March 2012

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

7. Consolidated financial statements

IFRS consolidated balance sheet as at 31 December 2011

Assets	31 Dec 2011 €'000	31 Dec 2010 €'000	Note
Non-current assets			
Intangible assets	27,867	27,809	4.1
Property, plant and equipment	2,452	2,431	4.1
Financial assets	985	501	4.2
Trade receivables	2,498	5,004	4.3
Other assets	26	26	4.4
Deferred tax assets	1,218	1,277	4.5
	35,046	**37,048**	
Current assets			
Trade receivables	25,115	15,453	4.3
Other assets	3,862	3,039	4.4
Current income tax assets	595	438	4.4
Cash and cash equivalents	7,518	11,200	4.6
	37,090	**30,130**	
	72,136	**67,178**	
Equity and liabilities			
Equity			
Subscribed capital	6,195	6,195	4.7
Treasury shares	-1	-13	4.10
Reserves	24,855	21,020	4.11
Equity attributabel to non-controlling interest	220	188	4.12
	31,269	**27,390**	
Non-current liabilities			
Financial liabilities	7,769	17,914	4.13
Provisions	299	437	4.15
Other liabilities	10	10	4.14
Deferred tax liabilities	2,219	2,194	4.5
	10,297	**20,555**	
Current liabilities			
Provisions	281	172	4.15
Financial liabilities	10,890	1,680	4.13
Trade payables	12,176	9,631	
Current income tax liabilities	905	148	
Other liabilities	6,318	6,602	4.14
	30,570	**19,233**	
	72,136	**67,178**	

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IFRS consolidated income statement

for the year ended 31 December 2011

	2011 €'000	2010 €'000	Note
Revenue	84,386	66,912	3.1
Selling expenses	-39,903	-26,634	3.2
Gross profit	**44,483**	**40,278**	
Own work capitalised	4,021	5,742	3.3
Other operating income	1,845	1,363	3.4
Personnel expenses	-26,690	-24,603	3.5
Other operating expenses	-12,564	-11,633	3.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,095**	**11,147**	
Depreciation, amortisation expense and impairment losses	-5,180	-4,721	3.6
Earnings before interest and tax (EBIT)	**5,915**	**6,426**	
Financial income	346	86	3.8
Finance costs	-1,154	-1,689	3.8
Earnings before tax (EBT)	**5,107**	**4,823**	
Income taxes and deferred taxes	-1,358	-1,561	3.9
Net profit for the year	**3,749**	**3,262**	
attributable to minority interest	32	-12	
attributable to Hypoport AG shareholders	**3,717**	**3,274**	
Basic earnings per share (€)	**0.60**	**0.53**	**3.10**
Diluted earnings per share (€)	**0.60**	**0.53**	**3.10**

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Consolidated statement of comprehensive income

for the period 1 January to 31 December 2011

	2011 €'000	2010 €'000
Net profit for the year	3,749	3,262
Total income and expenses recognized in equity*)	0	0
Total comprehensive income	3,749	3,262
attributable to non-controlling interest	32	-12
attributable to Hypoport AG shareholders	3,717	3,274

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

Consolidated statement of changes in equity for 2010 and 2011

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equtiy attributable to non-controlling interest	Equity
Equity as at 1 Jan 2010	6,129	1,784	15,812	23,725	200	23,925
Issue of new shares	66	149	0	215	0	215
Purchase of own shares	-14	0	-4	-18	0	-18
Sale of own shares	1	4	1	6	0	6
Total comprehensive income	0	0	3,274	3,274	-12	3,262
Equity as at 31 Dec 2010	**6,182**	**1,937**	**19,083**	**27,202**	**188**	**27,390**
€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equtiy attributable to non-controlling interest	Equity
Equity as at 1 Jan 2011	6,182	1,937	19,083	27,202	188	27,390
Purchase of own shares	12	115	3	130	0	130
Total comprehensive income	0	0	3,717	3,717	32	3,749
Equity as at 31 Dec 2011	**6,194**	**2,052**	**22,803**	**31,049**	**220**	**31,269**

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IFRS consolidated financial statements

for the year ended 31 December 2011

	2011 €'000	2010 €'000
Earnings before interest and tax (EBIT)	5,915	6,426
Non-cash income (+) / expense (-)	-607	-1,522
Interest received (+)	134	86
Interest paid (-)	-1,154	-1,291
Income tax payments (-)	-409	-439
Income tax receipts (+)	0	1
Depreciation and amortisation expense, impairment losses (+) / reversals of impairment losses (-)	5,180	4,721
Gains (-) / losses (+) on the disposal of non-current assets	6	0
Cash flow	**9,065**	**7,982**
Increase (+) / decrease (-) in current provisions	109	51
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	-8,077	-5,405
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	3,554	7,372
Change in working capital	**-4,414**	**2,018**
Cash flows from operating activities	**4,651**	**10,000**
Proceeds from the disposal of property, plant and equipment / intangible assets (+)	4	0
Payments to acquire property, plant and equipment / intangible assets (-)	-5,269	-7,584
Proceeds from the disposal of financial assets (+)	70	373
Purchase of financial assets (-)	-554	-439
Cash flows from investing activities	**-5,749**	**-7,650**
Proceeds from additions to equity (+)	0	214
Payments to shareholders (-)	0	-16
Proceeds from the issue of bonds and drawdown of loans under finance facilities (+)	0	3,000
Redemption of bonds and loans (-)	-2,584	-1,505
Cash flows from financing activities	**-2,584**	**1,693**
Net change in cash and cash equivalents	-3,682	4,043
Cash and cash equivalents as the beginning of the period	11,200	7,157
Cash and cash equivalents at the end of the period	**7,518**	**11,200**

HYPOPORT
THE FINANCE INTEGRATOR

Notes to the consolidated financial statements

HYPOPORT
THE FINANCE INTEGRATOR

1. Basis of presentation

1.1 Business background and company-law information

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

As the parent company of the Hypoport Group, Hypoport AG is required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements and a group management report. Because the Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange, 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 2011 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (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 315a (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 8 March 2012 and are expected to be submitted to the Supervisory Board on 16 March 2012 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 single-entity 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. 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 included in the relevant figures shown.

The financial year for all the companies in the Group is the same as the calendar year.

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

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

1.2 Anwendung der IFRS

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2011 have been adopted. All the principles of the framework, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations of the Standing Interpretations Committee (SIC) applicable at the balance sheet date have been applied.

The following standards and interpretations that had been revised or newly issued by the IASB were required to be applied for annual periods beginning on or after 1 January 2011:

- IAS 24: Related Party Disclosures
- IAS 32: Financial Instruments: Presentation - Classification of Rights Issues
- IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRS 7: Financial Instruments: Disclosures: Disclosures – Transfers of Financial Assets
- IFRIC 14: Prepayments of a Minimum Funding Requirement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

Amendments to IAS 24: Related Party Disclosures

The revision introduced in November 2009 simplifies the disclosure requirements for state-controlled entities. In addition, the definition of ‚related parties' has been thoroughly revised. These changes have not required any additional information to be disclosed in the notes to the consolidated financial statements.

Amendments to IAS 32: Classification of Rights Issues

The revision introduced in October 2009 has amended IAS 32 to the effect that rights, options and warrants issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided that the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments. IAS 32 has no impact on Hypoport's consolidated financial statements.

Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

This amendment states that first-time adopters of IFRS do not need to provide comparative prior-period information to meet the new disclosure requirements of IFRS 7 for comparative periods ending before 31 December 2009. This amendment is not relevant to the Hypoport Group.

IFRS 7: ‚Financial Instruments: Disclosures': Disclosures – Transfers of Financial Assets

This standard, which was issued in October 2010, specifies the disclosures required in connection with transfers of financial assets, such as the sale of trade receivables. IFRS 7 now stipulates that even if the financial asset is fully derecognised, comprehensive qualitative and quantitative disclosures on any contractual rights or obligations that may have been retained or acquired, such as default guarantees, are required. These changes have had no impact on the presentation of the consolidated financial statements.

IFRIC 14: Prepayments of a Minimum Funding Requirement

These amendments relate to pension plans under which an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. In contrast to the previous arrangements, the economic benefit accruing from these prepaid contributions that reduce future payments of minimum funding requirement contributions is recognised as an asset. These amendments have no impact on these consolidated financial statements because IFRIC 14 is not relevant to Hypoport.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

This recently issued interpretation addresses the accounting by a debtor entity in cases where the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to extinguish all or part of the financial liability and where the creditor is an independent third party. The equity instruments issued are now measured at their fair value and any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. Consequently, IFRIC 19 no longer permits such financial liabilities simply to be taken to equity. These changes have had no material impact on Hypoport's consolidated financial statements.

The application of all the aforementioned amendments and interpretations of IFRSs has either had no impact on the financial position or financial performance or is of no relevance to the Hypoport Group.

Furthermore, the IASB has issued the following standards, interpretations and amendments to existing standards that are not yet required to be applied and that Hypoport has not applied in advance:

- IAS 1: Presentation of Items of Other Comprehensive Income
  (required to be applied for annual periods beginning on or after 1 February 2012)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (1 January 2012)
- IAS 19: Employee Benefits (1 January 2013)
- IAS 27: Separate Financial Statements (1 January 2013)
- IAS 28: Investments in Associates and Joint Ventures (1 January 2013)
- IFRS 1: First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (1 July 2011)
- IFRS 9: Financial Instruments: Classification and Measurement of Financial Assets (1 January 2013)
- IFRS 10: Consolidated Financial Statements (1 January 2013)
- IFRS 11: Joint Arrangements (1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13: Fair Value Measurement (1 January 2013)
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine (1 January 2013).

Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
Amendments relating to the presentation of items of other comprehensive income (OCI) were issued in June 2011. These amendments require items of OCI to be classified into two groups on the basis of whether or not they will eventually be recycled. Entities still have the option of presenting OCI items either before or after tax. However, taxes relating to items presented before tax must be presented separately for both groups of items.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets
These amendments, which were issued in December 2010, offer a practical solution to the question of whether the carrying amount of an asset is recovered through use or sale. The measurement of deferred taxes should reflect the tax consequences that would follow from the manner in which the entity intends to use the asset. In the case of entities with investment property that is measured at fair value, however, it may be difficult to assess what portion of the asset's carrying amount can be recovered through rental income (i.e. use) and how much can be recovered through sale. For the purposes of deferred taxes this amendment therefore introduces the rebuttable presumption that the entire carrying amount of investment property measured at fair value in accordance with IAS 40 will normally be recovered through sale.

IAS 19: Employee Benefits

These amendments to IAS 19 were issued in June 2011. Actuarial gains and losses must be recognised immediately in other comprehensive income. This eliminates the previously available option of using the corridor method. Reductions in plan assets will in future be treated as unrecognised past service cost, i.e. the plan reduction will be fully recognised in the period in which it occurs. The figures for interest cost and expected return on plan assets, which have been calculated separately to date, will be replaced by the net interest expense, which is calculated using a standard interest rate. The amended standard also contains more extensive disclosure requirements in respect of employee benefits.

IAS 27: Separate Financial Statements

Since these amendments were issued in May 2011, IAS 27 has only governed the recognition of investments in subsidiaries, investments in associates and interests in joint ventures in the investor's separate financial statements. The rules governing consolidation that were previously included in IAS 27 are now contained in the recently issued IFRS 10. Apart from editorial changes there have been no material amendments to the rules governing separate financial statements.

IAS 28: Investments in Associates and Joint Ventures

These amendments to IAS 28 were issued in June 2011 and require the equity method to be used for the recognition of investments in associates and interests in joint ventures. The rules governing the recognition of interests in joint ventures were still contained in IAS 31 until IFRS 11 was issued.

Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two amendments were issued in December 2010. The first amendment has replaced the previously applicable fixed transition date in respect of IAS 39 for first-time adopters with a flexible transition date. The second amendment provides guidance for entities that were temporarily unable to comply with IFRSs owing to hyperinflation.

IFRS 9: Financial Instruments: Classification and Measurement

The purpose of this standard, which was issued in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 relate purely to financial assets, which in future will be classified – based on entities' individual business models – in only two categories (amortised cost or fair value) instead of four. Under the new standard, embedded derivatives will be assessed in conjunction with the host contract instead of separately from it and reclassifications will no longer be permitted unless they result from changes in an entity's business model. Furthermore, the new standard simplifies the existing arrangements by stipulating a single method for determining impairment in all financial assets as well as a generally applicable requirement to reverse impairment losses. It also includes a number of other amendments, which are mainly designed to simplify existing arrangements.

IFRS 10: Consolidated Financial Statements

This new standard, which was issued in May 2011, supersedes the consolidation principles contained in IAS 27 and SIC 12 on the consolidation of special-purpose entities. Although the new standard does not amend any accounting policies, the concept of control is now widened to include the issue of the consolidation of special-purpose entities. The definition of ‚control' is also modified. An investor is now deemed to control an investee when it has power over the investee, it is exposed – or has rights – to variable returns from its involvement with the investee, and it has the ability to affect those returns through its power over the investee.

IFRS 11: Joint Arrangements

IFRS 11 was issued in May 2011 and supersedes SIC 13: ‚Jointly Controlled Entities - Non-Monetary Contributions by Venturers' as well as the former IAS 31. This standard governs the classification and recognition of joint operations and joint ventures. Before assessing whether it is involved in a joint arrangement, an entity must first establish whether the parties, or a group of the parties, control the arrangement (in accordance with the definition of control in IFRS 10). If a joint arrangement is deemed to exist, it is then classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Jointly controlled assets are recognised in accordance with the rules governing joint operations and therefore continue to be accounted for proportionately. By contrast, IFRS 11 eliminates the previously available option of proportionate consolidation for joint ventures, which must now always be accounted for under the equity method.

IFRS 12: Disclosure of Interests in Other Entities

This standard, which was also issued in May 2011, stipulates the minimum disclosure requirements for subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Although the standard constitutes a minimum framework, it goes beyond the scope of the disclosure requirements applicable to date. Its main objective is to require the disclosure of information on the nature of, and the risks associated with, an entity's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement

This standard, which was issued in May 2011, sets out in a single IFRS a framework for measuring fair value, which in the past has been governed by differing arrangements in individual standards. At the same time it has introduced comprehensive disclosure requirements on this issue.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This standard is of no relevance to Hypoport's consolidated financial statements.

The Company is currently analysing the potential impact of all the relevant aforementioned amendments and newly issued standards on the financial position and financial performance of the Hypoport Group.

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

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include 10 (2010: 11) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, and 4 (2010: 3) joint ventures.

ATC Hypoport B.V., Amsterdam, was consolidated for the first time in 2011.

The wholly owned subsidiary Hypoport B.V., Amsterdam, and Amsterdamsch Trustee's Kantoor B.V., Amsterdam, together set up the joint venture ATC Hypoport B.V., Amsterdam, on 27 April 2011. This company's subscribed capital amounts to €18,000.00 and is fully paid-up. Hypoport B.V. holds shares worth €9,000.00 in the joint venture. ATC Hypoport B.V. is consolidated only on a pro-rata basis because of the restricted level of control exercised by Hypoport B.V.

The purpose of this joint venture is to provide loan-level analysis over an internet platform for regulators, investors, rating agencies, securitisation firms and other clients in the securitisation market and to render other outsourcing and advisory services relating to such analysis and reports. The aim is to develop a loan-level platform that will become the European standard.

Amsterdamsch Trustee's Kantoor is the market leader in the management and administration of Dutch securitisations, while Hypoport leads the market in technology-based securitisation solutions. Together these two entities cover virtually all Dutch securitisations, which should ensure that the platform gets off to a successful start.

To streamline the Hypoport Group's shareholding structure, Freie Hypo GmbH was merged with Dr. Klein & Co. AG with effect from 1 January 2011 and is therefore no longer consolidated as a separate entity. This merger has had no impact on profit or loss.

The legal form of Hypoport Insurance Market GmbH, Berlin, was changed and the company was renamed Europace AG, Berlin.

The wholly owned subsidiary Hypoport B.V., Amsterdam, together with GMG Trust Company Ltd. and Immobilis B.V., Amsterdam, set up GMG Hypoport Ltd, Cape Town, as a new joint venture on 1 July 2011. This company's subscribed capital amounts to ZAR 1,000.00 and is fully paid-up. Hypoport B.V. holds shares worth ZAR 400.00 in the joint venture. The purpose of this company is to sell licences for the master servicing, valuation, reporting and covered bond modules of the Promise® software to banks and financial service providers in South Africa and, in addition, to offer master servicing as both an outsourced and consulting service as part of the preparation of reports for customers. Beginning with South Africa, the company aims to establish a reporting standard that enhances the transparency of structured financial products for the African market. This standard will help securities issuers, investors and regulators (national central banks and credit rating agencies) to ensure full access to, as well as understanding and transparency of, the relevant transactions.

GMG Hypoport Ltd. has not been accounted for under the equity method because it does not have a material impact on the Hypoport Group's financial position or financial performance. It is measured at cost rather than at fair value because, as the company is not listed on a stock exchange, its fair value cannot be sufficiently reliably determined, and it is reported as a non-current other financial asset.

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

	Holding %
ATC Hypoport B.V., Amsterdam	50.00
Dr. Klein & Co. AG, Lübeck	100.00
EUROPACE AG, Berlin (formerly Hypoport Insurance Market GmbH, Berlin)	100.00
GENOPACE GmbH, Berlin	50.025
FINMAS GmbH, Berlin	50.00
Hypoport B.V., Amsterdam	100.00
Hypoport Finance AG, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Irland)	100.00
Hypoport on-geo GmbH, Berlin	50.00
Hypoport Stater B.V., Amsterdam	50.00
Hypoport Systems GmbH, Berlin	100.00
Qualitypool GmbH, Lübeck	100.00
Starpool Finanz GmbH, Berlin	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00

With the exception of Hypoport Stater B.V., Hypoport on-geo GmbH, FINMAS GmbH and ATC Hypoport B.V. (all joint ventures consolidated on a pro-rata basis owing to lack of control), all companies in the Group are fully consolidated.

The following assets, liabilities, income and expenses recognised for the subsidiaries consolidated on a pro-rata basis have been included in the Hypoport Group:

€'000	2011	2010
Assets	2,431	2,119
non-current	2,007	1,805
Liabilities	1,902	911
non-current	813	375
Revenue	338	259
Personnel expenses	-242	-219
Other operating expenses	-789	-713
Income taxes and deferred taxes	193	1,168

1.4 Principles of consolidation

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

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

The Hypoport Group consolidates its interests in joint ventures on a pro-rata basis. IAS 31 allows entities to choose between the equity method and the proportionate method of consolidation when preparing their consolidated financial statements. This chosen method must then be applied across the entire consolidated group. Hypoport is of the view that proportionate consolidation is more appropriate for presenting joint ventures because this method makes it easier for users of these financial statements to understand what proportion of the joint ventures' financial position and financial performance is attributable to the Hypoport Group. For each individual item it aggregates its pro-rata share of the joint ventures' income, expenses, assets, liabilities and cash flows with similar items in its own financial statements. For these purposes, joint ventures include companies (Hypoport Stater B.V.) in which the Hypoport Group holds a majority of the voting rights but where, because of the relevant companies' memorandum and articles of association, material decisions can only be taken unanimously.

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; such assets and liabilities are offset on a pro-rata basis in cases where the proportionate method of consolidation is used.

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 proportionate 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 single-entity financial statements for the companies in the Group, all receivables and payables denominated in foreign currency are measured using the mid rate on the balance sheet date regardless of any existing hedging.

Where, in the case of receivables, the closing rate is lower or, in the case of payables, the closing rate is higher, the foreign currency value translated at the closing rate is reported. Any exchange differences arising as a result are recognised in consolidated income.

1.6 Use of assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires that the Company make some assumptions and estimates with regard to the recognition and 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 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.

2 Accounting policies

2.1 Intangible assets

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

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

All amortisation expense and impairment losses on intangible assets are reported on the face of the income statement as depreciation, amortisation expense and impairment losses.

In accordance with IFRS 3 and IAS 38, goodwill is not amortised. Instead, an impairment test is carried out in accordance with IAS 36 once a year (or in the intervening period if there are indications of impairment) and, where required, an impairment loss is recognised to ensure that the carrying amount of the asset is reduced to its recoverable amount (impairment-only approach).

An impairment loss is recognised in income if the recoverable amount for the asset is below the carrying amount. The recoverable amount is based on the fair value less costs to sell. The discounted cash flow method is used to calculate the fair value. 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 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 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 eight 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.

2.2 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. The following periods of useful life are applied:

	Useful life (years)
Buildings	50
Office furniture and equipment	3 to 13

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.

2.3 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.

2.4 Financial instruments

A financial instrument is an agreement that simultaneously gives rise to a financial asset at one entity and to a financial liability or an equity instrument at another entity. Financial instruments recognised as financial assets are reported separately from those recognised as financial liabilities. They are recognised as soon as Hypoport becomes a counterparty to such financial instruments.

Financial instruments are initially recognised at their fair value. When these instruments are subsequently measured, they are allocated to one of the categories mentioned in IAS 39. Transaction costs directly attributable to their acquisition or issuance are factored into their carrying amount unless the financial instruments are recognised at fair value through profit or loss. If their trade date differs from their settlement date (i.e. the date on which they are delivered), Hypoport chooses their trade date for their initial recognition or their derecognition.

2.5 Financial assets

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

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss comprise held-for-trading financial assets.

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

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not publicly traded in an active market, such as trade receivables. Once they have been initially recognised, loans and receivables are measured at amortised cost under the effective interest method, net of any impairment losses. Gains and losses are recognised in the net profit (loss) for the period if the loans and receivables are derecognised or impaired. The interest rate effects of using the effective interest method are also taken to income.

Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale and do not belong in any of the aforementioned categories.

Once they have been initially recognised, available-for-sale financial assets are measured at fair value, with unrealised gains and losses recognised directly in equity in the reserve for available-for-sale financial assets. If there is objective evidence of impairment or if there are changes in the fair value of a debt instrument as a result of exchange rate movements, they are recognised in income. When financial assets are sold, the cumulative gains and losses on their fair value measurement, which are recognised directly in equity, are taken to income. If the fair value of unlisted equity instruments cannot be sufficiently reliably determined, the shares are measured at amortised cost (net of any impairment losses). Interest received from these financial assets is recognised in the income statement as interest and similar income under the effective interest method. 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 face of the consolidated balance sheet. Where possible, the fair value is determined on the basis of market prices. If the fair value cannot be derived from comparable transactions during the period concerned and it has been decided not to base the investments' measurement on discounted future cash flows because these cash flows cannot be reliably determined, the carrying amount used is the acquisition cost minus impairment losses.

2.6 Impairment of financial assets

At each balance sheet date, the carrying amounts of financial assets that are not recognised at fair value through profit or loss 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.

Available-for-sale financial assets: If the value of an available-for-sale asset is impaired, an amount previously only recognised directly in equity and representing the difference between the asset's acquisition cost (less any repayments and redemptions) and its current fair value (less any impairment losses on this financial asset previously recognised in income) is taken to income. Reversals of impairment losses on equity instruments classified as available-for-sale are recognised directly in equity. Reversals of impairment losses on debt instruments are taken to income if the increase in the instrument's fair value can be objectively attributed to an event that occurred after the impairment loss was recognised in income.

2.7 Construction contracts

Provided that the conditions specified in IAS 11 are met, construction contracts are accounted for under the percentage-of-completion method.

If the outcome of a construction contract can be estimated reliably, revenue and costs are recognised in proportion to the stage of completion of contract activity at the reporting date (percentage-of-completion method). The stage of completion of a contract can be determined based on inputs, i.e. as the proportion that contract costs incurred by the reporting date bear to the estimated total contract costs (cost-to-cost method). The progress of the project is constantly monitored. Modifications of any kind to the original overall contract are reflected in the measurement of the contract. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are expected to be recoverable. Contract costs are expensed as incurred. If the total contract costs are likely to exceed the total contract revenue, the expected loss is immediately recognised as an expense. Amounts receivable from contract customers under long-term construction contracts in progress are reported as trade receivables. Contract proceeds recognised pro rata in profit or loss are accounted for as revenue. Advance payments received are deducted from the customer accounts receivable under construction contracts. Any resultant negative balance in respect of a construction contract is recognised as a liability incurred by construction contracts.

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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.

Having conducted this review, the Company recognised deferred tax assets worth €1.218 thousand as at 31 December 2011 (31 December 2010: €1.277 million). As in 2010, no impairment losses were charged on these deferred tax assets.

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

2.9 Leases

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

2.10 Trade receivables and other assets

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

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss comprise held-for-trading financial liabilities. Gains and losses on held-for-trading financial liabilities are recognised in income.

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.

The Group has set up an employee share ownership programme involving the issue of treasury shares. The fair value of the work performed by employees as the consideration for the granting of the options is recognised as an expense. The total expense over the period until the option rights become vested is determined on the basis of the fair value of the options granted. The estimate of the number of options that are expected to become exercisable is reviewed at each balance sheet date. The effects of any changes that need to be made to original estimates are recognised in income and with a corresponding adjustment in equity.

The payments received on exercise of the share options are credited (net of directly attributable transaction costs) to subscribed capital (par value) and the share premium.

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.

In accordance with IAS 18, revenue arising on service transactions is recognised on performance of the services providing 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.

Provided that the conditions specified in IAS 11 are met, revenue from construction contracts is accounted for under the percentage-of-completion method, which means that it is recognised in proportion to the stage of completion of contract activity. The percentage of completion is defined as the proportion that contract costs incurred by the reporting date bear to the total contract costs estimated at the reporting date.

If a considerable period is required in order to complete a construction contract, the contract costs also include directly attributable borrowing costs. The measurement of construction contracts recognised under the percentage-of-completion method is based on the contract costs incurred by the reporting date plus the pro-rata profit earned by the stage of completion reached at the reporting date. This revenue – minus advance payments received – is reported under trade receivables on the face of the balance sheet. Contract revenue also includes revenue from modifications to the original contract, plus claims and incentive payments that are expected to be collected and that can be measured reliably. If the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent that the costs incurred are expected to be recoverable. Contract costs are expensed as incurred. If the total contract costs are likely to exceed the total contract revenue, the expected loss is immediately recognised as an expense.

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 (with the exception of goodwill) and for recoverable loss carryforwards.

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

3. Disclosures for individual items on the income statement

3.1 Revenue

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

	2011 € million	2010 € million
Financial Product Sales – Corporate Real estate Clients	8.5	8.5
Financial Product Sales – Private Clients	51.7	40.2
B2B Financial Marketplaces – Financial Service Providers	20.4	14.8
B2B Financial Marketplaces – Institutional Clients	3.7	3.3
Other	0.1	0.1
	84.4	66.9

3.2 Selling expenses

The table below gives a breakdown of selling expenses.

	2011 €'000	2010 €'000
Commissions	31,694	19,987
Lead cost	8,209	6,647
	39,903	26,634

3.3 Own work capitalised

Own work capitalised of €4.021 million (2010: €5.742 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €6.532 million reported for 2011 (2010: €6.980 million), €2.511 million was therefore expensed as incurred (2010: €1.238 million).

3.4 Other operating income

Other operating income mainly comprises income of €462 thousand (2010: €532 thousand) from the reversal of provisions and other liabilities, as well as employee contributions to vehicle purchases of €448 thousand (2010: €348 thousand).

3.5 Personnel expenses

Personnel expenses are broken down as follows:

	2011 €'000	2010 €'000
Wages and salaries	22,938	21,119
Social security contributions	3,654	3,390
Post-employment and other employee benefits	98	94
	26,690	24,603

The cost of defined-contribution pension plans amounted to €1.883 million (2010: €1.602 million).

3.6 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses, €4.382 million (2010: €4.131 million) was attributable to intangible assets and €798 thousand (2010: €590 thousand) to property, plant and equipment.

3.7 Other operating expenses

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

	2011 €'000	2010 €'000	Change €'000
Operating expenses	4,755	4,266	489
Other selling expenses	2,360	1,887	473
Administrative expenses	3,756	4,046	-290
Other personnel expenses	776	428	348
Other expenses	917	1,006	-89
	12,564	11,633	931

The operating expenses consist mainly of building rentals of €1.769 million (2010: €1.849 million) and vehicle-related costs of €1.309 million (2010: €1.007 million). The other selling expenses relate to advertising costs and travel expenses of €2.360 million (2010: €1.887 million).

The administrative expenses largely comprise IT-related costs of €1.715 million (2010: €2.116 million) and legal and consultancy expenses of €566 thousand (2010: €570 thousand). The other personnel expenses mainly consist of training costs of €548 thousand (2010: €265 thousand).

3.8 Net finance costs

The breakdown of net finance costs is as follows:

	2011 €'000	2010 €'000	Change €'000
Financial income			
Other interest and simila income	335	75	260
Oncome from other securities and lending of financial assets	11	11	0
	346	86	260
Finance costs			
Interest expense and similar charges	1,154	1,689	-535
	-808	-1,603	795

Financial income largely consists of interest income of €212 thousand from the discounting of lower amounts of non-current receivables compared with the previous year. Finance costs primarily relate to interest expense and similar charges of €1.023 million incurred by the drawdown of loans and the use of credit lines.

3.9 Income taxes and deferred taxes

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

	2011 €'000	2010 €'000
Income taxes attributable to continuing operations	1,358	1,561
current income taxes	1,274	301
deferred taxes	84	1,260
in respect of timing differences	-266	776
in respect of tax loss carryforwards	350	484
	1,358	1,561

A current income tax benefit of €6 thousand (2010: current income tax expense of €49 thousand) relates to 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 €3.574 million (2010: €4.442 million) and €103 thousand (2010: €1.594 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany. The utilisation of these losses for tax purposes is limited to a maximum of nine years in the Netherlands.

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.

Deferred tax assets of €689 thousand (2010: €478 thousand) have been recognised for loss carryforwards and timing differences despite the losses reported for 2011 and 2010 because it is assumed that all the companies concerned will generate taxable profits in future.

The table below reconciles the tax expense anticipated for 2011 and 2010 to the tax expense actually reported for those years.

	2011 €'000	2010 €'000
Profit before tax	5,107	4,823
Tax rate to be applied	30.0 %	30.0 %
Expected tax expense	-1,532	-1,447
Effect of non-deductible expenses and tax-exempt income	-166	-133
Effect of differing tax rates	379	132
Restatement/adjustment of loss carryforwards	0	-40
Tax expense for previous years	6	-49
Other tax-related effects	-45	-24
Current tax expense	-1,358	-1,561
Tax rate for the Group	26.6 %	32.4 %

3.10 Earnings per share

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

In 2011 there were no share options that would have a dilutive effect on earnings per share. The options granted between 2002 and 2004 had an average dilutive effect of 30 thousand shares in 2010. The weighted number of outstanding shares is calculated on the basis of a daily balance.

	2011	2010
Net profit for the year (€'000)	3,749	3,262
of which attributable to Hypoport AG stockholders	3,717	3,274
Basic weighted number of outstanding shares ('000)	6,194	6,146
Basic earnings per share (€)	**0.60**	**0.53**
Weighted number of share options ('000) causing a dilutive effect	0	49
Diluted weighted number of outstanding shares ('000)	6,194	6,176
Diluted earnings per share (€)	**0.60**	**0.53**

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 €29 thousand (2010: €133 thousand) in borrowing costs at an average funding rate of 5.49 per cent. Most of the intangible assets – with a carrying amount of €11.9 million (2010: €11.8 million) – related to internally generated financial marketplaces. Their remaining useful lives amounted to between one and eight years.

The carrying amounts for goodwill as at 31 December 2011 once again related to goodwill arising on the first-time consolidation of subsidiaries. For the purposes of impairment testing, the goodwill has been assigned to the following cash-generating units, which reflect the segments in the Group:

	Corporate Real Estate Clients	Private Clients	Financial Service Providers	Institutional Clients	Total
Cost of acquisitions as at 1 January 2011	3,684	7,653	230	3,259	14,826
Additions	0	0	0	0	0
Cost of acquisitions as at 31 December 2011	3,684	7,653	230	3,259	14,826

The revenue growth rates used in the discounted cash flow calculations were between 10.8 per cent and 11.4 per cent for the Corporate Real Estate Clients segment (2010: between 11.0 per cent and 20.0 per cent), between 11.5 per cent and 16.3 per cent for the Private Clients segment (2010: between 27.6 per cent and 32.1 per cent), between 2.5 per cent and 9.1 per cent for the Financial Service Providers segment (2010: between 2.0 per cent and 9.0 per cent) and 2.0 per cent for the Institutional Clients segment (2010: between 4.3 per cent and 5.4 per cent).

The discount rate used to reflect the risks specific to the asset in 2011 was 7.43 per cent (2010: 7.36 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 cash flows and a 10 per cent increase in the weighted cost of capital, as variances of this magnitude are realistically possible. In our experience, greater variances than this are unlikely. The impairment tests carried out gave no indication of any impairment.

4.2 Financial assets

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

	2011 €'000	2010 €'000
Loans to joint venture	813	375
Loans to employees	140	82
Loans to third parties	23	44
Other shareholdings	9	0
	985	501

Because the above parties have been granted the option of making unscheduled repayments at any time, the carrying amounts of these loans at the balance sheet date do not differ significantly from their fair values. Other long-term equity investments comprise shares in GMG Hypoport Ltd. Specific write-downs of €20 thousand (2010: €180 thousand) were recognised. There are no material overdue receivables.

4.3 Trade receivables

	2011 €'000	2010 €'000
Trade receivables from		
third parties	27,364	20,457
work in progress	110	0
joint ventures	139	0
	27,613	20,457

There were no advance payments received to deduct from the customer accounts receivable under current construction contracts.

Total manufacturing costs incurred and profit shares recognised as at 31 December 2011 amounted to €805 thousand (31 December 2010: €1.104 million). The revenue generated from construction contracts in 2011 totalled €805 thousand (2010: €1.104 million). 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.

	2011 €'000	2010 €'000
Balance as at 1 January	138	158
Addition to impairment of receivables	22	16
Irrecoverable receivables written off	21	36
Balance as at 31 December	**139**	**138**

Impairment charges of €225 thousand (2010: €361 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.

	2011 €'000	2010 €'000
1 to 90 days	259	84
90 to 180 days	18	171
180 to 360 days	1	2
More than 360 days	115	149
Total	**393**	**406**

4.4 Current income tax assets and other assets

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

	2011 €'000	2010 €'000
Financial assets		
Overpayments to suppliers	38	38
receivables from employees	0	51
	38	**89**
Non-financial assets		
Advance payment of commissions	3,128	2,201
Advances	207	186
Prepaid expenses	335	293
Current income tax assets	595	438
VAT credits	96	180
Other	58	90
	4,419	3,388
	4,457	**3,477**

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

	2011 €'000	2010 €'000
Rent deposits	26	26
	26	**26**

Specific write-downs of €462 thousand (2010: €306 thousand) were recognised. An additional €156 thousand was recognised in 2011 (2010: €112 thousand). There are no material overdue receivables

4.5 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	2011 €'000	2010 €'000
In respect of tax carryforwards	689	1,039
Provisions	98	155
Other temporary differences	49	168
Consolidation	529	639
Offsetting	147	724
	1,218	**1,277**

Deferred tax liabilities	2011 €'000	2010 €'000
Intangible assets	673	482
Property, plant and equipment	30	33
Receivables	1,661	2,400
Provisions	2	3
Offsetting	147	724
	2,219	**2,194**

4.6 Cash and cash equivalents

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

	2011 €'000	2010 €'000
Cash at banks	7,516	11,197
Cash on hand	2	3
	7,518	**11,200**

4.7 Subscribed capital

The Company's subscribed capital remains unchanged at €6,194,958.00 (31 December 2010: €6,194,958.00) and is divided into 6,194,958 (31 December 2010: 6,194,958) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 17 June 2011 voted to carry forward Hypoport AG's distributable profit of €13,524,321.99 to the next accounting period.

4.8 Authorised capital

Following approval of a resolution by the Annual Shareholders' Meeting on 1 June 2007, the unused authorisation of 19 December 2006 was set aside and replaced by a new authorisation. The Management Board was authorised, subject to the consent of the Supervisory Board, to increase the subscribed capital of the Company by up to a total of €3,000,000.00 by way of an issue of new registered no-par-value shares for cash or non-cash contribution on one or more occasions on or before 31 May 2012. The Management Board can decide to disapply the statutory pre-emption rights of the shareholders, subject to the consent of the Supervisory Board.

4.9 Conditional capital

The Annual Shareholders' Meeting on 26 August 2002 approved a conditional capital increase of up to €276,808.00 in the Company's subscribed capital, which now amounts to €122,650.00. The purpose of the conditional capital increase was to allow share options to be granted to employees, members of the Management Board and to directors of Hypoport Group companies. The share option programme ended on 31 December 2010. Since it is no longer possible to issue shares from conditional capital in connection with the exercise of share options, the authorisation for the conditional capital has been set aside.

4.10 Treasury shares

Hypoport held 1,046 treasury shares as at 31 December 2011 (equivalent to €1,046.00, or 0.017 per cent, of the subscribed capital of Hypoport AG), which are intended to be issued to employees. The change in the balance of treasury shares and the main data relating to transactions in 2011 are shown in the following table:

Change in the balance of treasury shares in 2011	Number of shares	Proportion of subscribed capital %	Cost of purchase €'000	Sale price €'000	Gain or loss on sale €'000
Opening balance as at 1 January 2011	12,920	0.209	16,150.00	–	–
Sold in February 2011	10,250	0.165	12,812.50	0.00	-12,812.50
Sold in April 2011	810	0.013	1,012.50	0.00	-1,012.50
Sold in June 2011	271	0.004	271.25	0.00	-271.25
Sold in September 2011	248	0.004	310.00	0.00	-310.00
Sold in December 2011	349	0.006	436.25	0.00	-436.25
Balance as at 31 December 2011	1,046	0.017	–	–	–

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

4.11 Reserves

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

Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.187 million), an amount equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand) and amounts from the issuance of shares to employees (€120 thousand, of which €115 thousand related to 2011).

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 (2010: €7 thousand), are also reported under this item.

4.12 Non-controlling interest

This item relates to the non-controlling interest in the equity of Starpool Finanz GmbH and GENOPACE GmbH.

4.13 Financial liabilities

The breakdown of financial liabilities is as follows:

	2011 €'000	2010 €'000
Non-current		
Liabilities to banks		
Loans	6,708	17,450
Other liabilities		
Loans from joint ventures	813	375
Rental and lease obligations	248	89
	7,769	**17,914**
Current		
Liabilities		
Loans	10,793	2,647
Other liabilities		
Loans from joint ventures	37	0
Rental and lease obligations	60	33
	10,890	2,680
	18,659	**20,594**

1,194,492 no-par-value bearer shares in Dr. Klein & Co. AG have been pledged as collateral to lenders. Reported loan liabilities amounting to €3.000 million were subordinated (31 December 2010: €3.000 million).

Some of the financial liabilities are subject to fixed interest. Others are subject to variable interest linked to the Euribor rate plus a bank mark-up. The interest rates varied between 4.2 per cent and 6.5 per cent (2010: between 4.2 per cent and 6.5 per cent). These interest rates are the normal market rates for the financial liabilities and the companies concerned.

The Company has various credit lines from domestic banks. The table below shows all credit lines and the amounts utilised at the relevant balance sheet dates.

	2011 €'000	2010 €'000
Credit line	2,500	2,500
Amount utilised	0	0
Credit line available	**2,500**	**2,500**

The average interest rate on credit lines utilised was 5.59 per cent (2010: 5.59 per cent).

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

	2011 €'000	2010 €'000
6 months or less	1,653	888
6 to 12 months	9,089	1,696
1 to 5 years	6,708	17,525
More than 5 years	0	300
	17,450	**20,409**

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

	2011 €'000	2010 €'000
Between 1 and 2 years	5,345	11,150
Between 2 ans 5 years	2,339	6,464
More than 5 years	85	300
	7,769	**17,914**

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

	Carrying amount		Fair value	
€'000	2011	2010	2011	2010
Liabilities to banks	6,708	17,450	8,292	17,871
Loans from joint ventures	813	375	813	375
Rental and lease obligations	248	89	232	89
	7,769	17,914	9,337	18,335

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.

4.14 Other liabilities

The breakdown of other liabilities is as follows:

	2011 €'000	2010 €'000
Tax liabilities		
Value-added tax	302	196
Wage tax and church tax	325	262
	627	**458**
Personnel		
Financial assets		
Bonuses	2,394	2,828
Outstanding holiday entitlements	368	354
Wages and salaries	279	199
Severance payments	30	67
Non-financial assets		
Employers' liability insurance association	82	76
Disabled persons levy	35	43
Social security contributions	20	35
Partial retirement	19	10
	3,227	**3,612**
Other		
Financial assets		
Outstanding invoices	249	324
commissions to be passed on	6	111
Year-end costs	129	126
Non-financial assets		
Advance payment of commissions	1,655	1,586
Deferred income	411	371
Sundry	14	14
	2,464	**2,532**
	6,318	**6,602**

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

	2011 €'000	2010 €'000
Rent deposits	10	10
	10	**10**

4.15 Provisions

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

€'000	1 Jan 2011	Utilisation	Reversals	Additions	31 Jan 2011
Non-current provisions					
rental and lease obligations	395	158	0	0	237
Cancellations	42	42	0	62	62
	437	**200**	**0**	**62**	**299**
Current provisions					
Commissions	150	150	0	252	252
Cancellations	22	22	0	29	29
Sundry	100	0	100	0	0
	272	172	100	281	281

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 section 4.6.

6. Segment reporting

The Hypoport Group prepares its segment reporting by business unit in line with its internal organisational and reporting structure. This organisational structure breaks the Group down into four target-group-oriented business units (Financial Product Sales – Corporate Real Estate Clients, Financial Product Sales – Private Clients, B2B Financial Marketplaces – Financial Service Providers, and B2B Financial Marketplaces – Institutional Clients) and two function-oriented business units (Information Technology and Administration). The target-group-oriented business units bring together different business lines with similar opportunities and risks.

The Financial Product Sales – Corporate Real Estate Clients business unit focuses on the provision of financial support for housing companies, borrowing, management consultancy and support for property transactions and the insurance portfolio.

The Financial Product Sales – Private Clients business unit offers mortgage finance, personal loans, insurance, current accounts and deposit accounts through three distribution channels (online, branch-based and agent sales).

B2B Financial Marketplaces – Financial Service Providers focuses on financial product distributors and product suppliers. The core product in this business unit is the EUROPACE marketplace, which was originally introduced in 1999. Independent distributors use EUROPACE to process their financing transactions with the product suppliers they represent.

The B2B Financial Marketplaces – Institutional Clients business unit supports issuers with the provision of information technology and a range of services.

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

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

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

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

The reported revenue of €84.4 million (2010: €66.9 million) included €3.7 million (2010: €3.3 million) generated by customers domiciled in Europe excluding Germany, and the remaining revenue was generated by customers in Germany.

The segment breakdown of business performance in 2011 is as follows:

2011 (€'000)	Corporate Real Estate Clients	Private Private Clients	Financial Service Providers	Institutional Clients	Reconciliation	Group
Segment revenue in respect of third parties	8,505	51,686	20,395	3,733	67	84,386
2010	8,506	40,264	14,804	3,271	67	66,912
Segment revenue in respect of other segments	53	108	989	0	-1,150	0
2010	163	159	568	0	-890	0
Total segment revenue	8,558	51,794	21,384	3,733	-1,083	84,386
2010	8,669	40,423	15,372	3,271	-823	66,912
Segment earnings before interest, tax, depreciation amortisation (EBITDA)	4,048	3,693	5,568	1,211	-3,425	11,095
2010	4,120	3,695	4,850	956	-2,474	11,147
Segment earnings before interest and tax (EBIT)	3,708	3,665	1,793	1,001	-4,252	5,915
2010	3,917	3,581	1,193	733	-2,998	6,426
Segment assets	17,938	20,990	24,311	5,427	3,470	72,136
2010	15,135	20,047	24,001	4,940	3,055	67,178
Segement liabilities	2,223	7,547	8,009	758	22,330	40,867
2010	2,204	6,118	5,818	476	25,172	39,788
Segment capital expenditure	200	627	3,386	362	694	5,269
2010	715	89	5,668	155	958	7,585
Segment depreciation/ amortisation expense, impairment losses	340	28	3,775	210	827	5,180
2010	203	114	3,657	223	524	4,721
Significant non-cash expenses	784	2,015	6,038	220	39	9,096
2009	1,003	2,419	4,697	0	24	8,143

Of the total non-current assets of €30.319 million (31 December 2010: €30.240 million), €10.421 million (31 December 2010: €10.898 million) was located in Europe excluding Germany, €8.624 million (31 December 2010: €9.247 million) of which was located in Ireland. Non-current assets located in Germany totalled €19.898 million (31 December 2010: €19.342 million).

7. Other Disclosures

7.1 Other financial commitments

At the balance sheet date there were total other financial commitments of €9.197 million (2010: €8.255 million) related to non-cancellable rentals, leases and maintenance agreements covering a number of years. Included in the other financial commitments are commitments of €3.153 million (2010: €2.396 million) due within one year, €5.941 million (2010: €5.859 million) due in one to five years, and €103 thousand (2010: €0 thousand) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €2.558 million in 2011 (2010: €2.164 million).

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

7.2 Related parties

IAS 24 requires disclosure of the names of persons or entities that control Hypoport AG or are controlled by Hypoport AG. Transactions between Hypoport AG and its subsidiaries are eliminated during consolidation and are therefore not subject to the disclosure requirement in this section.

IAS 24 also requires disclosure of the names of persons who can exercise significant influence over the Company.

The scope of persons covered by the requirements also includes key management personnel, their close family members and other entities via which a named person exercises control or significant influence over Hypoport AG. The persons 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 paid to the members of the Group Management Board in 2011 amounted to €1.127 million (2010: €876 thousand); the total remuneration paid to the members of the Supervisory Board came to €80 thousand (2010: €80 thousand). In all cases, all the benefits were due for payment within one year.

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 December 2011.

	Shares (Number) 31 Dec 2011	Shares (Number) 31 Dec 2010
Group Management Board		
Ronald Slabke	2,241,831	2,241,831
Thilo Wiegand	24,000	24,000
Stephan Gawarecki	187,800	187,800
Hans Peter Trampe	174,990	188,490
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	14,000	24,000
Prof. Dr. Thomas Kretschmar	814,286	1,371,974
Christian Schröder	24,000	24,000

Ronald Slabke, Berlin, holds 36.19 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). All the shares in Revenia GmbH are held by Ronald Slabke, the Chief Executive Officer of Hypoport AG.

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.26 per cent of Hypoport's shares. Of these, the 0.26 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

Peter Trampe, Stahnsdorf, holds 2.86 per cent of Hypoport's shares.

Stephan Gawarecki, Preetz, holds 3.03 per cent of Hypoport's shares. Of these, the 3.03 per cent of the voting shares held by Gawarecki GmbH, Preetz, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

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 €573 thousand was generated by joint ventures in 2011 (2010: €507 thousand). As at 31 December 2011, receivables from joint ventures amounted to €948 thousand (31 December 2010: €565 thousand) and liabilities to such companies amounted to €813 thousand (31 December 2010: €375 thousand).

7.3 Management Board

The members of the Management Board were as follows:

- Ronald Slabke (Chief Executive Officer), graduate in business administration, Berlin, responsible for human resources, information technology, finance and administration, new markets and strategic investments
- Thilo Wiegand, graduate in banking, Grossalmerode, responsible for the Financial Service Providers business unit
- Hans Peter Trampe, graduate in business administration, Stahnsdorf, responsible for the Corporate Real Estate Clients and Institutional Clients business units
- Stephan Gawarecki, graduate in business administration, Preetz, responsible for the Private Clients business unit and marketing.

The total remuneration paid to the members of the Management Board in 2011 amounted to €1.127 million (2010: €876 thousand); for further information please refer to the remuneration report in the group management report (I.10).

7.4 Supervisory Board

The following persons were members of the Supervisory Board in 2011:

- Ottheinz Jung-Senssfelder (chairman of the Supervisory Board), attorney, Fürth; directorships at other companies: chairman of the supervisory board at mwb fairtrade Wertpapierhandelsbank AG, Gräfelfing; chairman of the supervisory board at BRANDAD Systems AG, Fürth; and vice-chairman of the supervisory board at IC Immobilien Holding AG, Unterschleissheim (till 23 August 2011)
- Thomas Kretschmar (vice-chairman of the Supervisory Board), member of the board of Kretschmar Familienstiftung, Potsdam
- Christian Schröder, graduate in business administration, auditor, Lübeck.

The total remuneration paid to the members of the Supervisory Board in 2011 amounted to €80 thousand (2010: €80 thousand); for further information please refer to the remuneration report in the group management report (I.10).

7.5 Investment pursuant to section 21 (1) WpHG

In addition to the investments listed in section 7.2, Deutsche Bank AG, Frankfurt, holds 9.69 per cent of Hypoport's shares. These voting rights are fully attributable via Deutsche Postbank AG pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

7.6 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 2011 was €130 thousand (2010: €5 thousand). Total liabilities incurred by share-based payments amounted to €15 thousand (2010: €0 thousand).

7.7 Auditor's fees and services

The fees of €93 thousand incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2011 related exclusively to audits of financial statements (2010: fees of €89 thousand).

7.8 Average number of persons employed during the financial year

In 2011 the Company employed an average of 478 (2010: 452) people in addition to the members of the Management Board. The table below gives a breakdown of the average numbers of employees by business unit.

	31 Dec 2011		31 Dec 2010		Change	
	Anzahl	%	Anzahl	%	Anzahl	%
Financial Product Sales Private Clients	141	29	171	38	-30	-18
Financial Product Sales Corporate Real Estate Clients	**37**	**8**	**35**	**8**	**2**	**6**
B2B Financial Marketplaces Financial Service Providers	105	22	76	17	29	38
B2B Financial Marketplaces Institutional Clients	16	3	16	4	0	0
Information Technology	98	21	102	24	-4	-4
Administration	81	18	52	12	29	56
	478		452		26	6

The total headcount includes people working at joint ventures on a pro-rata basis according to Hypoport's share of the venture. A total of ten people (2010: ten) were employed at such companies.

7.9 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 2011, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2010: €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 2011, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2010: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2011 it recognised impairment losses of €403 thousand (2010: €541 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 in cash and cash equivalents is limited because these are all held by banks within the limits covered by deposit insurance.

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 face of 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.

	Maturities					
€'000	Less than 1 month	1 to 3 months	3 months to 1 year	1to 5 year	More than 5 years	Total
Fixed-rate financial liabilities	380	3,629	7,533	7,001	0	18,543
2010	309	585	2,220	18,159	305	21,578
Rental and lease obligations	6	17	37	163	85	308
2010	3	9	21	89	0	122
2011	386	3,646	7,570	7,164	85	18,851
2010	312	594	2,241	18,248	305	21,700

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 should be subject to fixed interest rates. Only its unutilised credit lines were subject to floating interest rates in 2011 and 2010.

7.10 Additional information on financial instruments

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

€'000	Measured at amortised cost: Carrying amount 31 Dec 2011	Measured at amortised cost: Pro forma: fair value	Measured at fair value: Carrying amount	Non-financial assets/liabilities: Carrying amount	Carrying amount on balance sheet at 31 Dec 2011
Trade receivables	27,613	–	–	–	27,613
Loans and receivables	27,613	27,613	–	–	27,613
Financial assets	985	–	–	–	985
Loans and receivables	985	985	–	–	985
Other assets	38	–	–	3,824	3,862
Loans and receivables	38	38	–	–	38
Non-financial assets	–	–	–	3,824	3,824
Cash and cash equivalents	7,518	–	–	–	7,518
Loans and receivables	7,518	7,518	–	–	7,518
Total financial assets	**36,154**	**–**	**–**	**–**	**36,154**
Thereof: loans and receivables	36,154	–	–	–	36,154
Financial liabilities	18,659	–	–	–	18,659
Measured at amortised cost	18,659	20,227	–	–	18,659
Trade payables	12,176	–	–	–	12,176
Measured at amortised cost	12,176	12,176	–	–	12,176
Other liabilities	3,455	–	–	2,863	6,318
Measured at amortised cost	3,455	3,455	–	–	3,455
Non-financial liabilities	–	–	–	2,863	2,863
Total financial liabilities	**34,290**	**–**	**–**	**–**	**34,290**
Thereof: measured at amortised cost	34,290	–	–	–	34,290

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€'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount 31 Dec 2010	Pro forma: Fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet at 31 Dec 2010
Trade receivables	20,457	–	–	–	20,457
Loans and receivables	20,457	20,457	–	–	20,457
Financial assets	501	–	–	–	501
Loans and receivables	501	501	–	–	501
Other assets	89	–	–	2,950	3,039
Loans and receivables	89	89	–	–	89
Non-financial assets	–	–	–	2,950	2,950
Cash and cash equivalents	11,200	–	–	–	11,200
Loans and receivables	11,200	11,200	–	–	11,200
Total financial assets	**32,247**	–	–	–	**32,247**
Thereof: Loans and receivables	32,247	–	–	–	32,247
Financial liabilities	20,594		–	–	20,594
Measured at amortised cost	20,594	21,016	–	–	20,594
Trade payables	9,631	–	–	–	9,631
Measured at amortised cost	9,631	9,631	–	–	9,631
Other liabilities	4,009	–	–	2,593	6,602
Measured at amortised cost	4,009	4,009	–	–	4,009
Non-financial liabilities	–	–	–	2,593	2,593
Total financial liabilities	**34,234**	–	–	–	**34,234**
Thereof: measured at amortised cost	34,234	–	–	–	34,234

The fair values of receivables, loans, held-to-maturity investments and primary liabilities are calculated as the present value of future cash inflows and outflows. These cash flows are discounted using an interest rate prevailing at the balance sheet date and factor in the respective maturities of assets and liabilities as well as the credit rating of Hypoport AG. If a market value or market price is available, this is recognised as the fair value.

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

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

€'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised-cost	2011
Interest and similar income	335	–	–	–	335
Interest expense and similar charges	–	–	–	-1,154	-1,154
Impairment losses	-403	–	–	–	-403
Net result	**-68**	**0**	**0**	**-1,154**	**-1,222**

€'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised-cost	2010
Interest and similar income	75	–	–	–	75
Interest expense and similar charges	–	–	–	-1,689	-1,689
Impairment losses	-541	–	–	–	-541
Net result	**-466**	**0**	**0**	**-1,689**	**-2,155**

7.11 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. It complied with the minimum capital requirement of €50 thousand applicable to its subsidiary Hypoport Finance AG pursuant to section 33 of the German Banking Act (KWG). 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 2011 and 31 December 2010.

€'000	2011	2010
Financial liabilities	18,659	20,594
Minus cash and cash equivalents	7,518	11,200
Net debt	11,141	9,394
Equity	31,269	27,390
Gearing	36 %	34 %

7.12 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 single-entity financial statements documentation and to prepare a management report:

- Dr. Klein & Co. Aktiengesellschaft, Lübeck, Germany
- GENOPACE GmbH, Berlin, Germany
- Hypoport Systems GmbH, Berlin, Germany
- Qualitypool GmbH, Lübeck, Germany
- Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin, Germany

7.13 Declaration of compliance with the German Corporate Governance Code

Hypoport AG has issued the declaration required by section 161 of the German Stock Corporation Act (AktG) and has made it permanently available to the public on the Company's website at www.hypoport.com.

7.14 Events after the balance sheet date

No material events have occurred since the balance sheet date.

Berlin, 8 March 2012

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

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IFRS consolidated financial statements for the year ended 31 December 2011

	Cost			
	Balance 1 Jan 2011 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2011 €'000
I. Intangible assets				
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets				
1.1 Software	3,017	336	0	3,353
1.2 Development costs	24,110	3,531	0	27,641
2. Goodwill	14,826	0	0	14,826
3. Advance payments and development costs in progress	0	573	0	573
	41,953	4,440	0	46,393
II. Property, plant and equipment				
1. Land, leasehold improvements and buildings, including buildings on land owned by others	35	0	10	25
2. Office furniture and equipment	5,931	829	1	6,759
	5,966	829	11	6,784
	47,919	5,269	11	53,177

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Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 1 Jan 2011 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2011 €'000	Balance 31 Dec 2011 €'000	31 Dec 2010 €'000
1,857	449	0	2,306	1,047	1,160
12,287	3,933	0	16,220	11,421	11,823
0	0	0	0	14,826	14,826
0	0	0	0	573	0
14,144	4,382	0	18,526	27,867	27,809
19	3	0	22	3	16
3,515	795	0	4,310	2,449	2,416
3,534	798	0	4,332	2,452	2,432
17,678	5,180	0	22,858	30,319	30,241

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IFRS consolidated financial statements for the year ended 31 December 2010

	Cost			
	Balance 1 Jan 2010 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2010 €'000
I. Intangible assets				
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets				
1.1 Software	2,435	582	0	3,017
1.2 Development costs	18,368	5,742	0	24,110
2. Goodwill	14,826	0	0	14,826
	35,629	6,324	0	41,953
II. Property, plant and equipment				
1. Land, leasehold improvements and buildings, including buildings on land owned by others	35	0	0	35
2. Office furniture and equipment	4,672	1,260	1	5,931
	4,707	1,260	1	5,966
	40,336	7,584	1	47,919

Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 1 Jan 2010 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2010 €'000	Balance 31 Dec 2010 €'000	31 Dec 2009 €'000
1,441	416	0	1,857	1,160	994
8,567	3,720	0	12,287	11,823	9,801
0	0	0	0	14,826	14,826
10,008	4,136	0	14,144	27,809	25,621
16	3	0	19	16	19
2,934	582	1	3,515	2,416	1,738
2,950	585	1	3,534	2,432	1,757
12,958	4,721	1	17,678	30,241	27,378

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8. Responsibility statement

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

Berlin, 8 March 2012

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

9. Auditor' Opinion

Audit opinion of the auditor:

We have audited the consolidated financial statements prepared by the Hypoport AG, Berlin, comprising the balance sheet, the income statement, consolidated statement of comprehension income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of entities to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Lübeck, 14 March 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Herbers	signed Beecker
(German Public Auditor)	(German Public Auditor)

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10. Single-entity financial statements of Hypoport AG 2011 (abridged 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.

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Income statement

for the year ended 31 December 2011

	2011 €'000	2010 €'000
Revenue	9,318	11,237
Changes in inventories of finished goods and work in progress	69	0
Own work capitalised	613	286
Other operating income	2,172	1,704
Personnel expenses	-13,094	-10,642
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-133	-59
Other operating expenses	-5,404	-4,411
Income from long-term equity investments	1,534	857
Income from profit transfer agreements	15,616	5,000
Income from other securities and lending of financial assets	8	8
Other interest and smiliar income	522	372
Expense in respect of loss transfers	-190	-261
Interest expense and similar charges	-879	-904
Profit from ordinary activities	**10,152**	**3,187**
Income taxes	-1,626	-621
Other taxes	10	-6
Net profit for the year	**8,536**	**2,560**
Profit brought forward	13,524	10,964
Distributable profit	**22,060**	**13,524**

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Balance sheet as at 31 December 2011

Aktiva	31 Dec 2011 €'000	31 Dec 2010 €'000	
Fixed assets			
Intangible assets	847	314	
Property, plant and equipment	97	127	
Financial assets	35,991	34,506	
	36,935	**34,947**	
Current assets			
Total inventories	69	0	
Trade receivables	2,357	1,883	
Receivables from affiliated companies	13,679	9,170	
Receivables from other long-term investees and investors	265	232	
Other assets	244	238	
Cash and cash equivalents	302	423	
	16,916	**11,946**	
Prepaid expenses	**40**	**14**	
Deferred tax assets	**0**	**882**	
	53,891	**47,789**	
Equity and liabilities			
Equity			
Subscribed capital	6,195	6,195	
Treasury shares	-1	-13	
Capital reserves	2,053	1,938	
Retained earnings	7,865	7,862	
Distributable profit	22,059	13,524	
	38,171	29,506	
Provisions	**2,024**	**1,796**	
Liabilities			
Liabilities to banks	11,950	14,434	
Trade payables	600	588	
Liabilities to affiliated companies	771	1,165	
Liabilities from other long-term investees and investors	11	0	
Other liabilities	300	300	
	13,632	16,487	
Deferred income	11	0	
Deferred tax liabilities	53	0	
	53,891	47,789	

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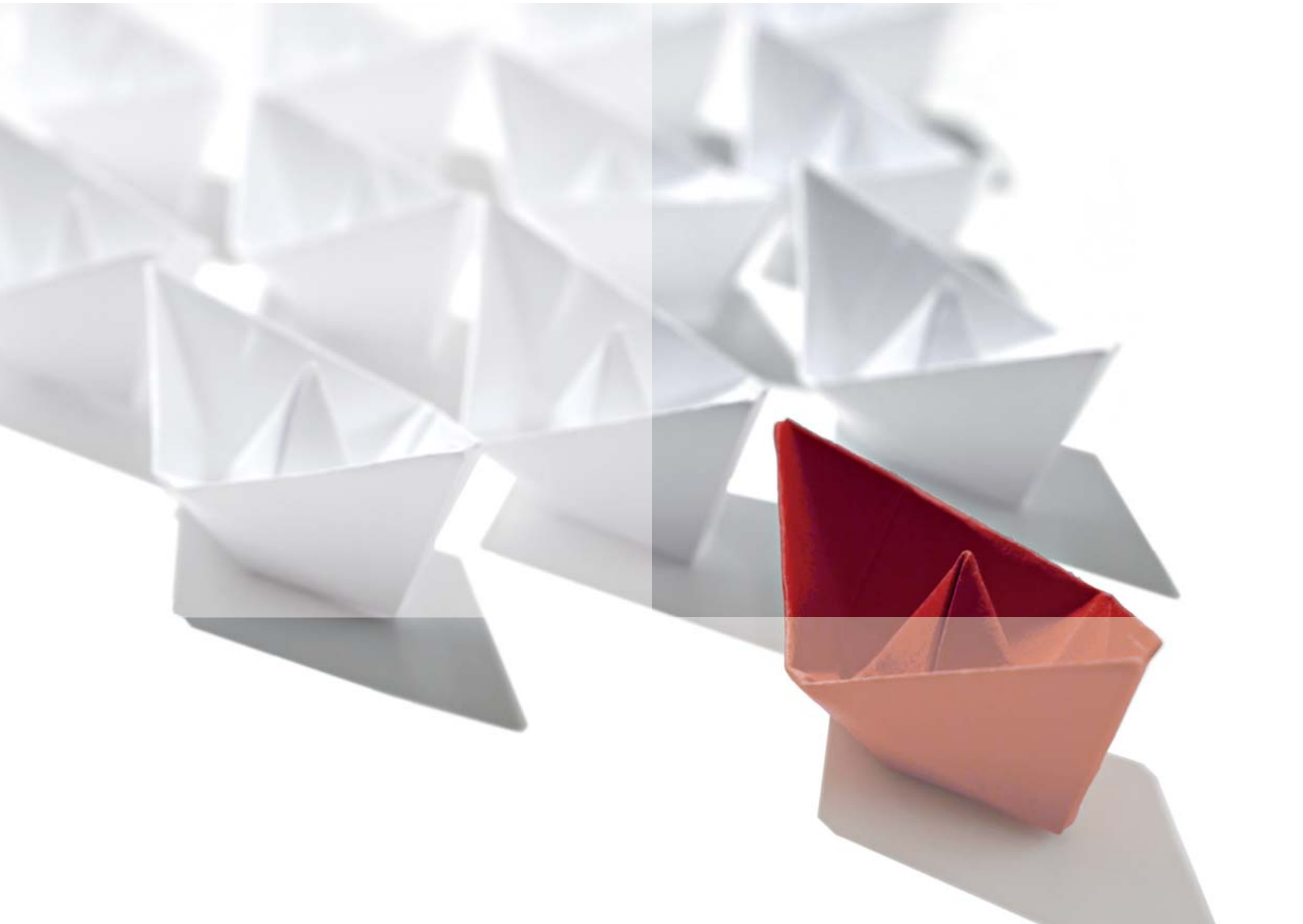

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