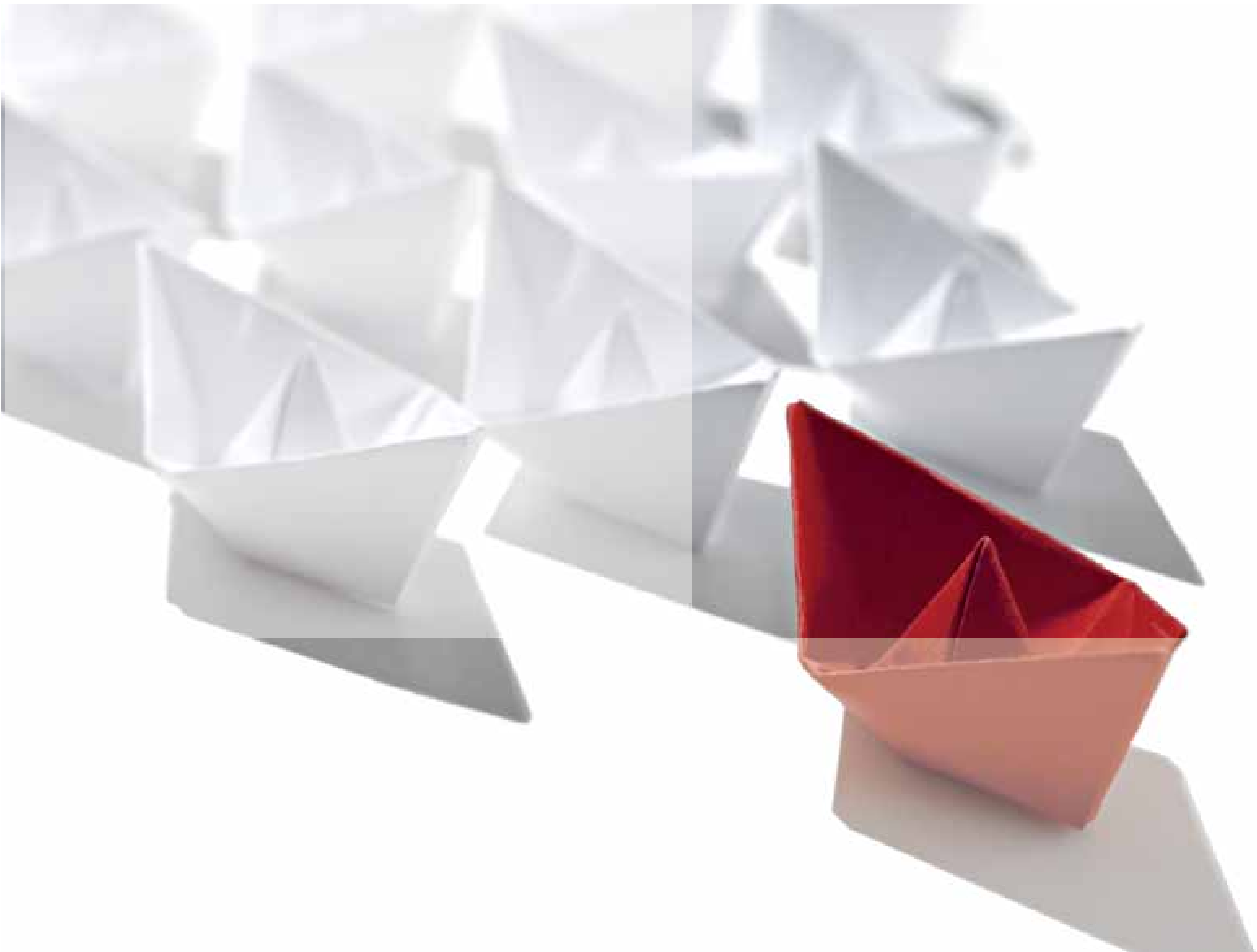
HYPOPORT
THE FINANCE INTEGRATOR



Hypoport AG annual report for 2009

HYPOPORT
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Key performance indicators

Continuing operations (€'000)	2009	2008*)	Change
Revenue	50,474	52,679	-4 %
Gross profit	32,024	34,218	-6 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,902	8,063	-39 %
Earnings before interest and tax (EBIT)	1,220	4,969	-75 %
EBIT margin (EBIT as a percentage of gross profit)	3,8	14,5	-74 %
Basic earnings (loss) per share (€)	-0.05	0.51	-110 %
Diluted earnings (loss) per share (€)	-0.05	0.51	-110 %
Hypoport Group (€'000)			
Net profit (loss) for the year	-346	-250	38 %
attributable to Hypoport AG shareholders	-346	-250	38 %
Basic earnings (loss) per share (€)	-0.06	-0.04	50 %
Diluted earnings (loss) per share (€)	-0.06	-0.04	50 %
Current assets	26,277	27,748	3 %
Non-current assets	28,525	28,128	-7 %
Equity	23,925	24,219	-1 %
attributeable to Hypoport AG shareholders	23,725	24,019	-1 %
Equity ratio (%)	43,7	43,4	1 %
Total assets	54,802	55,876	-2 %

*) The comparative prior-year tax figures have been restated and are explained in section 2.1 of the notes to the consolidated financial statements.

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1. Letter to shareholders

Dear Shareholder

2009 was both an exciting and a challenging year for us. We achieved a number of successes at the strategic level, but the current market environment resulted in a mixed earnings picture across the Group last year. Despite the generally tough market for sales of financial services, three of the Hypoport Group's business units managed to deliver strong earnings at or above their 2008 levels.

The robust performance of Private Clients, our biggest business unit, was particularly encouraging and we significantly outstripped our conventionally positioned competitors in this sector. Although our revenue was down slightly, earnings showed a small improvement. The sharp rise in the number of leads we generated and the successful expansion of our in-branch sales activities, based on a state-of-the-art franchise system, suggest that we should continue to achieve strong growth in the future. Our aim is to be one of the top-ranking German financial product distributors by 2014.

The Corporate Real Estate Clients and Institutional Clients business units also performed very well. Both managed to improve their position in their respective segments and made welcome contributions to Group earnings. The Corporate Real Estate Clients business unit had its most successful year ever and it is increasingly establishing itself as a central broker for commercial real-estate investors with strong credit ratings, i.e. outside its traditional target group of the housing sector. The Institutional Clients business, which operates out of Amsterdam and is the most recent addition to our range of business units, exploited the opportunities available in providing support for the funding of loan portfolios. This business unit has extended the range of services it offers and achieved significant revenue and earnings growth. The high quality and flexibility of their applications impressed clients, particularly as the funding market has been in the doldrums.

Only the Financial Service Providers business unit failed to compensate for the severe disruption in the mortgage finance market in Germany. The forward-looking GENOPACE, FINMAS, EUROPACE Netherlands and EUROPACE II projects launched in 2007 and thereafter are adversely affecting the business unit at a time when operating profit is under pressure from a radical shift in the supplier market in Germany. If we were to postpone or even just slow down these forward-looking projects at this time, we would destroy extremely attractive opportunities for you, our shareholders. Consequently, the other three business units will have to compensate for lower earnings in the Financial Service Providers business unit for as long as the market dislocation persists.

A brief analysis of the market disruption follows because most lenders in Germany with nationwide operations fund themselves in the capital markets. The liquidity and risk pricing that has developed in the capital markets since the collapse of Lehman Brothers is forcing these financial institutions to reduce their volume of new business and to build significantly higher margins into their lending terms. These are the traditional primary partners of the independent loan brokers and form EUROPACE's main target group. They are in competition with around 2,000 regional banks in the co-operative and public-sector camp. The latter are funded by deposits and are not directly affected by the turbulence in the capital markets. For their part, the regional banks have recognised the weak position of the capital market funded lenders and since the end of 2008 they have been attempting to win back the market share they had lost in the

preceding years. To compete they are using loan prices which were previously a distinct selling advantage for loan brokers. As a result, loan brokers are losing market share and are removing parts of their business from the EUROPACE platform by reverting to paper-based transactions with regional branches, as they did in the days before electronic brokerage.

We and many of our partners are confident that this development does not represent a long-lasting change in the market. The degree of competition between the two camps will level off again when funding returns to normal and the regional banks are also realising that unfiltered, manual checking of credit applications that have not been pre-screened will not prove profitable in the long term. As a result, our platforms for savings banks (FINMAS) and cooperative banks (GENOPACE) are generating widespread interest in these camps. The filtering role played by the EUROPACE marketplace means that regional banks receive only those loan applications that have been checked automatically against their credit procedures and in which clients have committed themselves to signing a loan agreement. This business is much easier to expand profitably, which is a competitive advantage that regional banks will systematically tap into, and as a result they will be able to compete in the EUROPACE marketplace on an equal footing with nationwide lenders. In the coming years, this development will make EUROPACE and our distribution partners much less exposed to disruption in the banking system.

Nonetheless, the market remains not only exciting but also highly challenging for all our employees. Given the uncertainty surrounding economic trends going forward, it is currently very difficult to make reliable short-term forecasts for specific key performance indicators. Assuming that conditions in our markets stabilise, we expect revenue and earnings for 2010 to remain at the same level. For 2011, we are confident that we will achieve the above-average profitability seen in earlier years, provided revenue continues to increase and the product supplier market returns to normal.

Prof. Dr. Thomas Kretschmar
Sprecher des Vorstands, Co-CEO

Ronald Slabke
Sprecher des Vorstands, Co-CEO

2. Report of the Supervisory Board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2009 financial year.

The Supervisory Board discharged the responsibilities incumbent upon it during 2009 in accordance 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 meetings. The Management Board and the Supervisory Board were also in regular contact outside the meetings, so the Supervisory Board was kept abreast of particularly important events at all times. The Supervisory Board also obtained information about key developments for itself and supported the Management Board in an advisory capacity. All decisions and actions of fundamental importance that required approval were discussed with the Supervisory Board at an early stage and submitted to the Supervisory Board for approval.

The Supervisory Board held five scheduled meetings in 2009. On three other occasions, resolutions were adopted by telephone or email at the request of the chairman of the Supervisory Board 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.

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 extraordinary Supervisory Board meeting on 7 January 2009, among other matters, the Supervisory Board approved the resolution to renew the employment contracts signed with Stephan Gawarecki and Hans Peter Trampe, members of the Management Board of Dr. Klein & Co. AG, which had been adopted by the Supervisory Board of Dr. Klein & Co. AG. (Votes cast by email).

At the meeting on 26 January 2009, there were extensive discussions about the impact of the global financial and economic crisis on the lending policies of mortgage finance companies in Germany and the Netherlands, territories that are covered by EUROPACE. In particular, they examined the severely restrictive pricing policies adopted by banks that fund themselves in the capital markets, and the resulting negative impact on the competitiveness of these market players who are important for the platform. The Supervisory Board endorsed the budget for 2009 as submitted by the Management Board.

The Supervisory Board also voted to comply with the German Corporate Governance Code and to submit a declaration of compliance in accordance with section 161 German Stock Corporation Act (AktG).

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On 28 January 2009, in addition to its meetings, the Supervisory Board approved a change in the company's subscribed capital as specified in its statutes to €6,128,958 following the issue of shares in connection with the exercise of share options in 2008. (Votes cast by email).
At the meeting on 20 March 2009, the Company's business performance in the fourth quarter of 2008 was discussed. Representatives of BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting and they presented a comprehensive report about their audit of the single-entity financial statements and the consolidated financial statements for 2008. As required by section 171 AktG, the Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2008 and both the management reports. The Supervisory Board also examined the Management Board's proposal for the appropriation of profits which it approved and voted to adopt. The agenda and the proposals for resolution at the 2009 Annual Shareholders' Meeting were also approved.

The Supervisory Board meeting held by telephone on 11 May 2009 mainly dealt with the interim report for the first quarter of 2009. The discussions during the meeting on 5 June 2009 included the Management Board's report on the first quarter. The Supervisory Board also voted to appoint Thilo Wiegand as managing director of Hypoport on-geo GmbH, a role he will perform in addition to fulfilling his responsibilities as a member of the Hypoport AG Management Board.

The Supervisory Board meeting on 7 August 2009 largely concerned the Management Board's report on the Group's performance in the second quarter and the interim report for the period ending 30 June 2009. In addition, the Management Board's rules of procedure regarding the issue of their financial obligations were defined and broadened and there was also a lengthy discussion about the further expansion of the internal control and riskmanagement system and the internal audit function.
The Company's business performance in the third quarter of 2009 and the interim report for the period ended 30 September 2009 were discussed at the Supervisory Board meeting on 6 November 2009. The Supervisory Board accepted the resignation of Mr Marco Kisperth from the Hypoport AG Management Board with effect from 31 December 2009. The Supervisory Board carried out an efficiency audit of its 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

Last year, the Supervisory Board discussed the content of the German Corporate Governance Code and its amendments and adopted the appropriate resolutions. The remuneration report contains information on corporate governance at the Company and 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.

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The Supervisory Board and Management Board are aware that good corporate governance, safeguarding the interests of shareholders and the capital markets, is essential for the Company's success. The Supervisory Board regularly reviews the effectiveness of its own work.

Change of personnel on the Management Board

At the Supervisory Board meeting on 6 November 2009 Mr Marco Kisperth tendered his resignation as a member of the Management Board of Hypoport AG with effect from 31 December 2009. The Supervisory Board accepted his resignation and thanked Mr Kisperth for his contribution to date. In the future, Mr Kisperth will be available as a freelance project manager for EUROPACE 2.

Single-entity and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2009 single-entity financial statements prepared in accordance with the German Commercial Code (HGB), the 2009 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), both management reports, the proposed appropriation of profits and the corresponding independent auditors' reports.

BDO Deutsche Warentreuhand Aktiengesellschaft 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 2009 and they issued an unqualified opinion for both. As required by section 171 AktG, the Supervisory Board examined and discussed the single-entity and consolidated financial statements for 2009 and both management reports. The auditors reported to the Supervisory Board in person at the meeting held on 24 March 2010 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 examination, it had no objections to raise. The Supervisory Board approved the single-entity and consolidated financial statements for 2009 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, 24 March 2010

Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

3. Corporate Governance

The Management Board and Supervisory Board of Hypoport AG, Berlin, hereby declare that: since the last declaration of compliance was submitted on 26 January 2009, 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 in the past, this declaration relates to the recommendations made by the German government commission on the German Corporate Governance Code, as amended on 6 June 2008 and published in the electronic German Federal Gazette on 8 August 2008. For the corporate governance practices adopted by Hypoport AG at present and those to be adopted in the future, this declaration relates to the recommendations made by the German government commission on the German Corporate Governance Code, as amended on 18 June 2009 and published in the electronic German Federal Gazette on 5 August 2009.

1. Paragraph 3.8 (2) of the German Corporate Governance Code currently reflects the legal situation imposed by section 93 (2) sentence 3 AktG following the effective date of the Act on the Appropriateness of Management Board Remuneration (VorstAG) of 31 July 2009 (Federal Law Gazette I, page 2509), according to which an excess must be agreed when a directors' and officers' (D&O) liability insurance policy is taken out for members of a management board. The D&O insurance policy concluded by Hypoport AG for the members of its Management Board does not at present specify any excess. In future, Hypoport AG will comply with the legislation concerning insurance policy excesses and it will make the appropriate changes to its existing D&O insurance policies within the statutory transition period as stated in section 23 (1) sentence 1 of the Introductory Act to the Stock Corporation Act (EGAktG), i.e. with effect from 1 July 2010 at the latest. Paragraph 3.8 (3) of the German Corporate Governance Code recommends that an appropriate excess should be agreed when taking out directors' and officers' liability insurance for members of a supervisory board. The D&O insurance concluded by Hypoport AG for members of its Supervisory Board does not at present specify any excess.

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

2. Paragraph 4.2.1 of the German Corporate Governance Code recommends that the Management Board should consist of several persons and have a chairman or spokesman. The Management Board of Hypoport AG has two spokesmen.

   Hypoport AG is of the view that the organisational structure it has selected for its Management Board is practicable for the Company and the fact that it has two spokesmen perfectly reflects the overall expertise of the Management Board and consequently no changes are planned.

3. Paragraph 4.2.3 (2) of the German Corporate Governance Code currently reflects the legal situation following the effective date of the Act on the Appropriateness of Management Board Remuneration of 31 July 2009 (Federal Law Gazette I, page 2509). It requires supervisory boards to ensure that in future the monetary components of management board members' remuneration are calculated on a multi-year basis. The code also recommends that the variable elements of management board members' remuneration must be structured so as to take account of both positive and negative developments.
   The structure of the variable components of the Hypoport AG Management Board's remuneration is such that negative developments are currently taken into account in so far as board members are only entitled to variable remuneration components if a specific positive earnings figure (EBIT) has been achieved. Management Board members' remuneration is not calculated on a multi-year basis and future positive and negative developments are not taken into account in the current contracts of employment between Hypoport AG and the members of its Management Board, all of which were signed prior to the change in the law. When new Management Board members' contracts are signed or existing contracts are extended, Hypoport AG will comply with the new legal requirements for the structure of variable remuneration components and it will also decide whether in future it should comply with the above-mentioned supplementary recommendation in the code concerning variable remuneration components.

4. 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.

5. 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.

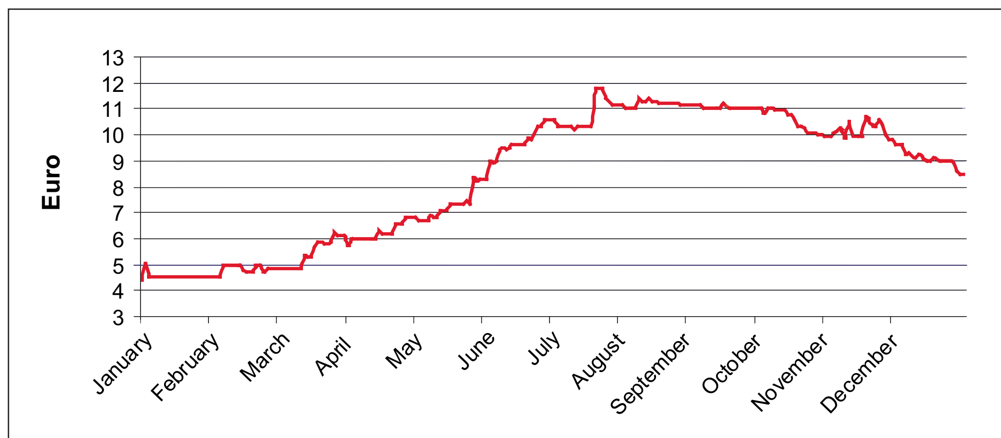
Berlin, 25 January 2010

The Supervisory Board The Management Board

4. Hypoport's shares

Share price performance

Hypoport's shares made significant gains in 2009, rising by 112 per cent from €4.01 at the end of 2008 to €8.50 on 30 December 2009. Their highest price was €11.80 on 22 July and their lowest was €4.40 on 2 January.



Performance of Hypoport´s share price, January to December 2009 (daily closing prices on Frankfurt Stock Exchange)

Earnings per share

A loss of €0.06 per share was incurred in 2009 (2008: loss of €0.04). The Company's continuing operations incurred a loss of €0.05 per share (2008: earnings of €0.51 per share), while its discontinued operations incurred a loss of €0.01 per share (2008: loss of €0.55).

Trading volumes

The average daily volume of Hypoport shares traded fell from €10,361.72 to €6,839.51. The highest average daily turnover was in November (1,984 shares), followed by May (1,712 shares). The month with the lowest daily turnover was February, when an average of only 176 Hypoport shares changed hands.

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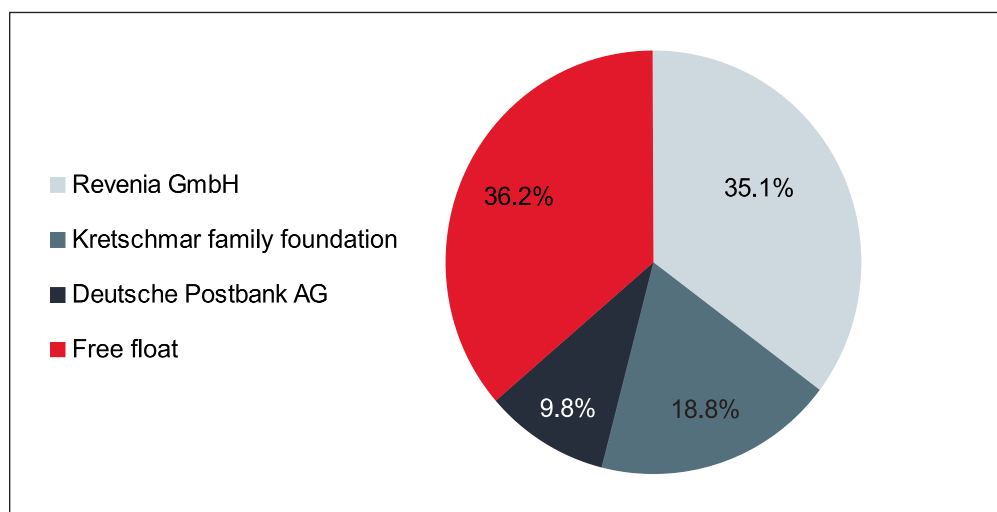
Shareholder structure

The free float in Hypoport's shares amounts to 36.2 per cent.



Breakdown of shareholders as at 31 December 2009

Designated sponsor

The designated sponsor for Hypoport AG is Landesbank Baden-Württemberg, Stuttgart.

Research

Landesbank Baden-Württemberg has been publishing regular research studies on Hypoport´s shares since 2008. The table below shows its most recent recommendations, the dates on which they were issued, and the target price in each case.

Recommendation	Target price	Date of recommendation
Hold	€11.00	09 November 2009
Hold	€11.00	02 November 2009
Hold	€11.00	30 October 2009
Hold	€11.00	14 August 2009
Hold	€7.20	20 May 2009
Hold	€6.10	18 March 2009
Hold	€6.10	11 November 2008

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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 31 October was the only one in 2009:

"Deutsche Postbank AG purchased 600,000 shares in Hypoport AG in March 2007. An initial instalment of €6.0 million was paid but the final purchase price was still to be specified. A neutral expert's report issued today by the arbitrator appointed by the vendors and Deutsche Postbank AG has valued Hypoport AG at €15.15 per share. The expert's report has been prepared in accordance with IDW auditing standard S1 issued by the Institute of Public Auditors in Germany."

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

Notification of directors´dealings

The table below shows the directors' dealings notified to us in 2009.

Transaction date	Notifying person/entity	Transaction	Stock exchange	Number of shares	Execution price
5 January 2009	Kretschmar family foundation	Purchase	Off-exchange	200,000	4.40
5 January 2009	r4i GmbH*)	Sale	Off-exchange	200,000	4.40
6 April 2009	Revenia GmbH**)	Purchase	Off-exchange	27,831	16.17
16 June 2009	Monika Schröder	Sale	XETRA	500	9.70
17 August 2009	Monika Schröder	Sale	XETRA	600	11.60
19 August 2009	Monika Schröder	Sale	XETRA	200	11.15
9 November 2009	Kretschmar family foundation	Purchase	XETRA	5,000	10.48

*) Prof. Dr. Thoams Kretschmar is managing director of r4i GmbH.

**) Ronald Slabke is managing director of Revenia GmbH.

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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	€6,128,958.00
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 2 January 2009	€4.40 (Frankfurt)
Share price as at 30 December 2009	€8.50 (Frankfurt)
High in 2009	€11.80 (22 July 2009)
Low in 2009	€4.40 (2 January 2009)
Market capitalisation	€52.1 million (30 December 2009)
Trading volume	€6,830.51 (daily average for 2009)

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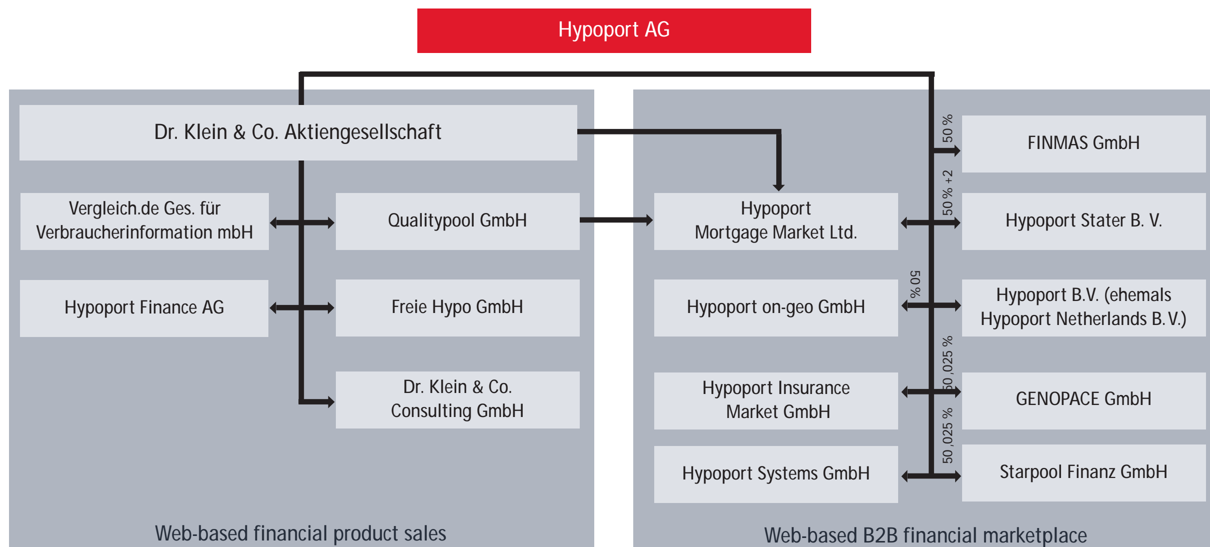
5. Management Report

Business report
Business and economic conditions
Business model and strategy

The Hypoport Group is an internet-based financial service provider that offers a full range of financial products. Its parent company is Hypoport AG, which is head-quartered 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 wholly owned subsidiary Dr. Klein & Co. AG and the latter's subsidiaries Vergleich.de Gesellschaft für Verbraucherinformation mbH, Freie Hypo GmbH 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.

With its EUROPACE B2B financial marketplace, the Hypoport Group uses Germany's largest online transaction platform to sell financial 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 the unique combination of financial product distribution and process-related and IT expertise in a single business model lead us to believe that this model will continue to perform well in 2010.

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

Economic conditions

Economic conditions worldwide continue to be affected by the fallout from the international financial and economic crises. The global economy has emerged from the most severe recession since the Second World War, and production and trade have been rising again since the spring of 2009.

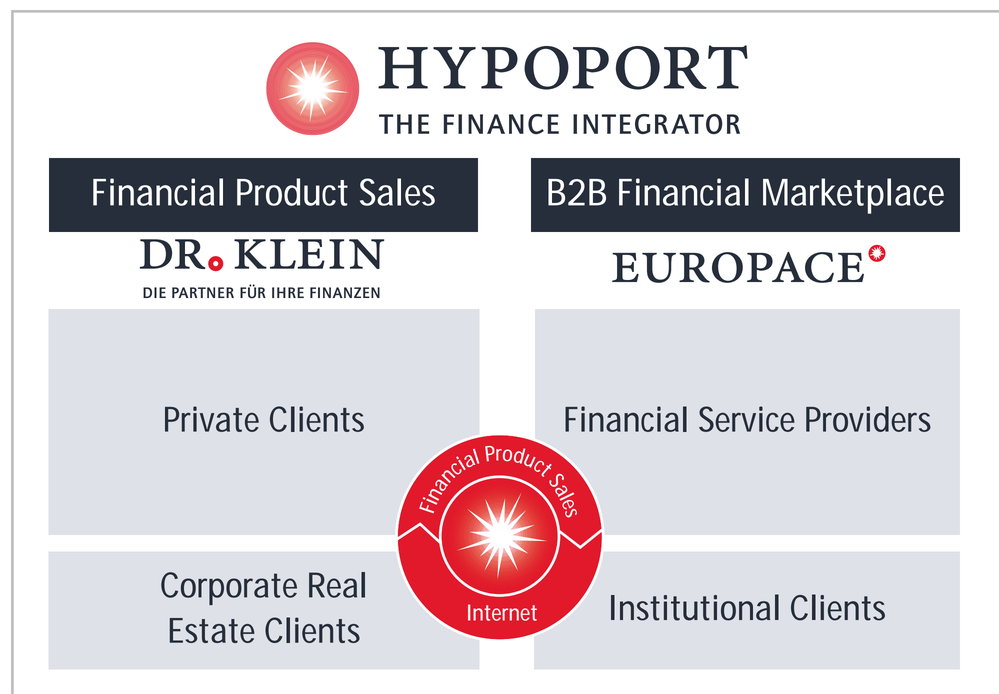
In order to prevent the global financial system from collapsing, governments in virtually all industrialised nations intervened in the economy on a huge scale by organising massive bailouts. These included recapitalising banks, providing guarantees to shore them up, taking over financial institutions and mounting a range of economic stimulus programmes. Stimulus packages to boost economic activity were launched around the globe, and the world's leading central banks responded by slashing interest rates and, in some cases, even resorting to quantitative easing. In the US, UK and Japan, where interest rates are already effectively zero, central banks are also sharply expanding the money supply to boost the financial resources available to banks by purchasing private-sector debt instruments and government bonds. The central banks are encouraging the banks to channel this additional money to their customers in the form of urgently needed loans. The European Central Bank (ECB) last cut its key interest rate for the euro zone on 7 May 2009, taking it to 1.0 per cent – its lowest level since the introduction of the euro in 1999. Against the backdrop of the economic downturn and the consequent dampening of inflationary expectations, the ECB decided at the beginning of February 2010 to leave interests rates at their historically low level of 1.0 per cent.

The weak state of the international financial markets remains a negative factor, and their ability to function in key segments continues to be limited. The banking system has also been hit by massive reductions in capital caused by large impair-ment charges on structured securities. Major industrialised countries also experienced property market crises which increased the write-downs banks needed to make. Lending conditions therefore remain restrictive all over the world, massively limiting the availability of finance for capital investment and job creation. Furthermore, the economic stimulus packages in place, which were funded by borrowing, are coming to an end so that the pace of growth is likely to remain slow.

Overall, the International Monetary Fund (IMF) expects global economic output for 2009 as a whole to fall by 2.2 per cent, which would be its first contraction for decades. As a major exporter, Germany has been hit particularly hard by the international economic slowdown. The ifo Institute of Economic Research is forecasting that the decline in economic output in 2009 will be the sharpest since the Federal Republic of Germany was founded, and it expects gross domestic product for 2009 to be down by 4.9 per cent. Spending on capital equipment was down by a dra-matic 20 per cent. The dire shortage of orders forced many companies to introduce short-time working or to make staff redundant, but unemployment, which usually mirrors the economic cycle with a slight time lag, rose only moderately from 7.5 per cent to 7.9 per cent. Consumer spending remained virtually constant, rising by an insignificant 0.3 per cent. Given the listless rate of growth and the turmoil on the financial markets throughout 2009, the household savings rate is likely to have remained high.

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 15 German and international subsidiaries.

Financial Product Sales – Private Clients

The trend for clients to seek advice from independent financial product distributors such as Dr. Klein before purchasing financial products continued in the market in 2009. However, this trend has been overtaken by other developments that now require a more sophisticated approach in terms of distribution channels and product types.

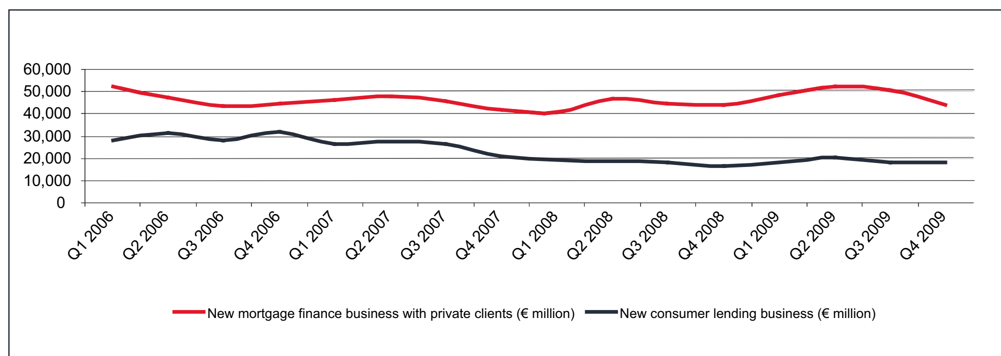
www.drklein.de

Private clients clearly remain aware of the benefits of independent advice and products that are available via the internet, with the result that online forms of distribution remained buoyant in 2009. Financial services distributors experienced much tougher customer competition in their branch-based sales in 2009 than in the past. The change in the competitive environment gave the regional banks a clear competitive edge, particularly in the case of mortgage finance and pension products, with the result that growth rates varied between branch-based financial product distributors.

Overall, Dr. Klein used the internet, its primary sales channel, as well as its three secondary distribution channels (telephone sales, branch-based sales and agent sales) to expand its market position, with gains in online and branch-based sales more than compensating for falls in telephone sales.

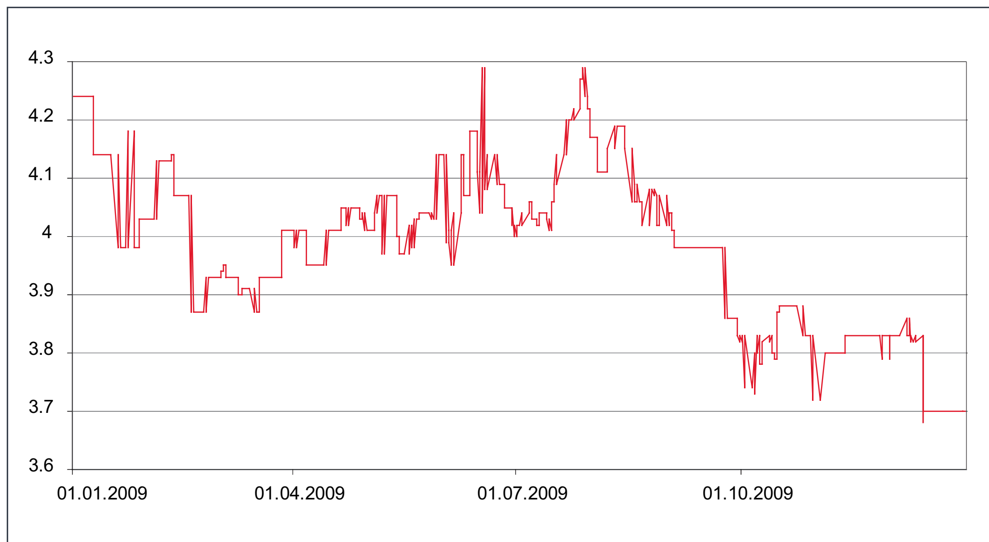
The sale of financial products through our primary distribution channel continues to benefit from the growing acceptance of the internet. Clients can look up information at their leisure whenever they wish and initially remain anonymous. More and more customers are also using the internet to enquire about products or even to sign up online for simple, standard products. Dr. Klein has benefited enormously from this trend.

The market in which independent providers of financial products operate continues to be highly competitive. According to Bundesbank statistics, there was a sharp year-on-year rise in the total volume of mortgage finance and personal loans provided in 2009. While the total value of home loans sold in 2008 came to €176.4 billion, the Bundesbank reported that demand in 2009 grew by 10.6 per cent to €195.2 billion. We believe that this statistical growth is attributable to portfolio transactions and other dilutive effects rather than reflecting actual trends in the mortgage finance market. By contrast, the Bundesbank also calculated that the market for personal loans was slightly less buoyant, with the total volume of business in this market growing by a mere 3.5 per cent, from €72.4 billion to €74.9 billion. The special loans provided by auto finance companies as part of Germany's car scrappage scheme should prove to be a key growth driver in this market.



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

The crisis in the financial markets also fuelled severe volatility in long-term interest rates, causing them to rise in the first half of 2009, only to fall back below their 2008 level in the second half of the year. This interest-rate turbulence is curbing customer demand and, during periods of rising interest rates, it temporarily increases the competitive pressure on independent intermediaries compared with full-service providers such as traditional relationship banks and regional banks.



Ten-Year swap rates of the year 2009

The introduction of the German Retirement Income Act (AltEinkG) placed a large proportion of the responsibility for retirement pensions in private hands. This has created strong demand for additional pension provision. Despite great need for funded pensions, the continuing uncertainty caused by the financial crisis is still making many people highly reluctant to commit to any sort of long-term pension scheme.

Frequent changes to the system of statutory and private health insurance also continue to generate greater need for advice and are they boosting client demand in this area. Sales of private policies are increasing in Germany on the back of the standard premium rate for holders of statutory health insurance policies that was introduced as part of the healthcare fund created in 2009 and the growing debate about additional premiums for statutory health insurance schemes.

Demand for insurance has remained largely stable in Germany, as has German insurance companies' premium income, despite the weak economy. Overall, the German Insurance Association (GDV) is forecasting a slight rise of approximately 3.1 per cent in premium income across all insurance segments for 2009.

Fund assets under management generally continued to perform well in 2009. According to the federal association of German fund management companies (BVI), the total volume rose by 13.0 per cent, from €1.217 trillion to €1.376 trillion. Of this total, €650 billion (2008: €576 billion) was attributable to retail funds and €726 billion (2008: €641 billion) to institutional funds.

During the year, consumers also sought out increasingly conservative investments, with the result that Bundesbank statistics reported a sharp rise in total funds in-vested in fixed-term, instant-access and savings accounts in 2009, which rose by 6.2 per cent, from €1,382.1 billion to €1,467.3 billion. As a leading online distributor of instant-access and fixed-term products, Dr. Klein benefited from this trend.

Financial Product Sales – Corporate Real Estate Clients

The main target group of this business unit, which forms part of Dr. Klein & Co. AG, consists of municipal and cooperative housing companies. This sector is characterised by a high degree of continuity. The level of housing starts in Germany has remained low for years. Much activity is focused on modernising existing housing stock.

According to the German Housing and Property Companies Association (GdW), around three-quarters of the funds invested are spent on developing the existing housing stock – modernising, renovating and maintaining buildings – with only one quarter being spent on new builds. The volume of finance requested was therefore primarily used to optimise existing loan portfolios through debt rescheduling and to carry out extensive modernisation work. The proportion of conventional mortgages secured by a first charge continues to decline and is being replaced by more com-plex financing that is structured accordingly prior to its actual placement.

Banks' huge reluctance to lend as a result of the financial crisis has caused a fur-ther shift towards lenders in the insurance industry. The fact that lenders in this sector do not have a distribution network of their own in the housing industry is strengthening Dr. Klein's position. The services offered by Dr. Klein are also increasingly in demand with real-estate investors who are still focusing on residential property, which is substantially broadening Dr. Klein's customer base.

At the same time, the absence of banking partners is causing a number of housing companies to consider optimising their loan and collateral portfolios. The EUROPACE WoWi portfolio management platform developed jointly with Hypoport AG is increasingly being used for this purpose.

The distribution market for insurance services in the housing sector is highly fragmented. This means that the individual agents operating in this market are not specialists, which prevents the best-possible advice from being provided and the optimum insurance from being purchased. Decision-makers at municipal and cooperative housing companies remain very much aware of the issue of ancillary costs being seen as a form of 'second rent' and, consequently, of their role as a unique selling proposition in a competitive market. Insurance premiums form a substantial part of ancillary rental costs. The optimisation of insurance services can reduce ancillary rental costs (thereby reducing the total rent) while lowering housing companies' risk costs.

New legislation amending the law on insurance brokerage has also significantly raised awareness of the status of insurance brokers in the corporate client sector, not to mention the swathe of media reports about the financial crisis that have made the business community much more risk conscious.

In 2009, Dr. Klein & Co. AG continued to position itself well in this market by offering the appropriate specialist advisory services.

B2B Financial Marketplaces – Financial Service Providers

The Hypoport Group's EUROPACE platform provides the central marketplace that is used to process financing for private clients between independent financial product distributors and product suppliers.

The success of this marketplace is therefore largely determined by the market in mortgages and personal loans as well as independent distributors' market share over time. Consequently, please refer to the comments made in the section Financial Product Sales – Private Clients for an account of the general sectoral trends.

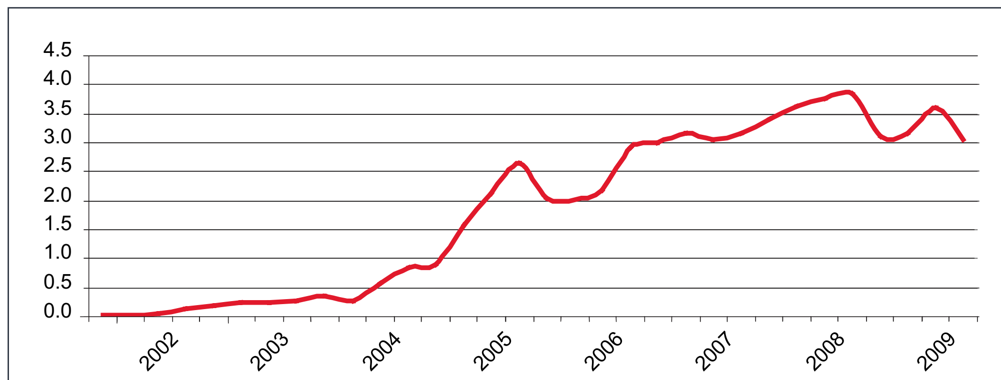
The market's development towards an 'open architecture' (where one distributor collaborates with a number of product suppliers) and away from a single-lender model (where the products of only one supplier are sold, e.g. through regional bank branches) is continuing and is extremely beneficial for the development of the EUROPACE platform.

Independent distributors (such as Dr. Klein) advise their clients without any regard to the interests of specific product suppliers and, by consulting with their clients, select the best product from a wide range offered by various suppliers. This distribution model, which is highly beneficial for clients, places greater demands on the technology and processes used by the financial product distributor. Because several thousand financial advisers throughout the sector use the EUROPACE marketplace to perform these functions, valuable synergies are created for the part-ners involved. Apart from the considerable benefits for the financial product distributors participating, EUROPACE consistently benefits – when looking for new product suppliers to expand the product range – from the strong appeal exerted by the thousands of active financial advisers working for the financial product distributors operating on EUROPACE. A number of new product suppliers were again successfully acquired for this business in 2009.

However, the weak state of several major product suppliers meant that the total transaction volume (excluding cancellations) processed on EUROPACE fell by 12 per cent to €12.9 billion in 2009 (2008: €14.7 billion). The total volume of mortgage transactions (excluding cancellations) fell by 15.5 per cent to €11.4 billion (2008: €13.5 billion). Unfortunately, the strong performance by GENOPACE failed to compensate for the slump in the Financial Product Sales segment. GENOPACE, the platform for local cooperative banks, is operated by GENOPACE GmbH, a joint venture company with members of the cooperative financial services network. FINMAS, the financial marketplace for Germany's savings banks set up in October with Ostdeutscher Sparkassenverband, the association of eastern German savings banks (OSV), only started operations at the end of the year, so it did not contribute to the transaction volume.

Personal loans generated strong year-on-year growth. The transaction volume (excluding cancellations) of €1.3 billion was again in excess of the one billion mark and represented a 15.8 per cent rise on 2008's total of €1.1 billion.

Building finance, the newest product area, performed even better. Its total transaction volume (excluding cancellations) rocketed by 486.1 per cent to €211 million (2008: €36 million).



Volume of transactions on EUROPACE (€ billion)

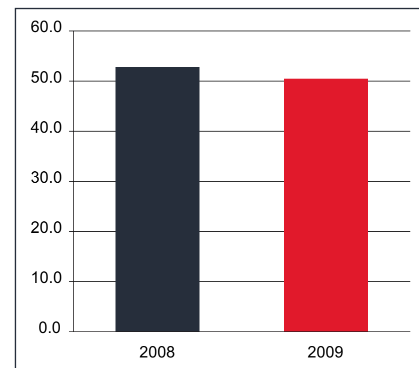
B2B Financial Marketplaces – Institutional Clients

In 2009, events in the European securitisation market continued to be driven by the fallout from the financial crisis, making it virtually impossible to place securitisations.

Our subsidiary Hypoport B.V. in Amsterdam provides issuers of securitisations with customised software for their regular reporting of these transactions. Issuers will continue to generate strong demand for this product owing to their regular securitisations and forthcoming portfolio disposals.

Revenue

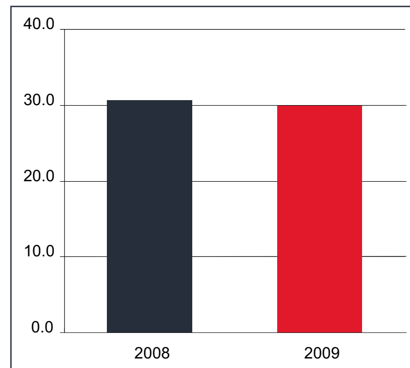
In today's difficult market, Group revenue, which fell by a modest 4.1 per cent from €52.7 million to €50.5 million, did well to buck the trend seen by other financial service providers. Selling expenses remained virtually flat while gross profit dropped by 6.2 per cent from €34.2 million to €32.1 million.



Group revenue (€ million)

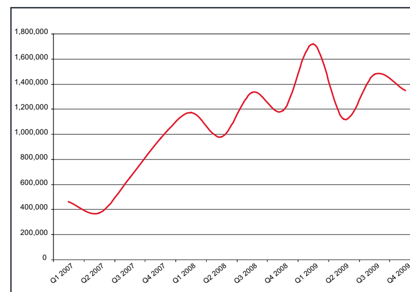
Private Clients business unit

The Private Clients business unit, which specialises in online sales of financial products, managed to win market share from other financial product distributors and, although many of its peers posted significantly lower revenues, it reported only a moderate decline in its own revenue, which fell by 2.3 per cent to €30.0 million (2008: €30.7 million).



Private Clients revenue (€ million)

The number of leads acquired – the key performance indicator for this business – hit a new record of roughly 5.7 million in 2009 (2008: 4.7 million). The growing importance of the internet as a major business development platform is therefore largely compensating for prevailing market conditions.



Number of leads

The massive expansion of its presence in the markets for other financial products (insurance, investments, accounts) generated significant growth. It raised its revenue here by an impressive 13.2 per cent year on year through the sale of banking and insurance products. The difficult current market environment underlines the benefits of diversifying our financial product sales for private clients towards a strategy whereby we distribute a full range of financial products and services.

Other financial products	2009	2008
Number of loans brokered	14,478	10,088
Revenue (€ million)	18.9	16.7

The number of advisers working in the various distribution channels of the Private Clients business unit was significantly increased and had reached a new high by 31 December 2009. The map on the right gives an impressive overview of the extensive network of branches established by our franchisees in Germany.

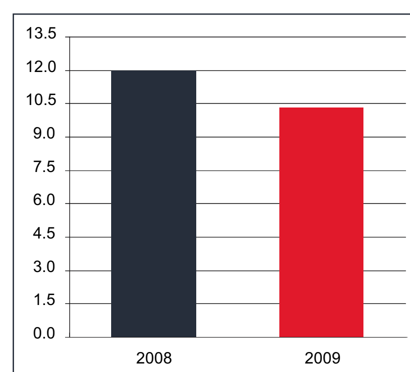
Distribution channels	31 December 2009	31 December 2008
Telephone sales staff	42	47
Advisers in branch-based sales	389	235
Branches run by franchisees	175	154
Independent financial advisers acting as agents	2,382	1,701

The Hypoport Group's mortgage finance business felt the full impact of the stiffer competition in the market for home loans and reported a decrease in both the number and volume of loans brokered. Our sales units had to compete against the highly aggressive strategies pursued by some of the regional banks. This situation has caused a clear imbalance in the market because only the large national institutions – the traditional partners of independent distributors such as Dr. Klein – are passing on to their end customers the higher risk costs and cost of capital resulting from the financial crisis. By contrast, regional banks are still regularly ignoring this change in market conditions. The contraction in the volume of new business within the Private Clients business unit was also a result of the decision to transfer some brokerage business to the Financial Service Providers business unit following the transfer of institutional clients to the operating packager since 1 January 2009.

Mortgage Finance	2009	2008
Number of loans brokered	6,437	8,926
Volumes of loans brokered (€ million)	941	1,583
Gross profit (€ million)	6.8	10.1

Financial Service Providers business unit

The Financial Service Providers business unit was impacted by the critical market environment in 2009. Some major national lenders on the EUROPACE platform were uncompetitive throughout the year because their lending practices were more restrictive and their rates were higher than those of other lenders.



Financial Service Providers revenue (€ million)

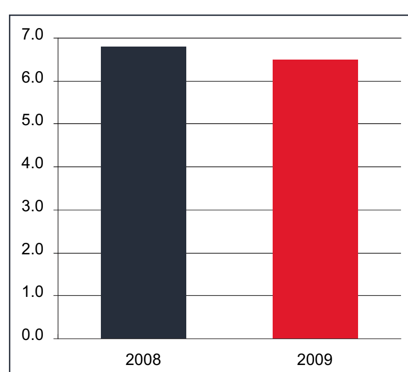
As a result, the total transaction volume was down by 11.6 per cent to €12.9 billion (2008: €14.7 billion). Despite the smaller transaction volume, low-margin revenue from alliances and project-related business increased. In addition, there was an increase in the proportion of financing transactions processed on the EUROPACE platform that were cancelled as a result of sudden changes in lending practices on the part of many banks. Moreover, the growing use of development loans that free up funding, such as those provided by Germany's KfW development bank, and the shorter fixed-interest periods resulting from the prevailing low level of short-term interest rates reduced transaction fees for the EUROPACE marketplace.

Europace	2009	2008
Volume of transactions (€ billion)	12.9	14.7
Revenue (€ million)	10.3	12.0

More than 160 participants attended the 14th EUROPACE Conference that was held in September, while the GENOPACE Conference in November attracted a record number of over 80 attendees. For the first time, credit cooperatives (Volksbanken), which are not yet linked to the platform, participated with great interest.

Corporate Real Estate Clients business unit

Despite the financial crisis, the loan brokerage business increased the volume of new business it brokered by 18.3 per cent to a record €1.4 billion. We are increas-ingly benefiting from our exceptionally strong position in this market as the central intermediary for high-quality commercial real-estate finance in Germany. As expected, the volume of loan renewals decreased because fewer loans from the port-folio managed by the Company were due to have their interest rates renegotiated during the period under review. Once more, the loan brokerage business generated record revenue: €6.0 million compared with €5.7 million in 2008.

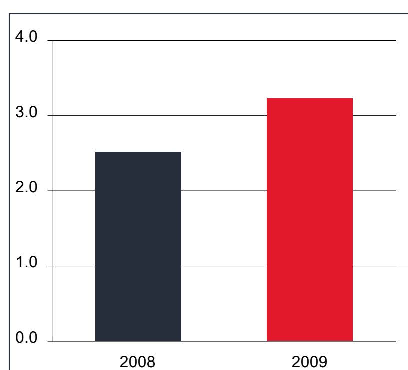


Corporate Real Estate Clients revenue (€ million)

Corporate Real Estate Clients	2009	2008
Loan brokerage		
Volume of new business (€ million)	1,383	1,169
Volume of loan renewals (€ million)	217	456
Revenue (€ million)	6.0	5.7
Other financial products & advice		
Revenue (€ million)	0.4	1.1
Revenue (€ million)	**6.4**	**6.8**

Institutional Clients business unit

Institutional Clients, the smallest of the four business units, generated record revenue of €3.2 million in 2009 (2008: €2.3 million) from its EUROPACE for issuers product (for issuers of securitisations, pfandbriefs and other covered bonds). Although the fallout from the banking crisis means that no more securitisations are being issued in the market, because of portfolio asset sales, corporate restructuring and the issuance of covered bonds in return for central bank funding,



Institutional Clients revenue (€ million)

issuers are greatly in need of automation, advice and tools for increasing transparency.

2. Financial performance

	2009 €'000	2008*) €'000	Change €'000	%
Revenue	50,474	52,679	-2,205	-4.2
Selling expenses	-18,450	-18,461	11	0.1
Gross profit	**32,024**	**34,218**	**-2,194**	**-6.4**
Own work capitalised	4,599	3,776	823	21.8
Other operating income	1,019	745	274	36.8
Personnel expenses	-21,719	-20,223	-1,496	-7.4
Other operating expenses	-11,021	-10,453	-568	-5.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**4,902**	**8,063**	**-3,161**	**-39.2**
Depreciation, amortisation expense and impairment losses	-3,682	-3,094	-588	-19.0
Earning before interest and tax (EBT)	**1,220**	**4,969**	**-3,749**	**-75.4**
Net finance costs	-956	-859	-97	-11.3
Earning before tax (EBT)	**264**	**4,110**	**-3,846**	**-93,6**
Current income taxes	-723	-649	-74	-11,4
Deferred taxes	174	-344	518	150.6
Profit (loss) from continuing operations, net of tax	**-285**	**3,117**	**-3,402**	**-109.1**
Profit (loss) from discontinued operations, net of tax	-61	-3,367	3,306	98,2
Net profit (loss) for the year	**-346**	**-250**	**-96**	**-38,4**

*) The comparative prise-year tax figures have been restated and are explained in section 2.1 of the notes to the consolidated financial statements.

As expected, the drive to win further market share in the Private Clients and Financial Service Providers business units, the tough market conditions in mortgage finance and the scaling-back of higher-margin project-related business in favour of developing new marketplaces have continued to adversely affect the Company's financial performance.

Against the backdrop of the operating performance described above, EBITDA and EBIT from continuing operations fell to €4.9 million (2008: €8.1 million) and €1.2 million (2008: €5.0 million) respectively.

Consequently, the EBIT margin (EBIT as a percentage of gross profit) fell from 14.5 per cent to 3.8 per cent.

Own work capitalised relates to the pro-rata personnel expenses and operating costs incurred in building and expanding the EUROPACE platform.

Other operating income mainly comprises employee contributions to vehicle purchases of €296 thousand (2008: €256 thousand) and income of €171 thousand (2008: €100 thousand) from the reversal of provisions.

Despite the gradual alignment of the Company's headcount, personnel expenses rose as a result of the employment of more full-time staff and one-off expenses.

The rise in other operating expenses essentially relates to administrative expenses of €4.419 million (2008: €3.327 million) and other expenses of €866 thousand (2008: €428 thousand). By contrast, other selling expenses decreased to €1.733 million (2008: €2.678 million) and other personnel expenses fell to €444 thousand (2008: €629 thousand).

The net finance costs include interest expenses of €1.091 million (2008: €982 thousand), which stemmed largely from loans totalling €18.5 million (2008: €19.8 million).

3. Net assets

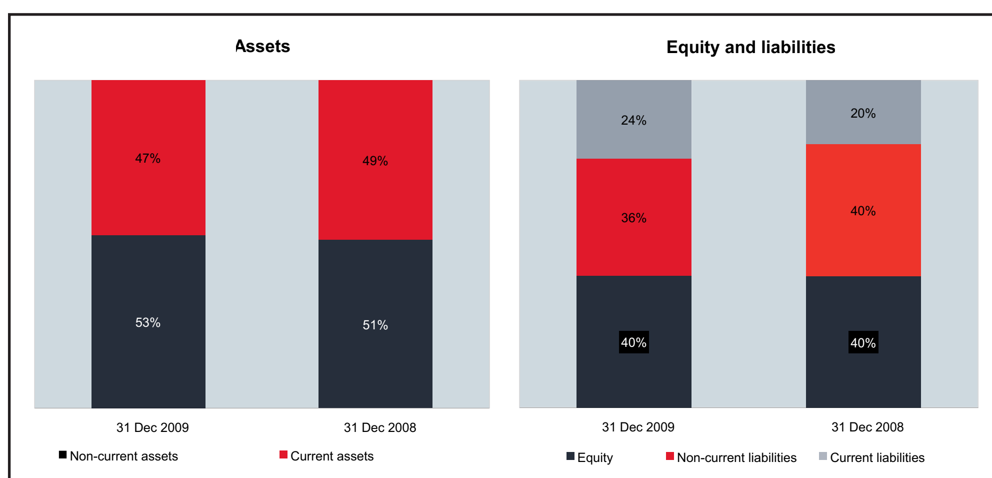
The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2009 is based on the balance sheet figures ag-gregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as 'current', while all others – unless shown separately – are reported as 'non-current'.

HYPOPORT
THE FINANCE INTEGRATOR

Assets	2009 €'000	2009 %	2008*) €'000	2008*) %	Change €'000	Change %
Intangible assets	25,620	46.7	23,945	43.0	1,675	7.0
Property, plant and equipment	1,758	3.2	2,035	3.6	-277	-13.6
Financial assets	435	0.8	1,395	2.5	-960	-68.8
Other assets	13	0.0	10	0.0	3	30.0
Deferred tax assets	699	1.3	743	1.3	-44	-5.9
Non-current assets	**28,525**	**52.0**	**28,128**	**50.4**	**397**	**1.4**
Trade receivables	16,803	30.7	18,271	32.7	-1,468	-8.0
Other current items	2,200	4.0	1,722	3.1	478	27.8
Income tax assets	117	0.2	297	0.5	-180	-60.6
Cash and cash equivalents	7,157	13.1	7,458	13.3	-301	-4.0
Current assets	**26,277**	**48.0**	**27,748**	**49.6**	**-1,471**	**-5.3**
Total asset	**54,802**	**100.0**	**55,876**	**100.0**	**-1,074**	**-1.9**
Equity and Liabilities						
Subscribed capital	6,129	11.2	6,113	10.9	16	0.3
Reserves	17,596	32.1	17,906	32.1	-310	-1.7
	23,725	**43.3**	**24,019**	**43.0**	**-294**	**-1.2**
Minority interest	200	0.4	200	0.4	0	0.0
Equity	**23,925**	**43.7**	**24,219**	**43.4**	**-294**	**-1.2**
Financial liabilities	17,169	31.3	19,939	35.7	-2,770	-13.9
Provisions	42	0.1	42	0.1	0	0.0
Other current liabilities	10	0.0	0	0.0	10	-
Deferred tax liabilities	355	0.6	548	1.0	-193	-35.2
Non-current liabilities	**17,576**	**32.0**	**20,529**	**36.8**	**-2,953**	**-14.4**
Provisions	121	0.2	21	0.0	100	476.2
Financial liabilities	1,686	3.1	1,332	2.4	354	26.6
Trade payables	5,736	10.4	4,876	8.6	860	17.6
Income tax liabilities	195	0.4	207	0.4	-12	-5.8
Other current liabilities	5,563	10.2	4,692	8.4	871	18.6
Current liabilities	**13,301**	**24.3**	**11,128**	**19.8**	**2,173**	**19.5**
Total equity and liabilities	**54,802**	**100.0**	**55,876**	**100.0**	**-1,074**	**-1.9**

*) The comparative prise-year tax figures have been restated and are explained in section 2.1 of the notes to the consolidated financial statements.

The Hypoport Group's consolidated total assets as at 31 December 2009 amounted to €54.8 million, 1.9 per cent below the total as at 31 December 2008 (€55.9 million).



Balance sheet structure

Non-current assets totalled €28.5 million (31 December 2008: €28.1 million). This amount included goodwill which, at an unchanged €14.8 million, remained the largest single item.

Financial assets solely comprise loans to third-party companies and employees. The decrease in financial assets is largely the result of transforming a loan to a joint venture company into equity by issuing new shares.

Current assets contracted by €1.5 million largely as a result of the €1.5 million decrease in trade receivables on the back of lower revenue.

The equity attributable to Hypoport AG shareholders as at 31 December 2009 decreased by €0.3 million, or 1.2 per cent, to €23.7 million. The equity ratio, which was already high for a publicly traded company, rose slightly from 43.3 per cent to 43.7 per cent because total assets were lower.

The €3.0 million decrease in non-current liabilities to €17.6 million stemmed primarily from the €2.8 million reduction in financial liabilities.

Current liabilities increased by €2.2 million to €13.3 million, mainly owing to the €0.9 million rise in trade payables and the €0.9 increase in other current liabilities. Other current liabilities mainly comprised commission received in advance totalling €1.7 million (2008: €0 thousand).

Total financial liabilities fell from €21.3 million to €18.9 million, primarily because loans were repaid as scheduled.

4. Financial position

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

	31.12.2009 €'000	31.12.2008 €'000	Change €'000
Current liabilities	13,301	11,128	2,173
Cash and cash equivalents	7,157	7,458	-301
	6,144	3,670	2,474
Other current assets	19,120	20,290	-1,170
Surplus cover	**12.976**	**16,620**	**-3,644**

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

	31.12.2009 €'000	31.12.2008 €'000	Change €'000
Non-current assets	28,525	28,128	397
Equity	23,925	24,219	-294
	4,600	3,909	691
Non current liabilities	17,576	20,529	-2,953
Surplus cover	**12,976**	**16,620**	**-3,644**

198 per cent (2008: 249 per cent) of the current liabilities of €13.301 million (2008: €11.128 million) are covered by current assets.

84 per cent (2008: 86 per cent) of non-current assets are funded by equity.

The year-on-year changes in the key figures from the Company's balance sheet, income statement and cash flow statement are shown below.

	31.12.2009	31.12.2008
Return on investment = EBIT / (equity + non-current liabilities)	2.9 %	11.1 %
Cash Flow (CF) return on equity = CF from operating activities / equity	27.0 %	14.4 %
EBIT-Marge = EBIT / gross profit	3.8 %	14.5 %
Tier-1 liquidity = cash equivalents / current liabilities	53.8 %	67.0 %
Working capital = current assests - current liabilities	€12.9 m	€16.6 m
Equity ratio = equity / toatal equity and liabilities	43.7 %	43.3 %
Gearing = liabilities / total equity and liabilities	56.3 %	56.7 %
Tier-1 capital ratio = equity / non-current assets	86.0 %	88.5 %

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 is a condensed version of German Accounting Standard (DRS) 2 and International Accounting Standard (IAS) 7 and shows the net cash inflows and outflows broken down by type of activity (operating activities, investing activities and financing activities). Positive amounts (+) denote a net cash inflow, while negative amounts (-) stand for a net cash outflow.

Cash flow during the reporting period decreased by €1.0 million to €3.2 million (2008: €4.2 million) largely owing to lower depreciation, amortisation expense and impairment losses.

The total cash flow generated from operating activities as at 31 December 2009 amounted to €6.5 million (2008: €3.5 million). The main reason for the improvement in this figure was that there was a decrease of €4.0 million in the cash used for working capital to €3.3 million from a deficit of €0.7 million in 2008.

The net cash outflow of €5.6 million from investing activities (2008: €6.4 million) stemmed primarily from the €4.7 million increase in capital expenditure on non-current intangible assets.

The net cash outflow of €1.2 million from financing activities (2008: net cash inflow of €7.3 million) largely relates to the repayment of loans.

The cash flow statement also shows the cash inflows and outflows from the Company's discontinued operations. These are presented in a separate line immediately below.

Cash and cash equivalents as at 31 December 2009 totalled €7.2 million, which was €0.3 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 €9.843 million related to rentals and leases covering a number of years. Other financial commitments comprise amounts of €2.424 million due within one year and €7.419 million due in one to five years.

Summary assessment of the Company's financial position and financial performance 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.

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5. Capital expenditure and finance

Apart from the amount spent on enhancing the EUROPACE financial market-places, the major capital expenditure in 2009 was for the establishment of Hypoport on-geo GmbH, Berlin; on-geo GmbH, Munich; FINMAS GmbH, Berlin; and GSD Gesellschaft für Sparkassendienstleistungen mbH, Berlin – the subsidiary of Ostdeutscher Sparkassenverband (OSV).

The object of FINMAS GmbH is to refer – and help refer – credit, loans, insurance, savings products and current accounts both to savings banks and members of the German finance group of savings banks as well as from savings banks and members of the German finance group of savings banks to third-party product suppliers on the platform of the EUROPACE financial marketplace.

The object of the company Hypoport on-geo GmbH is the joint establishment and operation of an internet platform for valuing real estate while identifying and assessing risks to the value of real estate used as loan collateral.

Both companies will contribute to the continued growth of the Hypoport Group.

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

Capital expenditure was 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 thousand financial advisers with access to its EUROPACE marketplace so that they can process their new mortgages 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 con-sumer organisations, and the growing number of regional franchisees is also raising its profile beyond the internet. Many new clients are increasing the brand's rec-ognition 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 service 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 relationships.

7. Procurement and distribution

Financial Product Sales – Private Clients

By further intensifying our online marketing activities for drklein.de and vergleich.de, we again significantly increased the amount of traffic on our website, thereby laying the necessary foundations for generating sustainable growth in our online distribution.

In 2009 we redoubled our efforts to systematically establish the franchise concept under the Freie Hypo and Dr. Klein brands. To date we have acquired 137 new franchisees (2008: 123) for our branch-based distribution channel, 'Freie Hypo – your local Dr. Klein property finance specialist'. At the end of the period under review there were 38 partners (2008: 36) in the Dr. Klein brand franchise system for brokering pension and investment products.

In 2009 we continued to recruit new partner banks and insurance companies as product suppliers. Because of the broad range of products it offers, 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. Banks, in particular, withdrew from the market at times or significantly raised their rates. We therefore continued to step up our collaboration with insurance companies in 2009 to minimise much of the risk of becoming reliant on individual producers. New transactions were closed with a total of 28 (2008: 20) lenders. The newly acquired partners helped to broaden Dr. Klein's product range further and they increased the variety of products available to our clients. We have also been offering a Dr. Klein capital-market finance produce via our subsidiary Hypoport Finance AG since mid-2007. This product provides housing companies with an alternative financing instrument in the form of bearer bonds. This will preserve Dr. Klein's strategic independence over the long term and continue to reduce its reli-ance on German banks' lending policies.

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.

B2B Financial Marketplaces – Financial Service Providers

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.

Two major strategic alliances – Hypoport on-geo GmbH and FINMAS GmbH – were launched in 2009.

The FINMAS joint venture that we have launched in collaboration with Ostdeutscher Sparkassenverband (OSV) has great potential. FINMAS will become the central financial marketplace for Germany's savings banks. This joint venture will perform the function of a central coordinator that provides the 49 OSV savings banks and all partner institutions with standard technical, legal and procedural access to the rapidly evolving business of online loan brokerage. FINMAS provides these savings banks, which are already market leaders in mortgage finance, with a further major sales channel. This collaboration enables the EUROPACE distributors to benefit from the extensive product range offered by the regional market leaders.

Hypoport on-geo GmbH is a partnership with on-geo GmbH. Its objective is to supply geographical information to partners in the EUROPACE B2B transaction platform for financial products. On-geo is a specialist supplier of spatial information whose LORA real-estate software is linked to EUROPACE. Integrating the two systems gives product suppliers direct digital access to the latest geographic and technical data in Germany via EUROPACE. This enables them to carry out reliable, fully automated loan-value calculations for real estate. Integrating the systems also reduces workloads and error rates. This additional service for product suppliers who use the platform is a logical step towards providing an all-in-one solution.

In 2009 we also announced the launch of our partnership with the PSD group of online cooperative banks. This move has strengthened the range of products offered on the EUROPACE marketplace in the segment of low-cost regional banks and it supports both our own EUROPACE product distributors and those with whom we work in partnership.

The number of distribution organisations actively using the marketplace as at 31 December 2009 had increased substantially to 49 compared with 42 as at 31 De-cember 2008. 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 2009 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 2009. This created considerable spare capacity, which improved the platforms' performance.

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B2B Financial Marketplaces – Institutional Clients

Our subsidiary Hypoport Netherlands B.V. continues to be successful in offering our service for issuers. We significantly stepped up our marketing of this product outside the Netherlands, with the result that an increasing number of projects were processed for customers in Germany, the UK, Spain and Greece as well as for our established customers in the Netherlands.

8. Employees

Because the Hypoport Group had optimised its processes and did not fill positions as they became vacant, its total workforce had contracted by 9 per cent to 444 people as at 31 December 2009 (31 December 2008: 489 employees). The average number of people employed in 2009 was 441, which was a year-on-year decrease of 4 per cent (2008: 460 people).

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

	31.12.2009		31.12.2008		Change	
	Number	%	Number	%	Number	%
Financial Product Sales, Private Clients	161	36	180	37	-19	-11
Financial Product Sales, Corporate Real Estate Clients	28	6	26	5	2	8
B2B Financial Marketplaces, Financial Service Providers	85	19	82	17	3	4
B2B Financial Marketplaces, Institutional Clients	16	4	38	8	-22	-58
Information technology	112	25	120	25	-8	-7
Administration	42	9	43	9	-1	-2
	444		**489**		**-45**	**-9**

In today's business environment dominated by myriad social and economic changes, a company's workforce is the key competitive factor, so Hypoport's main challenge is to recruit, retain and develop its staff. Focusing on training and development, offering numerous pension and healthcare schemes and maintaining a work/life balance for its employees helped Hypoport succeed in putting this approach into practice in 2009.

A 40-hour working week is standard throughout the Company, although exceptions to this rule can be contractually agreed in individual cases. Employees' remuneration is based on individual agreements and often includes performance-related elements. 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.

Hypoport's activities and large number of projects in 2009 placed extraordinary demands on our employees, particularly in view of the tough market conditions described in this report. We would like to take this opportunity to thank all our staff members for their hard work and commitment.

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 cam-paigns 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 Jochen Althoff, and Christian Schröder. Both the structure and amount of this remuneration are reviewed regularly, most recently in the summer of 2007.

The total remuneration paid to the members of the Management Board is composed of a fixed annual salary, a guaranteed bonus, 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 respective basic salary. The calculation of the year-end payment is based on the Company's EBIT figure as reported in its IFRS consolidated annual financial statements less €5 million. The year-end payment amounts to 5 per cent of this basis of calculation. The year-end payment is reduced by the guaranteed bonus already paid in the respective financial year. 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 members of the Management Board receive no remuneration for any directorships they hold at subsidiaries. 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 2009.

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. No excess has been agreed.

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 2009 totalled €751 thousand and was broken down as follows:

€'000	Fixed remuneration*)		Variable remuneration		Other remuneration		Total remuneration	
	2009	2008	2009	2008	2009	2008	2009	2008
Prof. Dr. Thomas Kretschmar	180	166	0	0	4	3	184	169
Ronald Slabke	180	168	0	0	13	11	193	179
Marco Kisperth	180	166	0	0	2	2	182	168
Thilo Wiegand**)	180	92	0	0	12	7	192	99
Total	720	592	0	0	31	23	751	615

*) The fixed remuneration includes the guaranteed bonus.

**) Thilo Wiegand was appointed as a further member of the Management Board of Hypoport AG with effect from 1 June 2008.

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 1 June 2007 and now 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 €10,000 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 direc-tors' 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 2009 totalled €52 thousand and was broken down as follows:

€'000	Fixed remuneration 2009	Fixed remuneration 2008	Variable remuneration 2009	Variable remuneration 2008	Other remuneration 2009	Other remuneration 2008	Total remuneration 2009	Total remuneration 2008
Dr. Ottheinz Jung-Senssfelder	20	20	2	3	2	1	24	24
Jochen Althoff	15	15	2	2	0	0	17	17
Christian Schröder	10	10	1	2	0	1	11	13
Total	45	45	5	7	2	2	52	54

11. Disclosures under German takeover law

The following information is disclosed pursuant to section 289 (4) and section 315 (4) of the German Commercial Code (HGB).

Composition of subscribed capital

The Company's subscribed capital amounted to €6,128,958.00 at the end of 2009. It is divided into 6,128,958 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, Lübeck, holds 36.06 per cent of Hypoport's shares. Of these, 35.14 per cent of the voting shares in 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, Berlin, holds 4.36 per cent of Hypoport's shares. Of these, 4.36 per cent of the voting shares in r4i GmbH, Berlin, are attributable to him pursuant to section 22 (1), sentence 1, no. 1 WpHG. All the shares in r4i GmbH are held by Thomas Kretschmar, co-CEO of Hypoport AG.

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Berlin, which holds 18.87 per cent of Hypoport's shares.

There are no further direct or indirect shareholdings exceeding 10 per cent of the Company's voting rights.

Shares with special rights conferring powers of control

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

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

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

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

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

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

Powers of the Management Board to issue and repurchase shares

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 preemption rights of the shareholders, subject to the consent of the Supervisory Board.

The Annual Shareholders' Meeting held on 5 June 2009 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 4 December 2010. The resolution adopted by the Annual Shareholders' Meeting of Hypoport AG on 16 May 2008 authorising the Management Board to purchase treasury shares was set aside when the resolution issuing this new au-thorisation 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. The purpose of the conditional capital increase was to allow share options to be granted to employees, members of the Management Board and to managers in subsidiaries. The conditional capital issued under the resolution adopted on 26 August 2002 amounted to €188,650.00 on 31 December 2009 after shares had been issued in connection with the exercise of share options.

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 enterprise, achieving its medium-term financial targets and safeguarding the company as a long-term going concern. Consequently, we see risk management first and foremost as an entre-preneurial 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 enviroment.

1. Integrated risk management system

Internal monitoring system

The central feature of our internal monitoring system is an appropriate, imperme-able 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 regular system audits to ensure 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 con-ducted 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 implemented throughout the Hypoport Group.

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

2. 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 2009 and plans to do the same in 2010. These measures improved its competitive posi-tion 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 down-turn 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 believe that interest rates will remain low as long as the financial crisis continues and is accompanied by an economic downturn. The year-to-date trend in 2010 bears out 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 contin-ues 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 losses occurring 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 system 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. As its acquisitions to date show, the Hypoport Group is more likely to be an active player than a tar-get in this process. Given its current shareholder structure, a hostile takeover of the Company would be impossible. Nonetheless, its shareholder structure is con-stantly 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 software 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 criti-cal infrastructure is outsourced to specialist service providers. Our internal IT sys-tems 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 ad-dition, 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 miti-gate 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 partners to rigorous selection criteria, assessments and ongoing reviews to ensure that they are reliable lenders and suitable partners. In doing so, we reduce the risk that such banks – which are subject to frequent strategic changes – call in their loans at short notice.

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. The majority of the Hypoport Group's accounts receivable are owed by employees and medium-sized and 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 fi-nancial 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.

As part of our long-term planning, the Management Board and the Group Executive Committee (GEC) regularly review the Hypoport Group's strategy. 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 preven-tive action can be taken at a sufficiently early stage.

7. Disclosures pursuant to section 289 (5) and section 315 (2), no 5 of the German Commercial Code (HGB)

The following description of the internal control and risk management systems used for the consolidated financial reporting process is required by section 289 (5) and 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 allo-cated 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 financial 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.

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 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.

Financial reporting 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 recognised in the Company's accounts, and incorporated into its financial reporting process.

Clearly defined areas of responsibility, in both financial reporting itself and in risk management and internal audit, as well as ensuring that the accounting function is adequately equipped with the necessary human and material resources, enable 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 double checking) within the areas involved in the financial reporting process itself, systematic controls undertaken by internal and external audi-tors and the early identification of risk by risk management ensure that financial reports are error free and coherent.

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

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 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

Experts at the International Monetary Fund (IMF) believe the global recession is slowly coming to an end. However, euphoria seems out of place given the ongoing fragile position of the financial industry and the uncertainty surrounding the period after the massive economic stimulus packages have been phased out. A slow, moderate recovery in the global economy from 2010 onwards is the most likely outcome, with the IMF expecting real global GDP to grow by 3.9 per cent in 2010 and by 4.2 per cent in 2011.

The ifo Institute of Economic Research is forecasting a low growth rate of 1.7 per cent for Germany in 2010, and for 2011 it believes growth of just 1.2 per cent is possible.

These modest growth forecasts are being boosted by the positive impact increasingly emerging from the government economic stimulus packages and the measures taken to stabilise the financial markets, but they need the major central banks to maintain their expansionary monetary policies.

Nevertheless, the threats to a long-term economic recovery remain in place. The banks may well restrict lending because credit quality has worsened in the recession and because they need to strengthen their capital base. Rising unemployment and a slump in consumer confidence caused by

the recession could lead to a lingering reluctance to spend, particularly in Europe and the US. There is also a risk that the central banks will reverse their expansionary economic policy abruptly and prematurely by siphoning off the liquidity they injected into the markets to combat the threat of inflation, and that governments will introduce spending cuts to put public finances on a more conservative footing.

Despite the tough prevailing economic conditions, however, the positive factors influencing Hypoport's sector are still intact.

The acceptance of the internet as an efficient information, communication and transaction medium will continue to grow over the next few years. This trend will benefit Dr. Klein as a web-based distributor of financial products. Given private clients' growing demand for independent advice on financial services on the inter-net as well as over the telephone and at branches, the market environment will remain encouraging for Dr. Klein over the coming years.

Home ownership continues to constitute a key component of private pension provision because it is seen as crisis-proof and inflation-proof. The growing importance of real estate as a form of retirement pension and the increasing need for the modernisation and renovation of a constantly ageing housing stock are compensating for the reduction in government housebuilding subsidies and they provide a neutral market environment for mortgage finance. We therefore expect demand for mortgages and home loans to hold up.

Insurance and investment products continue to benefit from the urgent need for private pension provision. In view of the further reductions in the level of income provided by state pensions, demand for such products is only likely to increase.

Nevertheless, the German Insurance Association (GDV) expects a slight fall of 0.5 per cent in gross premium income across all insurance segments in 2010. One of the main reasons for this is there has only been a modest improvement in household finances for some time now, and consumers account for more than 80 per cent of demand for insurance. At the same time, one-off, industry-specific factors such as intensive competition, the degree of market penetration achieved and the impact of political reforms continue to curb premium income.

The effects of an ageing society and the falling birth rate on the state-run healthcare system are equally dramatic. At present there are few indications that politicians plan to radically reform this system. The growing difficulty of maintaining a tax-funded healthcare system is becoming increasingly clear, and consequently individuals will have to bear some of the cost of their healthcare themselves, which will provide further attractive business opportunities for private health insurance providers and financial product distributors such as Dr. Klein.

Because the Hypoport Group is well positioned in this growth market and despite the adverse economic environment at present, we expect the Company's business to continue to perform well over the next two years, generating moderate revenue growth and consistent earnings.

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The Hypoport Group will continue to pursue a well-balanced strategy of organic growth and growth by acquisition in 2010, selectively acquiring companies that supplement and enhance its business model in strategically important places.

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

Berlin, 12 March 2010

Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar

Ronald Slabke

Thilo Wiegand

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6. Consolidated financial statements

IFRS consolidated balance sheet as at 31 December 2009

Assets	31 Dec 2009 €'000	31 Dec 2008 restated €'000	01 Jan 2008 restated €'000	Note
Non-current assets				
Intangible assets	25,620	23,945	23,319	4.1
Property, plant and equipment	1,758	2,035	1,553	4.1
Financial assets	435	1,395	522	4.2
Other assets	13	10	0	4.4
Deferred tax assets	699	743	1,588	4.5
	28,525	**28,128**	**26,952**	
Current assets				
Trade receivables	16,803	18,271	15,847	4.3
Other assets	2,200	1,722	1,019	4.4
Current income tax assets	117	297	195	4.4
Cash and cash equivalents	7,157	7,458	3,100	4.6
	26,277	**27,748**	**20,161**	
	54,802	**55,876**	**47,113**	
Equity and liabilities				
Equtiy				
Subscribed capital	6,129	6,113	6,094	4.7
Reserves	17,596	17,906	18,114	4.10
	23,725	**24,019**	**24,208**	
Minority interest	200	200	0	4.11
	23,925	**24,219**	**24,208**	
Non-current liabilities				
Financial liabilities	17,169	19,939	12,059	4.12
Provisions	42	42	0	4.14
Other liabilities	10	0	0	4.13
Deferred tax liabilities	355	548	1,124	4.5
	17,576	**20,529**	**13,183**	
Current liabilities				
Provisions	121	21	21	4.14
Financial liabilities	1,686	1,332	1,341	4.12
Trade payables	5,736	4,876	3,399	
Current income tax liabilities	195	207	319	
Other liabilities	5,563	4,692	4,642	4.13
	13,301	**11,128**	**9,722**	
	54,802	**55,876**	**47,113**	

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IFRS consolidated income statement

for the year ended 31 Dezember 2009

	2009 €'000	2008 restated €'000	2008 as reported €'000	Note
Revenue	50,474	52,679	52,679	3.1
Selling expenses	-18,450	-18,461	-18,461	3.2
Gross profit	32,024	34,218	34,218	
Own work capitalised	4,599	3,776	3,776	3.3
Other operating income	1,019	745	745	3.4
Personnel expenses	-21,719	-20,223	-20,223	3.5
Other operating expenses	-11,021	-10,453	-10,453	3.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,902	8,063	8,063	
Depreciation, amortisation expense and impairment losses	-3,682	-3,094	-3,094	3.6
Earnings before interest and tax (EBIT)	1,220	4,969	4,969	
Financial income	135	123	123	3.8
Finance costs	-1,091	-982	-982	3.8
Earnings before tax (EBT)	264	4,110	4,110	
Income taxes and deferred taxes	-549	-993	-1.024	3.9
Profit (loss) from continuing operations, net of tax	-285	3,117	3,086	
Profit (loss) from discontinued operations, net of tax	-61	-3,367	-3,367	7.9
Net profit (loss) for the year	-346	-250	-281	
attributable to minority interest	0	0	0	
attributable to Hypoport AG shareholders	-346	-250	-281	
Basic earnings (loss) per share (€)	-0.06	-0.04	-0.05	3.10
from continuing operations	-0.05	0.51	0.50	3.10
from discontinued operations	-0.01	-0.55	-0.55	3.10
Diluted earnings (loss) per share (€)	-0.06	-0.04	-0.05	3.10
from continuing operations	-0.05	0.51	0.50	3.10
from discontinued operations	-0.01	-0.55	-0.55	3.10

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Consolidated statement of comprehensive income

for the period 1 January to 31 December 2009

	2009 €'000	2008 restated €'000	2008 as reported €'000
Net profit (loss) for the year	-346	-250	-281
Total income and expenses recognized in equity*)	0	0	0
Total comprehensive income	-346	-250	-281
attributable to minority interest	0	0	0
attributable to Hypoport AG shareholders	-346	-250	-281

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

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Consolidated statement of changes in equity for 2008 and 2009

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Minority interest	Equity
Equity as at 1 Jan 2008 as reported	6,094	1,704	15,132	22,930	0	22,930
Restatement	0	0	1,278	1,278	0	1,278
Equity as at 1 Jan 2008 restated	6,094	1,704	16,410	24,208	0	24,208
Issue of new shares	19	44	0	63	0	63
Payments from minority interest	0	0	0	0	200	200
Change in basis of consolidation	0	0	-2	-2	0	-2
Total comprehensive income	0	0	-250	-250	0	-250
Equity as at 31 Dec 2008	**6,113**	**1,748**	**16,158**	**24,019**	**200**	**24,219**

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Minority interest	Equity
Equity as at 1 Jan 2009	6,113	1,748	16,158	24,019	200	24,219
Issue of new shares	16	36	0	52	0	52
Total comprehensive income	0	0	-346	-346	0	-346
Equity as at 31 Dec 2009	**6,129**	**1,784**	**15,812**	**23,725**	**200**	**23,925**

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IFRS consolidated financial statements for the year ended 31 December 2009

	2009 €'000	2008 restated €'000	2008 as reported €'000
Earnings before interest and tax (EBIT)	1,169	1,398	1,398
from continuing operations	1,220	4,969	4,969
from discontinued operations	-51	-3,571	-3,571
Non-cash income (+) / expense (-) from income tax	-218	-554	-585
Interest received (+)	135	122	122
Interest paid (-)	-1,091	-982	-982
Income tax payments (-)	-489	-421	-421
Income tax receipts (+)	173	26	26
Depreciation and amortisation expense, impairment losses (+) / reversals of impaiment losses (-) on non-current assets	3,511	4,558	4,558
Gains (-) / losses (+) on the disposal of non-current assets	-2	7	7
Cash flow	**3,188**	**4,154**	**4,123**
Increase (+) / decrease (-) in current provisions	100	0	0
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	1,211	-2,613	-2,609
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	1,969	1,938	1,965
Change in working capital	**3,280**	**-675**	**-644**
Cash flows from operating activities	**6,468**	**3,479**	**3,479**
from discontinued operations	36	343	343
Proceeds from the disposal of property, plant and equipment / intangible assets (+)	109	33	33
Payments to acquire property, plant and equipment / intangible assets (-)	-5,016	-5,707	-5,707
Payments to acquire consolidated enterprises (-)	-40	-2	-2
Proceeds from the disposal of financial assets (+)	81	58	58
Purchase of financial assets (-)	-728	-765	-765
Cash flows from investing activities	**-5,594**	**-6,383**	**-6,383**
from discontinued operations	0	-386	-386
Proceeds from additions to equity (+)	52	63	63
Cash receipts from minority interest (+)	0	200	200
Proceeds from the issue of bonds and drawdown of loans under finance facilities (+)	0	12,900	12,900
Redemption of bonds and loans (-)	-1,227	-5,901	-5,901
Cash flows from financing activities	**-1,175**	**7,262**	**7,262**
from discontinued operations	0	0	0
Net change in cash and cash equivalents	-301	4,358	4,358
Cash and cash equivalents at the beginning of the period	7,458	3,100	3,100
Cash and cash equivalents at the end of the period	**7,157**	**7,458**	**7,458**
from discontinued operations	0	40	40

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1. Basic of presentation

1.1 Business background and company-law information

Hypoport AG, 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 2009 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, consolidated statement of comprehensive income, 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 10 March 2010 and are expected to be submitted to the Supervisory Board on 24 March 2010 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 are presented in thousands or millions of euros.

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.

1.2 Application of International Financial Reporting Standards (IFRS)

All pronouncements by the International Accounting Standards Board (IASB) subject to mandatory application by 31 December 2009 have been taken into account. 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 subject to mandatory application for annual periods beginning on or after 1 January 2009:

- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to IAS 23: Borrowing Cost concerning elimination of the option to borrowing costs
- Amendments to IAS 32: Financial Instruments: Presentation and consequential amendment IAS 1: Presentation of Financial Statements concerning puttable financial instruments obligations arising on liquidation
- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Assets - Effective Date and Transition
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards and IAS 27: Consolidated and Separate Financial Statements on determining the cost an investment in a subsidiary, jointly controlled entity or associate
- Amendments to IFRS 2: Share-based Payment clarifying the definition of vesting conditions and the accounting trestment of cancellations
- IFRS 8: Operating Segments
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation

The amendments to IAS 1 concern the presentation of financial position and financial performance in IFRS financial statements. Hypoport therefore presents a further financial statement in the form of the statement of comprehensive income. This financial statement presents the net profit or loss for the period – as shown on the face of the income statement – and, based on this figure, the comprehensive income or loss for the period, including income and expense recognised directly in equity.

The material amendment to IAS 23 concerns the elimination of the option to immediately expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In future, entities are therefore required to capitalise such borrowing costs as part of the cost of qualifying assets. This standard is applicable for the first time to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The introduction of this revised standard has had no material impact on Hypoport's consolidated financial statements. No new qualifying assets were capitalised in 2009.

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The amendments to IAS 32, which were transposed into EU law on 21 January 2009, and its consequential amendment to IAS 1 are limited in scope to offering a practical and short-term solution for reporting as equity certain instruments that were previously classified as financial liabilities. These amendments apply to two types of financial instrument: puttable financial instruments and financial instruments that impose on the issuing entity a contractual obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation. The amendments specify a number of criteria that are used to determine which financial instruments are covered by this limited-scope amendment. These amendments have excluded from the scope of IFRS 7 puttable instruments and instruments puttable only on liquidation. In return, further disclosure requirements have been added to IAS 1. The introduction of these two revised standards has had no impact on Hypoport's consolidated financial statements.

The amendments to IAS 39 and IFRS 7, which were transposed into EU law on 9 September 2009, are required to be adopted retrospectively from 1 July 2008 and merely clarify the effective date of the amendment to the reclassification of loans & receivables and other non-derivative financial assets – which has already been transposed into EU law as a result of the financial crisis – as well as the corresponding notes to the financial statements. The EU was concerned that European financial institutions might be at a disadvantage compared with US competitors because United States Generally Accepted Accounting Principles (US GAAP) allow financial instruments to be reclassified. The amendments have had no impact on these consolidated financial statements because the Hypoport Group has not reclassified any financial instruments.

The amendments to IFRS 1 and IAS 27 address two separate issues relating to the measurement of investments reported in the separate financial statements of a parent entity. The first amendment is intended to make it easier for first-time IFRS adopters to determine the cost of an investment in a subsidiary, jointly controlled entity or associate. In future, entities initially measuring investments at the time they transition to IFRS will be able to choose between using historical cost under IAS 27 and deemed cost. The deemed cost may be either the fair value or the carrying amount at the transition date. The second amendment relates to certain changes in situations where the entities involved are under common control. Adoption of the amendments to IFRS 1 and IAS 27 has had no effect because Hypoport does not apply IFRS 1 and the amendments to IAS 27 relate to the separate financial statements of a parent entity and are therefore not relevant to Hypoport's consolidated financial statements.

The material amendments to IFRS 2 clarify the definition of vesting conditions and require that all cancellations – whether by the entity itself or by other parties – should receive the same accounting treatment. These amendments have no impact on these consolidated financial statements because IFRS 2 is not relevant to Hypoport.

IFRS 8 replaces IAS 14 Segment Reporting. This standard requires the disclosure of information about the Group's operating segments and replaces the obligation to divide its reporting formats into primary (operating segments) and secondary (geographical segments). The Group has determined that the operating segments as defined by IFRS 8 that have been identified in the Group are

the same operating segments as those previously identified in accordance with IAS 14. The first-time adoption of IFRS 8 therefore has no impact on the Hypoport Group's segment reporting.

IFRIC 13 Customer Loyalty Programmes was published in June 2007. This interpretation deals with the recognition and measurement of customer loyalty programmes under which customers are granted loyalty awards that enable them to obtain free or discounted goods or services from the seller or another party. IFRIC 13 requires some of the purchase price to be allocated to the loyalty award credits granted and states that this portion of the purchase price should be recognised as revenue only when the obligation to supply goods or services has been fulfilled. This interpretation has no impact on Hypoport's consolidated financial statements.

IFRIC 15 contains guidance on the recognition of agreements for the construction of real estate in cases where companies enter into agreements with buyers before construction has been completed. It also provides guidance on when revenue should be recognised. This interpretation has no impact on Hypoport's consolidated financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation was published in July 2008. This interpretation clarifies what may be designated as a risk when hedging a net investment in a foreign operation and which entity within a group can hold the hedging instrument to mitigate this risk. The application of IFRIC 16 has no impact on the Hypoport Group because it does not use hedge accounting.

Apart from the amendments introduced by IAS 23, the mandatory application of standard amendments and interpretations has had no impact on the Hypoport Group's financial position or financial performance.

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

- IAS 24: Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
- IAS 32: Classification of Rights Issues (1 February 2010)
- IAS 39: Financial Instruments: Recognition and Measurement - Eligible Hedged Items (1 July 2009)
- IFRS 1: Additional Exemptions for First-time Adopters (1 January 2010)
- IFRS 2: Group cash-settled Share-based Payment Transactions (1 January 2010)
- IFRS 3: Business Combinations and IAS 27: Consolidated and Separate Financial Statements (1 July 2009)
- IFRS 9: Financial Instruments - Classification and Measurement (1 January 2013)
- IFRIC 9 and IAS 39: Embedded Derivatives (30 June 2009)
- IFRIC 12: Service Concession Arrangements (1 April 2010)
- IFRIC 17: Distributions of Non-cash Assets to Owners (1 July 2009)
- IFRIC 18: Transfers of Assets from Customers (1 July 2009)

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. The Hypoport Group will modify the information it discloses accordingly in response to this amended definition.

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 IAS 39: Financial Instruments – Recognition and Measurement

The amendments issued in July 2008 address the questions of when inflation can be identified as a risk deemed eligible for hedging and when options may be designated as hedging instruments used to hedge one-sided risks. These amendments to IAS 39 are not relevant to Hypoport.

Amendments to IFRS 1: Additional Exemptions for First-time Adopters

July 2009 saw the publication of additional exemptions to the mandatory retrospective adoption of all standards and interpretations effective at the reporting date in cases where IFRS financial statements are being prepared for the first time. These exemptions relate to entities in the oil and gas industries and to first-time adopters applying the transitional provisions of IFRIC 4. This amendment is therefore not relevant to the Hypoport Group.

Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions

These amendments, which were issued in June 2009, clarify that entities that receive goods or services as part of share-based payment arrangements must account for these goods or services, regardless of whether the entity itself or another entity in the group fulfils the pertinent obligation and regardless of whether the obligation is settled in shares or cash. Because IFRS 2 incorporates guidance previously included in IFRIC 8 and IFRIC 11, these two interpretations have been withdrawn. These amendments have no impact on these consolidated financial statements because IFRS 2 is not relevant to Hypoport.

Revision of IFRS 3 Business Combinations and amendments to IAS 27 Consolidated and Separate Financial Statements

The IASB issued a revised IFRS 3 and amendments to IAS 27 in January 2008. The key amendment to IFRS 3 is that contingent consideration is recognised at fair value as part of the consideration transferred at the acquisition date. At present, contingent consideration is only recognised if it meets probability and reliable measurement criteria. A non-controlling interest in an acquired entity is measured either at fair value or at the non-controlling interest's proportionate share in the fair value of the net identifiable assets of the entity acquired. This option is available on a transaction-by-transaction basis. Instead of being included in the acquisition cost, the transaction costs incurred by the acquirer are expensed as incurred. The revised IFRS 3 is effective for annual periods begin-

ning on or after 1 July 2009 and cannot be adopted prospectively until the date of its introduction, which means that it will only apply to business combinations completed after this date. Business combinations completed prior to this date will not be affected. The amendments to IAS 27 primarily concern the accounting treatment of transactions involving non-controlling interests and essentially describe how to account for changes in ownership interests in subsidiaries after control has been acquired, how to account for loss of control over subsidiaries, and how to attribute profit or loss to controlling and non-controlling interests in subsidiaries. IAS 27 requires retrospective adoption in some cases and prospective adoption in others. Hypoport is currently examining the impact of this amended standard on its consolidated financial statements. The revised IFRS 3 and the amendments to IAS 27 are effective for annual periods beginning on or after 1 July 2009 and must be introduced simultaneously. Hypoport is introducing the revised IFRS 3 and the amendments to IAS 27 with effect from 1 January 2010.

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 instead of four (amortised cost or fair value). 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. The Hypoport Group is currently examining the potential impact of these amendments on its financial position and financial performance.

Amendments to IFRIC 9 and IAS 39: Embedded Derivatives

These amendments affect entities that apply the reclassification amendment introduced in October 2008. The amendments clarify that all embedded derivatives must be reassessed if a financial asset is reclassified out of the 'at fair value through profit or loss' category. These amendments have no impact on future consolidated financial statements because the Hypoport Group does not apply the reclassification amendment.

IFRIC 12: Service Concession Arrangements

IFRIC 12 was issued in November 2006 and explains the accounting treatment of concession arrangements made with governments or similar institutions to provide public services such as roads, prisons or energy distribution networks. It draws a distinction between two types of service concession arrangement, which determine whether the entity concerned recognises a financial asset or an intangible asset. The entity recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the government. On the other hand, the entity recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. IFRIC 12 is not relevant to Hypoport.

IFRIC 17: Distributions of Non-cash Assets to Owners

IFRIC 17 clarifies how an entity should measure non-cash assets that it distributes as a dividend to owners. A dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. The dividend payable is measured at the fair value of the net assets to be distributed. The entity recognises the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 has no impact on Hypoport.

IFRIC 18: Transfers of Assets from Customers

The IASB considers IFRIC 18 to be particularly relevant to entities in the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a supply network or to provide the customer with ongoing access to a supply of goods or services. It also deals with cases in which the entity receives cash from a customer that must be used only to acquire or construct one of the aforementioned assets. The application of IFRIC 18 has no impact on Hypoport.

Other amendments to standards and interpretations have had no material effect on the financial position or financial performance of the Hypoport Group.

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include 12 (2008: 13) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, and 3 (2008: 1) joint venture companies.

Hypoport on-geo GmbH, Berlin, and FINMAS GmbH, Berlin, have been consolidated for the first time since 31 December 2008.

Hypoport on-geo GmbH, Berlin, was set up as a joint venture in collaboration with on-geo GmbH, Munich, in April 2009. The object of the company is the joint establishment and operation of an internet platform for valuing real estate while identifying and assessing risks to the value of real estate used as loan collateral. Its subscribed capital amounts to €25,000.00 and is fully paid-up. Hypoport AG owns a shareholding of €12,500.00. Hypoport on-geo GmbH is consolidated only on a pro-rata basis because of the restricted level of control exercised by Hypoport AG.

FINMAS GmbH, Berlin, was established in June 2009. The object of this company is to broker – and help broker – credit, loans, insurance, savings products and current accounts both to savings banks and members of the German finance group of savings banks as well as from savings banks and members of the German finance group of savings banks to third-party product suppliers on the platform of the EUROPACE financial marketplace. In October 2009, GSD Gesellschaft für Sparkassendienstleistungen mbH, acting on behalf of its sole shareholder Ostdeutscher Sparkassenverband (the association of eastern German savings banks), became a new shareholder in FINMAS GmbH by way of an increase in the company's capital. Its subscribed capital amounts to €300,000.00 and is fully paid-up. Hypoport AG owns a shareholding of €150,000.00. The statutes of FINMAS GmbH

require that major shareholder resolutions be adopted by a majority of 75 per cent. FINMAS GmbH is consolidated only on a pro-rata basis because of the restricted level of control exercised by Hypoport AG.

ABS Service GmbH was sold for €1.00 on 5 March 2009 with economic effect from 1 January 2009 and was deconsolidated with effect from 1 January 2009. The assets sold amounted to €40 thousand and the liabilities sold came to €15 thousand. The parent company made a loss of €25 thousand from this deconsolidation, which is reported under profit (loss) from discontinued operations, net of tax, in the consolidated income statement.
The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG:

	Holding %
Dr. Klein & Co. Aktiengesellschaft, Lübeck, Germany	100
Dr. Klein & Co. Consulting GmbH, Lübeck , Germany	100
GENOPACE GmbH, Berlin, Germany	50.025
FINMAS GmbH, Berlin, Germany	50
Freie Hypo GmbH, Lübeck, Germany	100
Hypoport B.V., Amsterdam, Netherlands	100
Hypoport Finance AG, Berlin, Germany	100
Hypoport Insurance Market GmbH, Berlin, Germany	100
Hypoport Mortgage Market Ltd., Westport, Ireland	100
Hypoport on-geo GmbH, Berlin, Germany	50
Hypoport Stater B.V., Amsterdam, Netherlands	50
Hypoport Systems GmbH, Berlin, Germany	100
Qualitypool GmbH, Lübeck, Germany	100
Starpool Finanz GmbH, Berlin, Germany	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin, Germany	100

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

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

€'000	2009	2008
Assets	2,052	1,953
non-current	1,666	1,722
Liabilities	159	2,397
non-current	0	2,290
Revenue	78	0
Personnel expenses	-240	-272
Other operating expenses	-792	-207
Income taxes and deferred taxes	127	130

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 single-entity financial statements for the consolidated subsidiary Hypoport Finance AG have been prepared on the basis of the HGB classification criteria and accounting policies and in accordance with the special provisions applicable to financial services institutions pursuant to sections 340 et seq. HGB as well as the statutory German regulations on accounting by banks and financial services institutions (RechKredV).

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.

In business combinations carried out after 1 January 2004, the combination is accounted for in accordance with IFRS 3 using the purchase method of accounting, i.e. by offsetting the cost of the acquired entity against the fair value of the assets and liabilities assumed on the date on which the Group obtains control.

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.

All intercompany receivables and payables within the Group are eliminated in consolidation with the elimination of intercompany balances. In the income statement, intercompany revenue and other intercompany income within the Group are offset against corresponding expenses (consolidation of income and expense).

Where intercompany profits and losses have a significant impact on the fair presentation of the Company's financial position and financial performance, such intercompany profits and losses are eliminated.

The Hypoport Group consolidates its investments in joint ventures on a pro-rata basis. 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 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.

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 Comparative figures for 2008

In 2009 the Hypoport Group amended the applicable tax rate when eliminating intercompany profits by using the tax rate of the customer rather than that of the supplier. Further modifications made were an adjustment to the recognition of temporary differences for tax purposes and the ability to offset deferred tax assets against deferred tax liabilities in respect of tax-sharing agreements. These retrospective adjustments were made to improve comparability and brought about changes in the recognition of deferred taxes, retained earnings and income taxes.

The following table summarises the impact on the balance sheet, net profit (loss) for the year, earnings per share and the statement of changes in equity of items that were adjusted for 2008 in accordance with IAS 8.

	2008 as reported €'000	Restatement €'000	2008 restated €'000
Deferred tax assets	1,857	-1,114	743
Deferred tax liabilities	2,971	-2,423	548
Reserves	16,597	1,309	17,906
Income taxes	1,024	-31	993
Net profit for the year	-281	31	-250
attributable to Hypoport AG shareholders	-281	31	-250
Basic earnings per share (€)	-0.05	0.01	-0.04
from continuing operations	0.50	0.01	0.51
Diluted earnings per share (€)	-0.05	0.01	-0.04
from continuing operations	0.50	0.01	0.51

2.2 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 specific 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 the higher of net realisable value and value in use. The net realisable value is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties less costs to sell. The value in use is determined by discounting the forecast cash flows from the use and disposal of an asset. The cash flows are derived from the Company's four-year strategic plan. The planning assumptions used are adjusted in the light of the latest information available and take appropriate account of macroeconomic trends and historical developments. The cash flows are not extrapolated beyond the detailed planning period. The cash flows are then discounted back to the balance sheet date using discount rates that reflect the risks specific to the asset.

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.

2.3 Property, plant and equipment

Property, plant and equipment is recognised at cost and reduced by depreciation and any impairment losses. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. 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.

2.4 Borrowing costs

Borrowing costs are capitalised in accordance with IAS 23.

2.5 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.

2.6 Financial assets

Financial assets include receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets, and marketable securities and financial 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.

2.7 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.

2.8 Leases

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

2.9 Trade receivables and other assets

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

2.10 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.

2.11 Treasury shares

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

2.12 Provisions

Provisions are recognised for obligations if the Group has a present legal or constructive external obligation, 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 provision. Future

events that may have an effect on the amount required to settle the obligation are taken into account in the provisions providing there is sufficient objective evidence that these events will occur and providing these obligations result from past events.

Other provisions are measured in accordance with IAS 37 and IAS 19 on the basis of a best estimate of the extent of the obligation.

Provisions with a remaining maturity of more than one year are discounted.

Accruals are reported under other liabilities.

2.13 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.

2.14 Trade payables and other liabilities

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

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

2.15 Contingent liabilities

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

2.16 Employee benefits

The employees in the Group are for the most part insured under the mandatory statutory pension insurance scheme and therefore pay into a government defined-contribution plan. The Group does not have any legal or constructive obligation under this pension entitlement to make any contributions over and above those required by the scheme. Contributions to defined-contribution plans are made in the year in which employees perform the work with which the contributions are earned. The Company also pays contributions to private pension insurance providers in line with statutory or

contractual requirements or on a voluntary basis under a defined-contribution pension plan. Once the Company has paid these contributions it is not obliged to provide any further benefits. The regular contribution payments are recognised as an expense for the respective year within EBIT.

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.

2.17 Recognition of income and expense

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. Special volume-related commissions are generally recognised when the relevant target figure is achieved.

Operating expenses are recognised when a service is used or at the point the expense is incurred. Interest income and expense is recognised in the period in which it is earned/incurred.

2.18 Income taxes and deferred taxes

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

Deferred taxes are determined using the liability method in accordance with IAS 12. Deferred 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. Increasingly restrictive tax provisions placing a limit on 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:

	2009 € million	2008 € million
Financial Product Sales – Corporate Real Estate Clients	6.4	6.8
Financial Product Sales – Private Clients	30.0	30.7
B2B-Financial Marketplaces – Financial Service Providers	10.3	12.0
B2B-Financial Marketplaces – Institutional Clients	3.2	2.3
Other	0.6	0.9
	50.5	52.7

3.2 Selling expenses

The table below gives a breakdown of selling expenses.

	2009 €'000	2008 €'000
Commissions	12,577	10,802
Lead costs	5,873	7,659
	18,450	18,461

3.3 Own work capitalised

Own work capitalised of €4.599 million (2008: €3.776 million) comprises work on the development and enhancement of internally generated financial marketplaces. In 2009, development costs of €2.323 million (2008: €2.776 million) were expensed as incurred.

3.4 Other operating income

Other operating income mainly comprises employee contributions of €296 thousand (2008: €256 thousand) to vehicle purchases and income of €171 thousand (2008: €100 thousand) from the reversal of provisions.

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3.5 Personnel expenses

Personnel expenses are broken down as follows:

	2009 €'000	2008 €'000
Wages and salaries	18,680	17,301
Social security contributions	2,964	2,803
Post-employment and other employee benefits	75	119
	21,719	**20,223**

The cost of defined-contribution pension plans amounted to €1.558 million (2008: €1.460 million).

3.6 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses, €3.011 million (2008: €2.296 million) was attributable to intangible assets, and €671 thousand (2008: €798 thousand) to property, plant and equipment.

3.7 Other operating expenses

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

	2009 €'000	2008 €'000
Operating expenses	3,511	3,391
Selling expenses	1,733	2,678
Administrative expenses	4,399	3,327
Other personnel expenses	444	629
Other expenses	934	428
	11,021	**10,453**

The operating expenses consist mainly of building rentals of €1.399 million (2008: €1.170 million) and vehicle-related costs of €848 thousand (2008: €971 thousand). The selling expenses primarily relate to advertising costs and travel expenses of €1.733 million (2008: €2.424 million). The administrative expenses largely comprise IT-related costs of €2.288 million (2008: €1.111 million) and legal and consultancy expenses of €777 thousand (2008: €727 thousand). The additional personnel expenses mainly comprise training costs of €245 thousand (2008: €406 thousand).

3.8 Net finance costs

The breakdown of net finance costs is as follows:

	2009 €'000	2008 €'000
Financial income		
Other interest and similar income	130	114
Income from other securities and lending of financial assets	5	9
	135	123
Finance costs		
Interest expense and similar charges	1,091	982
	-956	**-859**

The interest expense and similar charges arise in relation to the drawdown of loans and 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:

	2009 €'000	2008 restated €'000	2008 as reported €'000
Income taxes attributable to continuing operations	549	993	1,024
current income taxes	723	649	649
deferred taxes	-174	344	375
in respect of timing differences	-446	-55	143
in respect of tax loss carryforwards	272	399	232
Income taxes attributable to discontinued operations	-15	-44	-44
current income taxes	-15	0	0
deferred taxes	0	-44	-44
in respect of timing differences	0	-324	-324
in respect of tax loss carryforwards	0	280	280
	534	**949**	**980**

Current income taxes of €37 thousand (2008: €29 thousand) relate to previous years. The income taxes incurred on discontinued operations relate to follow-on activities. 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 balance sheet date amounted to €5.032 million (2008: €6.012 million) and €3.540 million (2008: €4.422 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 €389 thousand (2008: €1.632 million) have been recognised for loss carryforwards and timing differences despite the losses reported for 2009 and 2008 because it is assumed that all the companies concerned will generate taxable profits in future.

The table below reconciles the tax expense anticipated for 2009 and 2008 to the tax expense actually reported for those years:

	2009 €'000	2008 restated €'000	2008 as reported €'000
Profit (loss) from continuing operations before tax	264	4,110	4,110
Profit (loss) from discontinued operations before tax	-51	-3,572	-3,572
	213	538	538
Tax rate to be applied	30.0 %	30.0 %	30.0 %
Expected tax expense	-64	-161	-161
Effect of non-deductible expenses and tax-exempt income	-110	-750	-583
Effect of differing tax rates	-484	372	174
Restatement / adjustment of loss carry forwards	200	-338	-338
Recognition and measurement of deferred taxes	0	-43	-43
Tax expense for previous years	-37	-29	-29
Other tax-related effects	-39	0	0
Current tax expense	-534	-949	-980
Tax rate for the Group	250.7%	176.5%	182.2 %

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 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 di-

luted if the average number of shares is increased as a result of adding in the issue of potential shares in connection with options.

Share options were issued to employees in the years 2002 to 2004. These share options had the following dilutive effect on earnings per share in 2009:

	2009	2008 related	2008 as reported
Net profit (loss) for the year (€'000)	-346	-250	-281
from continuing operations	-285	3,117	3,086
from discontinued operations	-61	-3,367	-3,367
Basic weighted number of outstanding shares ('000)	6,118	6,105	6,105
Basic earnings (loss) per share (€)	**-0.06**	**-0.04**	**-0.05**
from continuing operations	-0.05	0.51	0.50
from discontinued operations	-0.01	-0.55	-0.55
Weighted number of share options ('000) causing a dilutive effect	80	99	99
Diluted weighted number of outstanding shares ('000)	6,169	6,165	6,165
Dilutes earnings per share (€)	**-0.06**	**-0.04**	**-0.05**
from continuing operations	-0.05	0.51	0.50
from discontinued operations	-0.01	-0.55	-0.55

The weighted number of outstanding shares is calculated on the basis of a daily balance. The options granted had an average dilutive effect of 51 thousand shares in 2009 (2008: 60 thousand shares).

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 carrying amounts for goodwill as at 31 December 2009 once again related to ten goodwill amounts 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:

€'000	Corporate Real Estate Clients	Private Clients	Financial Service Providers	Institutional Clients	Total
Cost of acquisitions as at 1 January 2009	3,684	7,653	230	3,259	14,826
Additions	0	0	0	0	0
Cost of acquisitions as at 31 December 2009	3,684	7,653	230	3,259	14,826

The impairment tests conducted at the balance sheet date using a risk-free discount rate of 7.6 per cent (2008: 11.0 per cent) revealed no need for any impairment charges.

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.

4.2 Financial assets

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

	2009 €'000	2008 €'000
Loans to employees	360	166
Loan to joint venture	75	171
Loans to third parties	0	1,058
	435	1,395

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.

There are no overdue receivables for which impairment losses have been recognised. No specific write-downs have been recognised.

4.3 Trade receivables

	2009 €'000	2008 €'000
Trade receivables from		
third parties	16,760	18,271
joint ventures	43	0
	16,803	18,271

The fair values of trade receivables equate to the carrying amounts.
The table below shows impairment losses on receivables.

	2009 €'000	2008 €'000
Balance as at 1 January	134	47
Addition to impairment of receivables	63	105
Irrecoverable receivables written off in 2009	39	18
Balance as at 31 December	**158**	**134**

Impairment charges of €256 thousand (2008: €85 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.

	2009 €'000	2008 €'000
1 to 90 days	392	696
90 to 180 days	85	69
180 to 360 days	9	24
More than 360 days	185	39
Total	671	828

4.4 Current income tax assets and other assets

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

	2009 €'000	2009 €'000
Financial assets		
Overpayments to suppliers	81	56
Receivables from employees	9	43
Advances	0	1
	90	100
Non-financial assets		
Advances payment of commissions	1,710	1,278
Prepaid expenses	325	188
Current income tax assets	117	297
VAT credits	7	16
Other	81	150
	2,240	1,929
	2,330	2,029

The following asset amounts are only recoverable after one year:

	2009 €'000	2008 €'000
Rent deposits	13	10
	13	10

There are no overdue receivables for which impairment losses have been recognised. Specific write-downs of €194 thousand (2008: €38 thousand) were recognised. An additional €156 thousand was recognised in 2009 (2008: €38 thousand).

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	2009 €'000	2008 restated €'000	2008 as reported €'000
In respect of tax loss carryforwards	1,523	1,699	1,699
Intangible assets	0	0	98
Rental and lease obligations	50	60	60
Other temporary differences	247	349	0
Consolidation	440	174	0
Offsetting	1,561	1,539	0
	699	743	1,857

Deferred tax liabilities	2009 €'000	2008 restated €'000	2008 as reported €'000
Intangible assets	251	333	1,217
Property, plant and equipment	34	40	40
Receivables/liabilities	1,631	1,714	1,714
Offsetting	1,561	1,539	0
	355	548	2.971

4.6 Cash and cash equivalents

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

	2009 €'000	2008 €'000
Cash at banks	7,154	7,456
Cash on hand	3	2
	7,157	7,458

4.7 Subscribed capital

The changes to subscribed capital in the year under review were as follows:

Subscribed capital	EUR
Balance as at 1 January 2009	6,112,890.00
Increase due to exercise of share options	16,068.00
Balance as at 31 December 2009	6,128,958.00

The Company's subscribed capital amounts to €6,128,958.00 (31 December 2008: €6,112,890.00) and is divided into 6,128,958 (31 December 2008: 6,112,890) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 5 June 2009 voted to carry forward Hypoport AG's distributable profit of €7,183,455.44 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 preemption 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. The purpose of the conditional capital increase was to allow share options to be granted to employees, members of the Management Board and to managers in subsidiaries. The conditional capital issued under the resolution adopted on 26 August 2002 amounted to €188,650.00 on 31 December 2009 (31 December 2008: €204,718.00) after shares had been issued in connection with the exercise of share options.

4.10 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 issue of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.039 thousand, of which €36 thousand relates to 2009), an amount equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand) and an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand).

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 (2008: €7 thousand), are also reported under this item.

4.11 Minority interest

This item relates to the minority interest in the equity of Starpool Finanz GmbH and GENOPACE GmbH.

4.12 Financial liabilities

The breakdown of financial liabilities is as follows:

	2009 €'000	2008 €'000
Non-current		
Liabilities to banks		
Loans	17,035	18,540
Other liabilities		
Loans to joint ventures	0	1,232
Rental and lease obligations	134	167
	17,169	**19,939**
Current		
Liabilities to banks		
Loans	1,653	1,299
Overdrafts	0	0
Other liabilities		
Rental and lease obligations	33	33
	1,686	**1,332**
	18,855	**21,271**

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 thousand were subordinated (31 December 2008: €3.000 thousand).

Some of the financial liabilities are subject to fixed interest. Others are subject to variable interest linked to the change in Euribor plus a bank mark-up. The interest rates varied between 4.3 per cent

and 6.5 per cent (2008: between 4.3 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.

	2009 €'000	2008 €'000
Credit line	3,500	4,500
Amount utilised	0	0
Credit line available	**3,500**	**4,500**

The average interest rate on credit lines utilised was 4.70 per cent (2008: 8.25 per cent).

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

	2009 €'000	2008 €'000
6 months or less	624	682
6 to 12 months	881	617
1 to 5 years	17,035	19,022
More than 5 years	0	750
	18,540	**21,071**

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

	2009 €'000	2008 €'000
Between 1 and 2 years	2,318	1,539
Between 2 and 5 Jahren	14,851	17,616
More than 5 years	0	784
	17,169	**19,939**

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

	Carrying amount		Fair value	
	2009	2008	2009	2008
Liabilities to banks	17,035	18,540	17,815	19,624
Loans from joint ventures	0	1,232	0	1,232
Rental and lease obligations	134	167	134	167
	17,169	19,939	17,949	21,023

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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.

4.13 Other liabilities

The breakdown of other liabilities is as follows:

	2009 €'000	2008 €'000
Tax liabilities		
Value-added tax	355	329
Wage tax and church tax	308	300
	663	629
Personnel		
Financial assets		
Bonuses	1,464	1,555
Outstanding holiday entitlements	289	304
Wages and salaries	155	5
Severance payments	0	39
Non-financial assets		
Employers' liability insurance association	69	60
Disabled persons levy	39	43
Social security contributions	16	12
	2,032	2,018
Other		
Fiancial assets		
Outstanding invoices	306	436
Commissions to be passed on	304	1,051
Year-end costs	110	101
Non-financial assets		
Advance payment of commissions	1,689	0
Deferred income	405	270
Sundry	64	187
	2,878	2,045
	5,573	4,692

The following liability amounts are only recoverable after one year:

	2009 €'000	2008 €'000
Rent deposits	10	0
	10	0

4.14 Provisions

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

€'000	1 Jan 2009	Utilisation	Reversals	Additions	31 Dec 2009
Non-current provisions					
Cancellations	42	0	0	0	42
	42	0	0	0	42
Current provisions					
Cancellations	21	21	0	21	21
Others	0	0	0	100	100
	21	21	0	121	121

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 equivalents with the balance sheet is explained in section 4.6. Cash held by ABS Service GmbH, which was deconsolidated in 2009, amounted to €40 thousand.

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 (formerly Housing Companies), 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 four distribution channels (online sales, telesales, branch-based sales 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 €50.5 million included €3.2 million generated by customers elsewhere in Europe and the remaining revenue was generated by customers in Germany.

The segment breakdown of business performance in 2009 is as follows:

2009 (€'000)	Corporate Real Estate Clients	Private Clients	Financial Service Providers	Institutional Clients	Reconciliation	Group
Segment revenue in respect of third parties	6,407	30,011	10,300	3,229	527	50,474
2008	6,812	30,697	11,990	2,295	885	52,679
Segment revenue in respect of other segments	222	86	700	0	-1,008	0
2008	70	881	358	0	-1,309	0
Total segment revenue	6,629	30,097	11,000	3,229	-481	50,474
2008	6,882	31,578	12,348	2,295	-424	52,679
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	2,860	2,190	1,199	808	-2,206	4,851
2008	3,019	2,154	3,915	-1,367	-1,765	5,956
from continuing operations	2,860	2,190	1,199	859	-2,206	4,902
2008	3,019	2,154	3,915	618	-1,643	8,063
from discontinued operations	0	0	0	-51	0	-51
2008	0	0	0	-1,985	-122	-2,107
Segment earnings before interest and tax (EBIT)	2,684	2,044	-1,413	617	-2,763	1,169
2008	2,875	1,936	1,875	-3,011	-2,277	1,398
from continuing operations	2,684	2,044	-1,413	668	-2,763	1,220
2008	2,875	1,936	1,875	437	-2,154	4,969
from discontinued operations	0	0	0	-51	0	-51
2008	0	0	0	-3,448	-123	-3,571
Segment assets	11,180	17,581	19,320	4,743	1,978	54,802
2008	10,831	15,623	22,006	4,624	2,792	55,876
Segment liabilities	1,584	4,165	4,453	542	20,133	30,877
2008	841	3,097	6,540	366	20,813	31,657
Segment capital expenditure	326	11	4,276	111	292	5,016
2008	360	407	4,782	57	101	5,707
Segment depreciation/amortisation expense, impairment losses	176	146	2,612	191	557	3,682
2008	144	176	2,040	181	511	3,094
Significant non-cash expenses	323	822	3,341	0	67	4,553
2008	591	1,702	3,444	15	9	5,761

7. Other Disclosers

7.1 Other financial commitments

At the balance sheet date there were total other financial commitments of €9.843 thousand related to rentals, leases and maintenance agreements covering a number of years. Included in the other financial commitments are commitments of €2.424 thousand due within one year and €7.419 thousand due in one to five years. The cost of rentals and leases (minimum leases) amounted to €1.957 thousand in 2009 (2008: €1.956 thousand). Hypoport AG had committed to lend €1.100 thousand to Hypoport Stater B.V. (amount drawn down as at 31 December 2009: €0 thousand). 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. In 2009 the persons covered by this requirement were the members of the Supervisory Board of Hypoport AG, the members of the Group Executive Committee (Thomas Kretschmar, Ronald Slabke, Marco Kisperth, Thilo Wiegand, Stephan Gawarecki and Hans Peter Trampe) and their close family members.
The total remuneration paid to the members of the Group Executive Committee (GEC) in 2009 was €1.181 thousand; total remuneration for members of the Supervisory Board was €52 thousand. In all cases, all the benefits were due for payment within one year.

The members of the GEC and Supervisory Board directly or indirectly hold shares and options in the parent. The following table shows the numbers of shares held and the options granted by the parent under the share option programme as at 31 December 2009.

	Number of shares 31.12.2009	Number of shares 31.12.2008	Number of options 31.12.2009	Number of options 31.12.2008
Group Executive Committee				
Prof. Dr. Thomas Kretschmar	1,423,624	1,418,624	0	0
Ronald Slabke	2,209,831	2,182,000	32,000	32,000
Marco Kisperth	93,926	93,926	14,000	14,000
Thilo Wiegand	24,000	24,000	0	0
Stephan Gawarecki	187,800	187,800	0	0
Hans Peter Trampe	174,990	174,990	20,000	20,000
Supervisory Board				
Dr. Ottheinz Jung-Senssfelder	24,000	24,000	0	0
Jochen Althoff	131,000	131,000	0	0
Christian Schröder	24,000	24,000	0	0

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Ronald Slabke, Lübeck, holds 36.06 per cent of Hypoport's shares. Of these, 35.14 per cent of the voting shares in 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, co-CEO of Hypoport AG.

Thomas Kretschmar, Berlin, holds 4.36 per cent of Hypoport's shares. Of these, 4.36 per cent of the voting shares in r4i GmbH, Berlin, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in r4i GmbH are held by Thomas Kretschmar, co-CEO of Hypoport AG. Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Berlin, which holds 18.87 per cent of Hypoport's shares.

Stephan Gawarecki, Preetz, holds 3.06 per cent of Hypoport's shares. Of these, 3.06 per cent of the voting shares in 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 other disclosable transactions with members of the Supervisory Board, the GEC or companies on whose management or supervisory bodies these persons are represented. This also applies to close family members related to these persons.

In 2009, revenue of €532 thousand (2008: €860 thousand) was generated by joint venture companies. As at 31 December 2009, receivables from joint venture companies amounted to €40 thousand (31 December 2008: €1.058 thousand) and liabilities to joint venture companies amounted to €13 thousand (31 December 2008: €0 thousand).

7.3 Management Board

The members of the Management Board were as follows:

- Thomas Kretschmar (Co-CEO), Berlin, responsible for the Corporate Real Estate Clients and Institutional Clients business units, strategy and fundamental issues, communications, legal affairs and data protection
- Ronald Slabke (Co-CEO), graduate in business administration, Lübeck, responsible for human resources, finance and administration, new markets and strategic investments
- Marco Kisperth, graduate in business informatics, Berlin, responsible for information technology
- Thilo Wiegand, graduate in banking, Großalmerode, responsible for the Financial Service Providers business unit.

Marco Kisperth stepped down from the Management Board with effect from 31 December 2009. Ronald Slabke will therefore assume additional responsibility for information technology.

The total remuneration paid to the members of the Management Board in 2009 amounted to €751 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 2009:

- 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
- Jochen Althoff (vice-chairman of the Supervisory Board), graduate in business administration, management consultant, Berlin
- Christian Schröder, graduate in business administration, auditor, Lübeck

The total remuneration paid to the members of the Supervisory Board in 2009 amounted to €52 thousand; for further information please refer to the remuneration report in the group management report (I.10).

7.5 Investments pursuant to section 21 (1) WpHG

In addition to the investments listed in section 7.2, Deutsche Post AG, Bonn, holds 9.79 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 option plans

The Company has set up an employee share ownership programme ("2002-2004 share option plan") for its employees. The objectives of this programme include the recruitment and retention of personnel and the promotion of the success of the business by offering employees the opportunity to purchase shares in the Company.

Under the 2002-2004 share option plan from 2002, a maximum of 115,000 share options were to be issued to the Management Board and members of senior management, and a maximum of 30,000 share options to employees. The share options have a maturity of six years from the date on which they are granted. These options can be exercised at the exercise price stated below during a four-year exercise period following a lock-up period of 24 months immediately after the options are granted.

The "reference price" for the price to be paid on exercise of a share option ("exercise price") is €10.00. The exercise price is then determined as follows: up to the end of the first year after the issue date, 100 per cent of the reference price; in the second year after the issue date, 110 per cent of the reference price; in the third year after the issue date, 120 per cent of the reference price; from the fourth year after the issue date onwards, 130 per cent of the reference price. No consideration is paid in return for the share options. Employees are not entitled to the payment of any cash alternative.

The table below shows the status of the Company's share option programmes as at 31 December 2009:

	Plan 2002 - 2004
In issue as at 1 January 2009	84,748
Granted	0
Exercised	16,068
Expired	2,680
In issue as at 31 December 2009	66,000

The weighted average share price for the options exercised in the period under review was €3.25. 66,000 of the outstanding options could have been exercised by 31 December 2009. The exercise period for all options ends on 31 December 2010. The exercise price of the outstanding options is €3.25.

Under IFRS 2, the market value of the issued share options should be determined using an option pricing model. The total value of options so determined at the issue date should then be allocated evenly over the vesting period and recognised as personnel expenses.

The fair value of the share options at the grant date was determined using the Black-Scholes option pricing model. The calculation is based on the following parameters at each exercise date:

	2002	2003	2004
Issue date / measurement date	31 Dec 2002	31 Dec 2003	31 Dec 2004
Share price on issue date (€)	1.50	1.25	1.25
Exercise price (€)	3.19	3.19	3.19
Expected share price volatility (%)	25	25	25
Expected dividend yield (%)	0.0	0.0	0.0
Risk-free interest rate (%)	2.2	2.3	2.5
Maturity of options (Jahre)	2	2	2
Option value (€)	0.50	0.28	0.28

Since neither Hypoport AG shares nor options were listed on a stock exchange on the date the fair values of the share options were determined, it was not possible to determine an implied volatility. The Company therefore based its calculation of expected volatility on the historical changes that had affected other companies in its market segment.

The expected maturity of the options is based on the stated intentions of the option holders to exercise the share options as quickly as possible. This is mainly driven by the tax treatment of proceeds from the exercise of share options.

The Company has decided not to recognise personnel expenses in consolidated income during the vesting period because of measurement uncertainties and because the calculated (estimated) market values for the issued options as stated above are insignificant.

7.7 Auditors' fees and services

The fees incurred for services rendered by the auditors BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in 2009 amounted to €73 thousand for audits of financial statements and €8 thousand for other attestation services.

7.8 Average number of persons employed during the financial year

In 2009 the Company employed an average of 441 (2008: 460) persons in addition to the members of the Management Board.

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

	31 Dec 2009		31 Dec 2008		Change	
	Number	%	Number	%	Number	%
Financial Product Sales – Private Clients	161	36	180	37	-19	-11
Financial Product Sales – Corporate Real Estate Clients	28	6	26	5	2	8
B2B-Financial Marketplaces – Financial Service Providers	85	19	82	17	3	4
B2B-Financial Marketplaces – Institutional Clients	16	4	38	8	-22	-58
Information technology	112	25	120	26	-8	-7
Administration	42	10	43	9	-1	-2
	444		**489**		-45	-9

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 nine people (2008: six) were employed at such companies.

7.9 Discontinued operations

Because the Company decided in 2008 to close the EUROPACE for investors business and, consequently, to discontinue its Property Finance Europe publication, which are required by IFRS 5 to be presented as discontinued operations, the income and expense from these operations, which essentially relates to ABS GmbH and PFE GmbH, has been reclassified and reported separately on the face of the consolidated income statement as profit (loss) from discontinued operations, net of tax. Comparative items have been restated accordingly as required by IFRS 5.

The table below shows the profit (loss) from discontinued operations, net of tax.

The income and expense relating to PFE GmbH is shown under 'Reconciliation'.

€'000	2009 Institutional Clients	2009 Reconciliation	2009 Group	2008 Institutional Clients	2008 reconciliation	2008 Group
Revenue	0	0	0	583	496	1,079
Selling expenses	0	0	0	0	0	0
Gross profit	**0**	**0**	**0**	**583**	**496**	**1,079**
Own work capitalised	0	0	0	383	0	383
Other operating income	0	0	0	28	25	53
Cost of materials	0	0	0	0	-25	-25
Personnel expenses	-38	0	-38	-1,480	-20	-1,500
Other operating expenses	-13	0	-13	-1,499	-598	-2,097
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**-51**	**0**	**-51**	**-1,985**	**-122**	**-2,107**
Depreciation, amortisation expense and impairment losses	0	0	0	-1,462	-2	-1,464
thereof extraordinary on development work	0	0	0	-1,241	0	-1,241
Earnings before interest and tax (EBIT)	**-51**	**0**	**-51**	**-3,447**	**-124**	**-3,571**
Financial income	0	0	0	0	0	0
Finance costs	0	0	0	0	-1	-1
Earnings before tax (EBT)	**-51**	**0**	**-51**	**-3,447**	**-125**	**-3,572**
Income taxes and deferred taxes	15	0	15	201	-157	44
Profit (loss) on deconsolidation	-25	0	-25	0	161	161
Profit (loss) from discontinued operations, net of tax	**-61**	**0**	**-61**	**-3,246**	**-121**	**-3,367**
Earnings (loss) per share from discontinued operations (€) (basic)			-0,01			-0,55
Earnings (loss) per share from discontinued operations (€) (diluted)			-0,01			-0,55

Profit (loss) from discontinued operations, net of tax, for the reporting period relates solely to expenses for ABS Service GmbH.

7.10 Financial risk management

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

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

If the exchange rate of the euro to the US dollar had been 10 per cent higher or lower on 31 December 2009, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2008: €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 2009, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2008: €0 thousand) higher or lower.

The main credit risk for the Hypoport Group lies in its trade receivables. In 2009 it recognised impairment losses of €256 thousand (2008: €85 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.

€'000	Maturities					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Floating-rate financial liabilities	303	263	2,431	18,178	0	21,175
2008	305	270	1,712	20,414	762	23,463
Rental and lease obligations	3	8	25	130	0	166
2008	3	8	25	134	30	200
2009	306	271	2,456	18,308	0	21,341
2008	308	278	1,737	20,548	792	23,663

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 2009 and 2008.

7.11 Additional information on financial instruments

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

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	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
€'000	Carrying amount 31 Dec 2009	Pro forma: fair value	Carrying amount	Carrying amount	carrying amount on the balance sheet
Trade receivables	16,803	–	–	–	16,803
Loans and receivables	16,803	16,803	–	–	16,803
Financial assets	435	–	–	–	435
Loans and receivables	435	435	–	–	435
Other assets	90	–	–	2,123	2,213
Loans and receivables	90	90	–	–	90
Non-financial assets	–	–	–	2,123	2,123
Cash and cash equivalents	7,157	–	–	–	7,157
Loans and receivables	7,157	7,157	–	–	7,157
Total financial assets	**24,544**	**–**	**–**	**–**	**24,485**
Thereof: loans and receivables	24,485	–	–	–	24,485
Financial liabilities	18,855	–	–	–	18,855
Measured at amortised cost	18,855	19,635	–	–	18,855
Trade payables	5,736	–	–	–	5,736
Measured at amortised cost	5,736	–	–	–	5,736
Other liabilities	2,628	–	–	2,945	5,573
Measured at amortised cost	2,628	–	–	–	2,628
Non-financial liabilities	–	–	–	2,945	2,945
Total financial liabilities	**27,219**	**–**	**–**	**–**	**27,219**
Thereof: measured at amortised cost	27,219	–	–	–	27,219

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€'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount 31 Dec 2008	Pro forma: fair value	Carrying amount	Carrying amount	carrying amount on the balance sheet
Trade receivables	18,271	–	–	–	18,271
Loans and receivables	18,271	18,271	–	–	18,271
Financial assets	1,395	–	–	–	1,395
Loans and receivables	1,395	1,395	–	–	1,395
Other assets	100	–	–	1,622	1,722
Loans and receivables	100	100	–	–	100
Non-financial assets	–	–	–	1,622	1,622
Cash and cash equivalents	7,458	–	–	–	7,458
Loans and receivables	7,458	7,458	–	–	7,458
Total financial assets	**27,224**	**–**	**–**	**–**	**27,224**
Thereof: loans and receivables	27,224	–	–	–	27,224
Financial liabilities	21,271	–	–	–	21,271
Measured at amortised cost	21,271	22,356	–	–	21,271
Trade payables	4,876	–	–	–	4,876
Measured at amortised cost	4,876	–	–	–	4,876
Other liabilities	3,491	–	–	1,201	4,692
Measured at amortised cost	3,491	–	–	–	3,491
Non-financial liabilities	–	–	–	1,201	1,201
Total financial liabilities	**29,638**	**–**	**–**	**–**	**29,638**
Thereof: measured at amortised cost	29,638	–	–	–	29,638

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.

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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	2009
Interest and similar income	130	–	–	–	130
Interest expense and similar charges	–	–	–	-1,091	-1,091
Impairment losses	-358	–	–	–	-358
Net result	**-228**	**0**	**0**	**-1,091**	**-1,319**

€'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised cost	2008
Interest and similar income	114	–	–	–	114
Interest expense and similar charges	–	–	–	-983	-983
Impairment losses	-208	–	–	–	-208
Net result	**-94**	**0**	**0**	**-983**	**-1,077**

7.12 Capital risk management

Hypoport AG's statutes do not specify any capital requirements. The Hypoport Group pursues two main objectives in terms of its capital management: firstly, to ensure that the Company continues to operate as a going concern so that it can continue to generate returns for its shareholders and provide its other stakeholders with the services they require; and secondly, to maintain the optimum capital structure so that it can lower its cost of capital and meet the minimum capital requirements resulting from its borrowings. It complied with the minimum capital requirement of €730 thousand applicable to its subsidiary Hypoport Finance AG pursuant to section 33 of the German Banking Act (KWG). The financial covernants 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 2009 and 31 December 2008.

	2009 €'000	2008 restated €'000	2008 as reported €'000
Financial liabilities	18,855	21,271	21,271
Minus cash and cash equivalents	7,157	7,458	7,458
Net debt	11,698	13,813	13,813
Equity	23,925	24,219	22,910
Gearing	52%	57%	60%

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

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

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

7.14 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.

7.15 Events after the balance sheet date

There have been no material events since the balance sheet date.

Berlin, 12 March 2010
Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar

Ronald Slabke

Thilo Wiegand

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IFRS consolidated financial statements for the year ended 31 December 2009

	Cost			
	Balance 01 Jan 2009 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2009 €'000
I. Intangible assets				
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assests				
1.1 Software	2,347	89	1	2,435
1.2 Development costs	16,069	4,599	2,300	18,368
2. Goodwill	14,826	0	0	14,826
	33,242	4,688	2,301	35,629
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	4,484	328	140	4,672
	4,519	328	140	4,707
	37,761	5,016	2,441	40,336

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Cumulative depreciation, amortisation and impairment					Carrying amount	
Balance 01 Jan 2009 €'000	Additions €'000	Disposals €'000	Change in basis of consolidation €'000	Balance 31 Dec 2009 €'000	Balance 31 Dec 2009 €'000	31 Dec 2008 €'000
1,041	400	0	0	1,441	994	1,306
8,256	2,611	2,300	0	8,567	9,801	7,813
0	0	0	0	0	14,826	14,826
9,297	**3,011**	**2,300**	**0**	**10,008**	**25,621**	**23,945**
12	4	0	0	16	19	23
2,472	667	34	-171	2,934	1,738	2,012
2,484	**671**	**34**	**-171**	**2,950**	**1,757**	**2,035**
11,781	**3,682**	**2,334**	**-171**	**12,958**	**27,378**	**25,980**

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IFRS consolidated financial statements for the year ended 31 December 2008

	Cost				
	Balance 01 Jan 2008 €'000	Additions €'000	Disposals €'000	Change in basis of consolidation €'000	Balance 31 Dec 2008 €'000
I. Intangible assets					
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assests					
1.1 Software	2,123	257	33	0	2,347
1.2 Development costs*)	11,910	4,159	0	0	16,069
2. Goodwill	14,826	0	0	0	14,826
	28,859	4,416	33	0	33,242
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	18	17	0	0	35
2. Office furniture and equipment	3,241	1,274	24	-7	4,484
	3,259	1,291	24	-7	4,519
	32,118	5,707	57	-7	37,761

*) Impairment losses on development costs amounted to €1.241 thousand.

Cumulative depreciation, amortisation and impairment					Carrying amount	
Balance 01 Jan 2008 €'000	Additions €'000	Disposals €'000	Change in basis of consolidation €'000	Balance 31 Dec 2008 €'000	Balance 31 Dec 2008 €'000	31 Dec 2007 €'000
690	372	1	0	1,041	1,306	1,453
4,870	3,386	0	0	8,256	7,813	7,040
0	0	0	0	0	14,826	14,826
5,540	3,758	1	0	9,297	23,945	23,319
8	4	0	0	12	23	10
1,698	796	19	-3	2,472	2,012	1,543
1,706	800	19	-3	2,484	2,035	1,553
7,246	4,558	20	-3	11,781	25,980	24,872

7. Responsibility statement

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 man-agement 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, 12 March 2010
Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar

Ronald Slabke

Thilo Wiegand

8. Auditor's Opinion

Auditor's Opinion:

„We have audited the consolidated financial statements prepared by the Hypoport AG, Berlin, comprising the balance sheet, the income statement, 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 2008 to 31 December 2008. 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.

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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, March 19 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

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9. Single-entity financial statements of Hypoport AG 2009 (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 2009

	2009 €'000	2008 €'000
Revenue	12,079	11,592
Other operating income	2,073	2,062
Personnel expenses	-10,514	-9,550
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-56	-68
Other operating expenses	-4,549	-5,474
Income from long-term equity investments	942	1,443
Income from profit transfer agreements	4,672	5,855
Income from other securities and lending of financial assets	1	26
Other interest and similar income	186	246
Expense in respect of loss transfers	-217	-181
Interest expense and similar charges	-727	710
Profit (loss) from ordinary activities	**3,890**	**5,241**
Extraordinary expenses	0	-1,984
Income taxes	-108	-59
Other taxes	0	-4
Net profit (loss) for the year	**3,782**	**3,194**
Profit brought forward	7,183	3,989
Distributable profit	**10,965**	**7,183**

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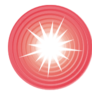
Balance sheet as at 31 December 2009

	31.12.2009 €'000	31 Dec 2008 €'000
Assets		
Fixed assets		
Intangible assets	4	13
Property, plant and equipment	154	200
Financial assets	29,574	23,124
	29,732	**23,337**
Current assets		
Trade receivables	2,432	2,011
Receivables from affiliated companies	10,918	10,685
Receivables from other long-term investees and investors	80	136
Other assets	219	363
Cash and cash equivalents	554	2,360
	14,203	**15,555**
Prepaid expenses	**11**	**15**
	43,946	**38,907**
Equity and liabilities		
Equity		
Subscribed capital	6,129	6,113
Capital reserves	1,784	1,748
Retained earnings	6,525	6,525
Distributable profit	10,965	7,183
	25,403	**21,569**
Provisions	**1,415**	**1,332**
Liabilities		
Liabilities to banks	12,839	13,967
Trade payables	368	240
Liabilities to affiliated companies	3,434	1,460
Liabilities from other long-term investees and investors	41	0
Other liabilities	445	338
	17,127	**16,005**
Deferred income	**1**	**1**
	43,946	**38,907**



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