HYPOPORT
THE FINANCE INTEGRATOR

Hypoport AG
annual report for 2008

HYPOPORT
THE FINANCE INTEGRATOR

Key performance indicators

Financial performance (€'000)	2008	2007	Change
Revenue	52,679	40,726	29 %
Gross profit	34,218	31,913	7 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,063	8,742	-8 %
Earnings before interest and tax (EBIT)	4,969	6,164	-19 %
EBIT margin (EBIT as a percentage of gross profit)	15	19	-21 %
Basic earnings (loss) per share (€)	0.50	1.05	-52 %
Diluted earnings (loss) per share (€)	0.50	1.03	-51 %
Hypoport Group (€'000)			
Net profit (loss) for the year	-281	4,259	-107 %
attributable to Hypoport AG shareholders	-281	4,259	-107 %
Basic earnings (loss) per share (€)	-0.05	0.69	-107 %
Diluted earnings (loss) per share (€)	-0.05	0.68	-107 %
Current assets	27,748	20,161	38 %
Non-current assets	29,242	28,070	4 %
Equity	22,910	22,930	0 %
attributeable to Hypoport AG shareholders	22,710	22,930	-1 %
Equity ratio (%)	40	48	-17 %
Total assets	56,990	48,231	18 %

Contents

1 Letter to shareholders

Dear Shareholder

Who would have thought at the beginning of 2008 that this year would go down in economic history – unfortunately in a negative way? Who would have believed that the world's largest insurance company would effectively become insolvent and that one of the world's largest banks would actually go bust? Germany and many other industrialised nations had to bail out their banks by providing them with financial assistance totalling more than one trillion euros. Large numbers of financial service providers around the globe – even in developed industrialised countries – were nationalised. What only twelve months ago seemed beyond the realms of possibility actually occurred last year: we are experiencing one of the biggest (financial) crises of the modern industrial era.

As one of our shareholders, you are naturally especially interested in how Hypoport AG performed in this environment. In a nutshell the answer is: outstandingly!

Although the financial crisis has hit virtually all our banking partners and badly shaken our clients' confidence since at least last September, the Hypoport Group has managed to increase its market share significantly. Its revenue growth of almost 30 per cent is in a league of its own in the current market climate.

We delivered this performance by diversifying into various growth segments of the financial services market whilst maintaining a strict focus on customer needs. This strategy was supported and successfully implemented by our highly committed employees and by our policy of working closely with our partners to pursue a business approach that adds sustainable value. No publicly traded financial service provider generated stronger growth in 2008.

It goes without saying that even Hypoport was affected by the financial crisis. We were forced to close our highly promising business aimed at investors in asset-backed securities because the securitisation market totally collapsed. This was most regrettable since it meant discontinuing an operation that would have had excellent prospects in more normal market conditions.

Our core business also felt the effects of the turmoil battering the market. Some of our competitors are fighting for their survival, while others are being kept alive with rescue packages containing massive subsidies. Defending and even expanding our market share in this sort of environment requires strategic focus and costs money, which in turn impairs profitability. Consequently, our earnings before interest, tax, depreciation and amortisation (EBITDA) fell by 8 per cent year on year. Given the market conditions in which we were operating, we are very proud of this achievement.

We would like to thank you for placing your confidence in us by investing in Hypoport's shares. We hope our performance has convinced you that you made the right decision to invest in Hypoport. Even though the financial services industry seems to be stabilising again in early 2009, the crisis is evidently spilling over into the real economy, which is impacting directly on some of our clients. 2009 will therefore be another highly challenging year for our organisation. Nonetheless, we are convinced that we can continue our growth strategy even under these conditions.

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 2008 financial year.

The Supervisory Board discharged the responsibilities incumbent upon it during the reporting year 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 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, its business performance, its strategic development, its risk management, important transactions and the current position of the Company and the Hypoport Group. Decisions of fundamental importance were discussed with and submitted to the Supervisory Board for approval. In particular, the Supervisory Board was closely involved in and approved the most important decision of the year, namely the closure of the EUROPACE for investors business, which had – and will continue to have – a considerable impact on the Company's financial results.

The Supervisory Board held four scheduled meetings in 2008. It also held four non-scheduled meetings at which it adopted resolutions by telephone or in writing after extensive and detailed preparations had been conducted. All members of the Supervisory Board attended each of these meetings.

Key points of the Supervisory Board's deliberations

The Supervisory Board's deliberations centred primarily on strategic and operational issues concerning the Company and the Hypoport Group, important transactions, and measures taken by the Management Board that required approval.

At the meeting held on 31 March 2008 the auditors reported on the IFRS consolidated financial statements for 2007 and the single-entity financial statements for 2007. In particular we finalised issues relating to the annual financial statements and their adoption, the appropriation of the Company's profits, the proposals for resolutions to be adopted by the Annual Shareholders' Meeting, the Management Board's report on the fourth quarter of 2007, the risks facing the Company, and the latest strategic planning and budgeting figures.

The meeting held on 16 May 2008 discussed, in particular, the Management Board's report on the first quarter of 2008, the risks facing the Company, the provision of completion guarantees for big-ticket projects, the raising of a loan, and organisational changes in the business units.

The meeting held on 15 August 2008 examined, in particular, the Management Board's report on the second quarter, the risks facing the Company, and deviations from planning and budgeting targets in the Institutional Clients business unit.

The meeting held on 12 December 2008 dealt, in particular, with the Management Board's report on the third quarter, the risks facing the Company, selected accounting and auditing issues, and the employment contracts signed with members of the Management Board of Dr. Klein & Co. AG. In addition, the decision was taken to sell Hypoport Capital Market AG and PFE GmbH.

The non-scheduled meeting held on 16 January 2008 approved the Company's declaration on the German Corporate Governance Code (votes cast by email).

The non-scheduled meeting held on 14 May 2008 voted to provide a guarantee and approved a budget to recruit sales staff (votes cast by telephone).

The non-scheduled meeting held on 23 May 2008 appointed Thilo Wiegand as a member of the Management Board of Hypoport AG with effect from 1 June 2008 (votes cast by telephone).

At its non-scheduled meeting (conference call) held on 9 October 2008 the Supervisory Board approved the closure of the EUROPACE for investors business and the plans for implementation of the closure submitted by the Management Board.

No committees

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

Corporate Governance Code

The Supervisory Board discussed the content of the German Corporate Governance Code. Information on corporate governance at the Company as well as a detailed report on the level and structure of remuneration paid to the Supervisory Board and Management Board can be found in the remuneration report. At their respective meetings held on 14 January 2008 the Management Board and Supervisory Board issued the declaration of compliance required by section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the Company's shareholders.

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 its meeting on 23 May 2008 the Supervisory Board appointed Thilo Wiegand as a further member of the Management Board of Hypoport AG with effect from 1 June 2008. He is responsible for the Financial Service Providers business unit.

Single-entity and consolidated financial statements

The Management Board submitted to the Supervisory Board the single-entity and consolidated financial statements it had prepared for 2008, both management reports, its proposal for the 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 2008 and issued an unqualified opinion. As required by section 171 AktG, the Supervisory Board examined the single-entity and consolidated financial statements for 2008, both management reports and the Management Board's proposal for the appropriation of profits. The auditors reported to the Supervisory Board in person at the meeting held on 20 March 2009 to discuss the Company's financial statements.

The Supervisory Board agrees with the findings of the audit. Having completed our own examination we have no objections to raise. The Supervisory Board has approved the company's single-entity and consolidated financial statements for 2008; they have thus been adopted. The Supervisory Board agreed with the Management Board's proposal for the appropriation of profits.

The Supervisory Board would like to thank the Management Board and all employees for their hard work and valuable support.

Berlin, 20 March 2009

Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

3 Corporate Governance

Section 161 of the German Stock Corporation Act (AktG) states that the management boards and supervisory boards of listed companies must issue an annual declaration stating that 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, have been – and are being – complied with or, if this is not the case, stating which recommendations have not been – or are not being – applied. The declaration must be made permanently available to all shareholders.

The Management Board and Supervisory Board of Hypoport AG hereby declare that, since the last declaration of compliance was submitted on 18 January 2008, 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 14 June 2007 and published in the electronic Federal Gazette on 20 July 2007. For the corporate governance practices adopted by Hypoport AG in future, 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 Federal Gazette on 8 August 2008.

1. Paragraph 3.8 of the German Corporate Governance Code recommends that the Company, when concluding directors' and officers' (D&O) insurance, should agree an appropriate excess. The D&O insurance concluded by Hypoport AG does not specify any excess for either the Management Board or 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.
3. 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. No age limit has been specified for members of the Management Board of Hypoport AG.
4. 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. The Supervisory Board of Hypoport AG has not set up any committees because it consists of only three members, as specified in the Company's statutes.

Hypoport AG believes that the recommendations with which it does not comply are either not practicable or are detrimental to the Company.

Berlin, 26 January 2009

The Supervisory Board The Management Board

4 Hypoport’s shares

As far as the stock market is concerned, Hypoport – despite all its strong financial results and continuing growth – is, first and foremost, a financial service provider: a financial service provider during a global financial crisis. There is little time for a critical assessment of the subtle differences between business models and markets. Many investors currently have much more pressing problems than focusing on a company that, in terms of its market capitalisation, is still fairly small.

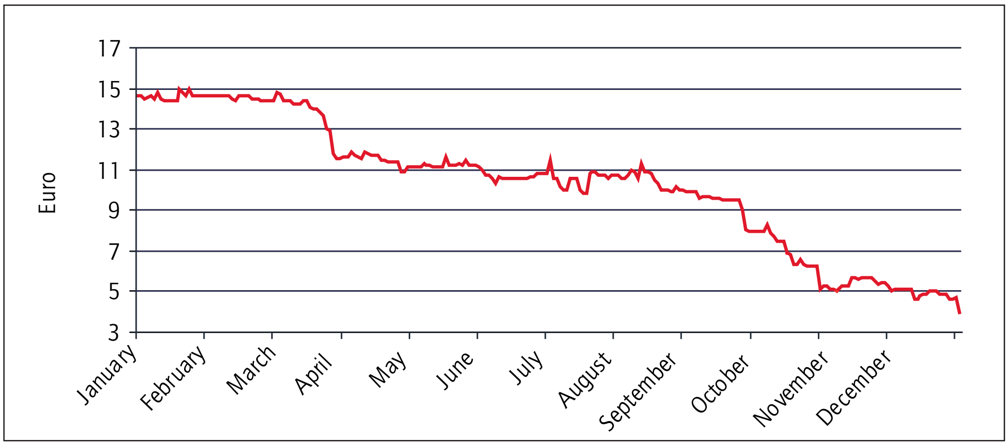
This mixture of 'collective punishment' and disinterest caused Hypoport's share price to plummet over the course of 2008 from €15.00 at the beginning of the year to €4.01 on 31 December. Even though it subsequently staged a modest recovery to €5.90 on 23 March 2009, its performance fell short of what you and we had expected. It can only be hoped that the markets return to normality in 2009 and investors pay more attention to individual companies' fundamentals. Fortunately, thanks to our stable ownership structure, the performance of our share price does not affect our operating activities.

Hypoport's most important shareholders are still its management, which owns more than 66.8 per cent of its shares, and Deutsche Postbank AG, which holds 9.8 per cent. Its free float, according to the definition used by Deutsche Börse AG, was 39.8 per cent on 31 December 2008.

Our public relations activities in 2009 will focus on continuing to raise Hypoport AG's profile among investors, thereby enhancing the liquidity of its shares on the back of the Company's consistently strong performance.

Share price performance

Hypoport's share price shed 73 per cent over the course of 2008, falling from €14.60 at the beginning of the year to €4.01 at year-end. The highest price during this period was €15.00 on 24 January, and the lowest was €4.01 on 30 December.



Performance of Hypoport´s share price, January to December 2008 (daily closing prices on Frankfurt Stock Exchange)

Earnings per share

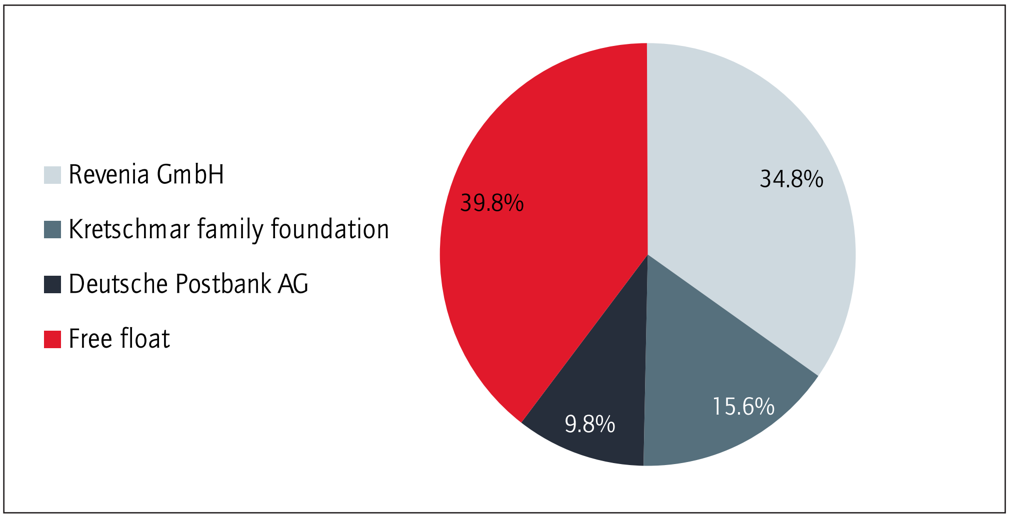
We reported a loss of €0.05 per share for 2008, having posted earnings of €0.69 per share in 2007. The Company's continuing operations generated earnings of €0.50 per share (2007: €1.05), while its discontinued operations incurred a loss of €0.55 per share (2007: loss of €0.36).

Trading volumes

The daily volume of Hypoport shares traded averaged €9 thousand. The highest average daily turnover was in November (4,065 shares), followed by December (3,041 shares). The month with the lowest daily turnover was February, when an average of only 270 Hypoport shares changed hands.

Shareholder structure

The free float in Hypoport's shares amounts to 39.8 per cent.



Breakdown of shareholders as at 31 December 2008

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.

Ad-hoc disclosures

In 2008, Hypoport published one ad-hoc disclosure on 9 October concerning the closure of its loss-making EUROPACE for investors business.

Notification of directors´ dealings

The table below shows the directors' dealings notified to us in 2008.

Date of transaction	Notifying person/entity	Transaction	Stock exchange	Number of shares	Execution price
4 April 2008	Monika Schröder	Sale	XETRA	329	14.60
14 March 2008	Kretschmar Familienstiftung	Sale	Off-exchange	100,000	14.40
14 March 2008	r4i GmbH*	Purchase	Off-exchange	100,000	14.40
4 April 2008	Marco Kisperth	Sale with repurchase option for seller	Off-exchange	14,286	14.00
4 April 2008	r4i GmbH*	purchase with repurchase option for seller	Off-exchange	14,286	14.00
4 April 2008	Kretschmar Familienstiftung	Sale	Off-exchange	100,000	14.00
4 April 2008	r4i GmbH*	Purchase	Off-exchange	100,000	14.00
20 May 2008	Ronald Slabke	Purchase	XETRA	1,392	11.37
23 May 2008	Ronald Slabke	Purchase	XETRA	1,500	11.29
26 May 2008	Ronald Slabke	Purchase	XETRA	1,500	11.27
10 November 2008	r4i GmbH*	Sale	XETRA	200	6.00
11 November 2008	r4i GmbH*	Purchase	XETRA	100	5.60
11 November 2008	r4i GmbH*	Sale	XETRA	4,050	5.45
12 November 2008	r4i GmbH*	Sale	XETRA	3,000	5.53
12 November 2008	r4i GmbH*	Purchase	XETRA	300	5.80
13 November 2008	r4i GmbH*	Purchase	XETRA	27,831	5.65
29 December 2008	Kretschmar Familienstiftung	Sale	Off-exchange	20,000	10.00
29 December 2008	r4i GmbH*	Purchase	Off-exchange	20,000	10.00

*) Prof. Dr. Thoams Kretschmar is managing director of r4i 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	€612.890,00
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 2008	€14.60 (Frankfurt)
Share price as at 30 December 2008	€4.01 (Frankfurt)
High in 2008	€15.00 (24 January 2008)
Low in 2008	€4.01 (30 December 2008)
Market capitalisation	€24.5 million (30 December 2008)
Trading volume	€8,901.34 (daily average for 2008)

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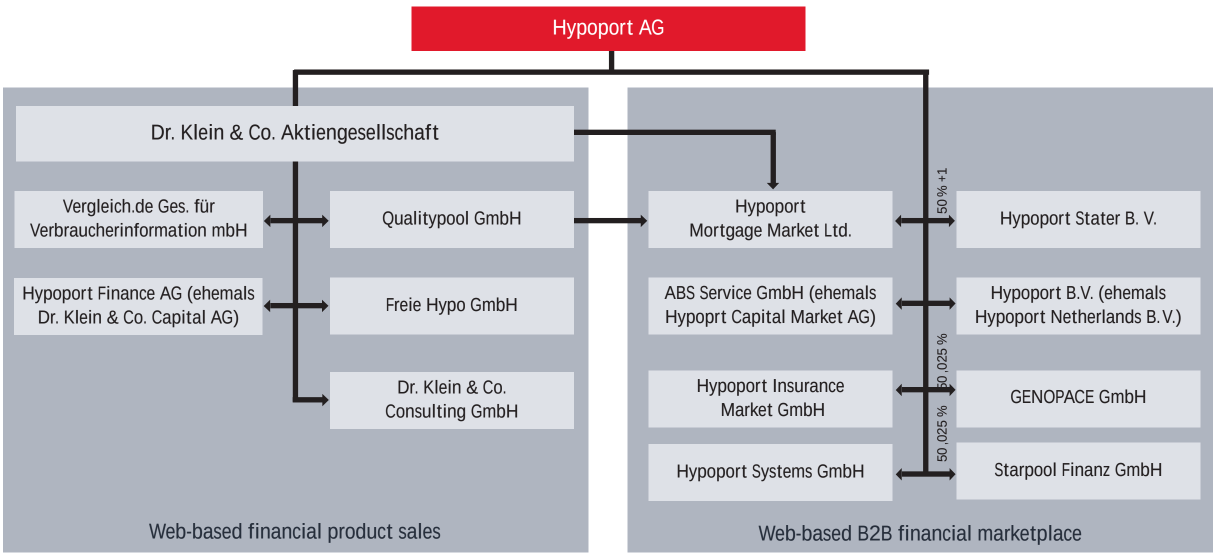
5 Management Report

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.



The group holds 100 per cent of shares unless statedotherwise.

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 local 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 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 enable significant cost advantages to be generated. 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 2009.

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

Economic conditions

Although the global economy had remained highly robust in the first few months of 2008 despite the ongoing financial crisis, it is now suffering a sharp downturn. The severe crisis in the international financial markets, which had started in the United States with the collapse of the subprime mortgage market in 2007, intensified even further from the third quarter of 2008 and has now spilled over into all sectors of the economy.

Whilst these market dislocations were for some time restricted to a liquidity crunch resulting from banks' unwillingness to lend short-term funds to each other, the situation came to a head after several major financial institutions went bankrupt. 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 packages.

Further support came from various central banks in the industrialised countries which, faced with an economic downturn, are without exception pursuing more expansionary monetary policies. The US Federal Reserve lowered its key interest rate in several stages from 3.0 per cent to its lowest level of all time: it is now between zero and 0.25 per cent. The European Central Bank has now also adopted a policy of slashing interest rates. Having raised the rate for its main refinancing operations as late as July 2008 by 25 basis points to 4.25 per cent, it cut it by a total of 225 basis points between October 2008 and January 2009 to 2.0 per cent – its lowest level for six years.

However, the turmoil in the financial markets is now severely hampering global economic activity. Germany's ifo Institute of Economic Research reckons that the global economy grew by only 2.4 per cent in 2008 after having expanded by 5.2 per cent in 2007.

Economic activity in the European Union also weakened significantly, with its ag-gregate gross domestic product (GDP) growing by only 1.0 per cent. Germany reported encouraging GDP growth of 1.5 per cent in 2008.

The German economy has been hit particularly hard by the international economic downturn because of the fall-off in demand for capital goods, which feature prominently in Germany's exports. Spending on capital equipment is also falling. Average consumer spending stagnated in 2008; the soaring cost of energy and fuel, which persisted until the autumn, and rising food prices curbed spending power overall. Consumer sentiment deteriorated dramatically throughout the year despite continued employment growth and falling unemployment. Consumers were no more willing to make major purchases towards the end of last year than they had been when the economic upturn started in 2005. At the same time, their propensity to save increased. Their savings ratio rose sharply during the course of 2008; it is likely to have averaged 11.5 per cent last year compared with 10.8 per cent in 2007. One reason for this trend was that government subsidies for Germany's 'Riester' private pension scheme were expanded further, and another was that most of the disposable income freed up by falling oil prices in the final quarter of 2008 was probably saved.

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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 includes also the central Information Technology unit, which carries out software development for all Group companies as well as IT project management for internal and external clients. Most business operations are conducted by a total of 14 German and international subsidiaries.

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Financial Product Sales – Private Clients

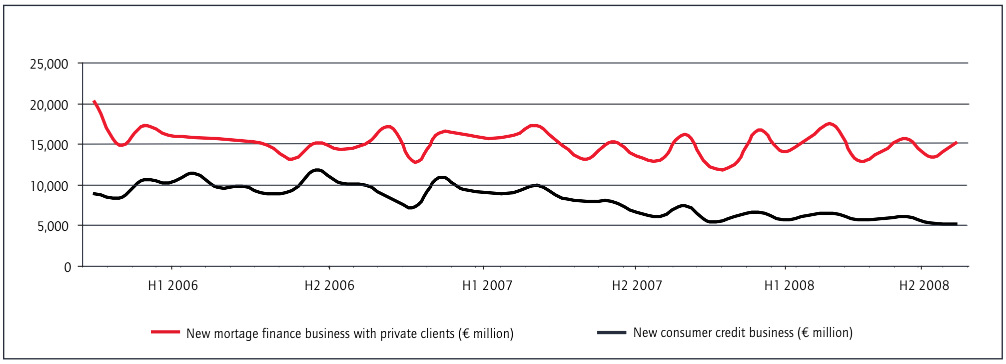
The trend for clients to seek advice from independent financial product distributors such as Dr. Klein before purchasing financial products continued in the market in 2008. Private clients are clearly aware of the benefits of independent advice and products. According to our estimates, independent providers continued to perform well in 2008, winning market share from regional banks.

www.drklein.de

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. The Hypoport Group's EUROPACE transaction platform is one of the key drivers of this trend.

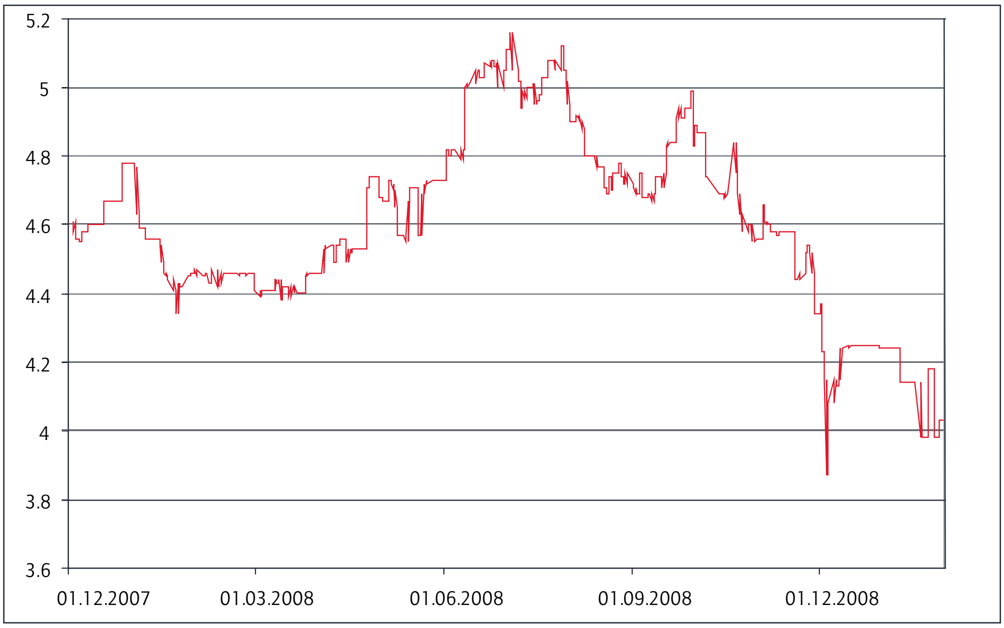
The sale of financial products through our primary distribution channel continues to benefit from the growing acceptance of the internet. Clients can look up information at their leisure whenever they wish and initially remain anonymous. More and more customers are overcoming their inhibitions about new technology and are increasingly using the internet to enquire about products (and subsequently seek advice either over the telephone or face to face) and to purchase them directly online, especially in the case of simple, standardised 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, the total volume of mortgage finance and personal loans provided in 2008 continued to fall slightly year on year, partly because market confidence was shaken by the financial crisis. While the total value of home loans sold in 2007 came to €181.8 billion, demand in 2008 fell by 3.0 per cent to €176.4 billion. The volume of personal loans decreased by even more, falling by 28.5 per cent from €101.2 billion to €72.4 billion.



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 2008, only to fall back below their 2007 level in the second half of 2008. This interest-rate turbulence is curbing customer demand and, during periods of rising interest rates, temporarily increases the competitive pressures on independent intermediaries compared with full-service providers such as savings banks. On the other hand, the sharp fall in interest rates to a historically very low level towards year-end boosted the sale of loan products. The subsidies introduced at the end of the year to enable investors to use the funds saved in their 'Riester' private pension schemes to buy or build their own home did not generate much demand in 2008.



Ten-Year swap rates of the year 2008

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 the urgent 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.

The changes made to the system of statutory and private health insurance as part of the healthcare reforms introduced in 2007 are continuing to increase the need for advice and boost client demand in this area.

On the whole, the German Insurance Association (GDV) expects gross premium income for 2008 to rise moderately across all insurance segments.

In the fund management segment, which is still largely unimportant for Dr. Klein, the boom that the investment industry had hoped would be triggered by the introduction of the Abgeltungssteuer (flat-rate withholding tax) in Germany failed to materialise owing to the financial crisis. Mutual funds suffered massive investment outflows and, consequently, the total volume of assets under management contracted by 14.4 per cent in 2008 to €1.217 trillion (2007: €1.423 trillion). Of this total, €576 billion (2007: €731 billion) was attributable to retail funds and €641 billion (2007: €692 billion) to institutional funds.

Financial Product Sales – Corporate Real Estate Clients

The main target group of this business unit, which forms part of both Dr. Klein & Co. AG and Dr. Klein & Co. Consulting GmbH, 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 now focused on modernising the existing housing stock. Germany's persistently low interest rates and rents do not offer sufficient incentive to take on the risk of building residential property.

Most investment was spent on improving the existing housing stock. The volume of finance requested was therefore primarily used to optimise existing loan portfolios through debt rescheduling and to carry out modernisation work. The proportion of conventional first mortgages continues to decline and is being replaced by more complex financing that is structured accordingly prior to its actual placement. Interest in forward loans and long-term fixed-rate finance remains strong owing to the relatively low level of interest rates.

Banks' huge reluctance to lend since the third quarter of 2008 as a result of the financial crisis caused a significant amount of lending to shift to 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 that are still focusing on residential property, which substantially broadened Dr. Klein's customer base towards year-end in particular.

At the same time, the absence of many banking partners is causing a number of housing companies to consider optimising their loan and collateral portfolios. The EUROPACE WoWi portfolio management platform developed by Dr. Klein & Co. Consulting GmbH and Hypoport AG is increasingly being used for this purpose.

The sale of insurance services in the housing sector is highly fragmented. This means that the individual agents operating in this market are not very specialised, which prevents the best-possible advice from being provided and the optimum insurance from being purchased. Decision-makers at municipal and cooperative housing companies are becoming increasingly aware of the issue of ancillary costs being seen more as a form of 'second rent' and, consequently, as a unique selling point 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. Dr. Klein & Co. AG continued to position itself well in this market by offering the appropriate specialist advisory services in 2008.

B2B Financial Marketplaces – Financial Service Providers

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

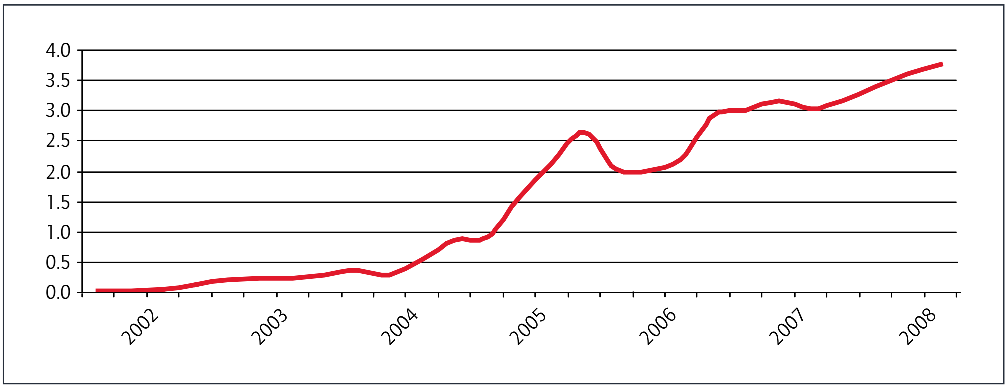
The success of this marketplace is therefore largely determined by the market in mortgages and personal loans as well as independent distributors' market share over time. Consequently, please refer to the comments made in the section Financial Product Sales – Private Clients for an account of the general 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 public-sector savings banks) 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, this creates valuable synergies for the partners 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 at the financial product distributors operating on EUROPACE. A number of new product suppliers were successfully acquired for this business in 2008.

EUROPACE currently occupies a prominent position in the mortgage market, which should ensure that it continues to achieve strong growth. The total volume of mortgage transactions (excluding cancellations) grew by 13.9 per cent year on year to €13.5 billion in 2008. This was an aggregate increase of 51.9 per cent over the past two years.

Personal loans generated particularly strong year-on-year growth. Business in these products exceeded €1 billion for the first time, increasing its volume of transactions (excluding cancellations) by a sensational 122 per cent to €1.1 billion.



Volume of transactions on EUROPACE (€ billion)

As a result of this trend, whose effect was similar to that of a network, the total volume of transactions (excluding cancellations) processed on EUROPACE grew by 18 per cent to €14.6 billion in 2008 (2007: €12.5 billion). This growth in the total volume of business is particularly impressive given the tough market conditions prevailing at the time.

B2B Financial Marketplaces – Institutional Clients

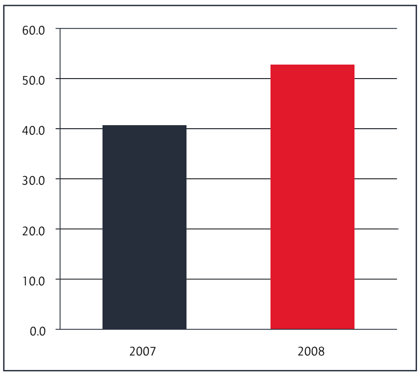
In 2008, events in the European securitisation market continued to be driven by the fallout from the financial crisis. It was effectively impossible to place securitisations with investors.

However, the heightened state of nervousness triggered by the financial crisis also curbed market participants' willingness to provide urgently needed investment in the securitisation market for information-related and technology projects. This is making it particularly difficult for new providers such as Hypoport to generate growth. Because we no longer believed there was sufficient likelihood of our being able to achieve the targets we had set ourselves for the EUROPACE for investors business that we were still in the process of building, we closed this product area.

In future, the Institutional Clients business unit will consist solely of the successful EUROPACE for issuers business. Amsterdam-based Hypoport B.V. 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

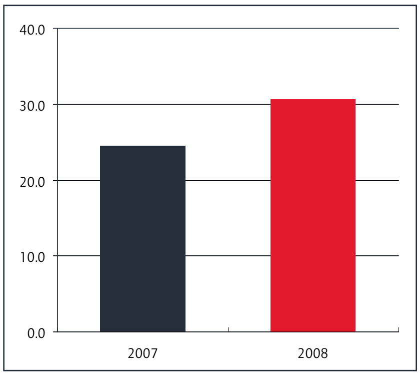
The Hypoport Group continued to demonstrate the strength of its growth in 2008. Its revenue jumped by 29 per cent from €40.7 million to €52.7 million.



Revenue Hypoport Group (€ million)

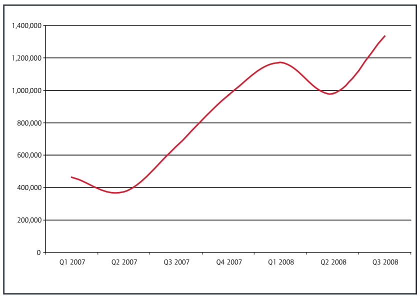
Private Clients business unit

Despite a generally stagnant market, a significant decrease in mortgage finance activity and, at times, adverse interest-rate trends, the Private Clients business unit – which specialises in the internet-based sale of financial products – raised its revenue by 25 per cent to €30.7 million (2007: €24.5 million).



Revenue Private Clients (€ million)

The number of leads acquired – the key performance indicator for this business – also hit a new record of roughly 4.7 million in 2008 (2007: 2.5 million). Most of this growth was attributable to the rising demand for other financial products.



Number of leads

Despite generally weaker demand for home loans, the mortgage finance product segment contributed to this encouraging trend by generating a consistent volume of business. However, the gross profit on these products fell sharply owing to the more competitive market. The average margin narrowed to 0.64 per cent as a result of the financial crisis.

Mortgage Finance	2008	2007
Number of loans brokered	8,926	10,129
Volumes of loans brokered (€ million)	1,583	1,572
Gross profit (€ million)	10.1	12.1
Marge (%)	0.64	0.77

The massive expansion of the Company's market presence in its other financial products generated significant growth stimulus. It raised its revenue here by an impressive 44 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.

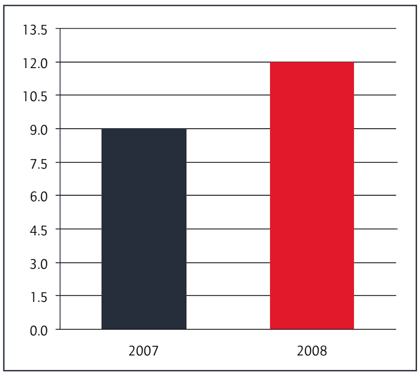
Other financial products	2008	2007
Number of loans brokered	10,088	7,614
Revenue (€ million)	16.7	12.4

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 2008. 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 2008	31 December 2007
Telephone sales staff	47	38
Advisers in branch-based sales	235	147
Branches run by franchisees	154	104
Independent financial advisers acting as agents	1,701	1,278

Financial Service Providers business unit

Financial Service Providers, the second-largest business unit, increased its revenue by 33 per cent from €9.0 million to €12.0 million in 2008. The key growth driver here was the mortgage finance product segment. The volume of transactions processed using EUROPACE in this product segment rose by 18 per cent year on year.



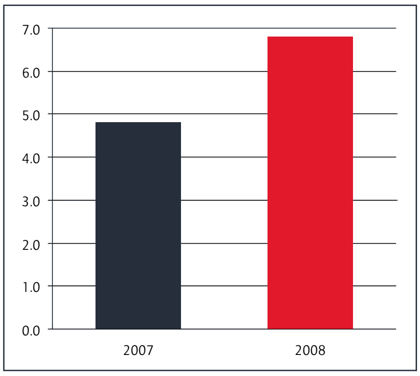
Revenue Financial Service Providers (€ million)

Europace	2008	2007
Volume of transactions (€ billion)	14.6	12.5
Revenue (€ million)	12.0	9.0

More than 160 participants attended the 12th EUROPACE Conference that was held in September. This provided proof positive of the growing importance of the EUROPACE marketplace in the financial services market.

Corporate Real Estate Clients business unit

The Corporate Real Estate Clients business unit continued to benefit from the expansion of its regional presence. Despite the financial crisis, the loan brokerage business increased the volume of new business it brokered by 38 per cent to a record €1.2 billion. As expected, the volume of loan renewals decreased because fewer loans from the portfolio managed by the Company were due to have their interest rates renegotiated during the period under review. The loan brokerage business generated total revenue of a record €5.7 million, which was a year-on-year increase of 83 per cent.



Revenue Corporate Real Estate Clients (€ million)

HYPOPORT
THE FINANCE INTEGRATOR

Corporate Real Estate Clients	2008	2007
Loan brokerage		
Volume of new business (€ million)	1,169	850
Volume of loan renewals (€ million)	456	461
Revenue (€ million)	5.7	3.1
Other financial products & advice		
Revenue (€ million)	1.1	1.7
Revenue (€ million)	6.8	4.8

Institutional Clients business unit
Now that the heavily loss-making EUROPACE for investors business has been closed, the Institutional Clients business unit will in future consist solely of the Amsterdam based EUROPACE for issuers business.

The total revenue generated by this business advanced from €2.1 million in 2007 to €2.3 million in 2008.

2. Financial performance

	2008 €'000	2007 €'000	Change €'000	%
Revenue	52,679	40,726	11,953	29.3
Selling expenses	-18,461	-8,813	-9,648	109.5
Gross profit	34,218	31,913	2,305	7.2
Own work capitalised	3,776	2,637	1,139	43.2
Other operating income	745	499	246	49.3
Personnel expenses	-20,223	-16,454	-3,769	22.9
Depreciation, amortisation expense and impairm	3,094	-2,578	-516	20.0
Other operating expenses	-10,453	-9,853	-600	6.1
Earnings before interest and tax (EBIT)	4,969	6,164	-1,195	-19.4
Net finance costs	-859	-741	-118	15.9
Earning before tax (EBT)	4,110	5,423	-1,313	-24.2
Current income taxes	-649	-723	74	-10.2
Deferred taxes	-375	1,739	-2,114	-121,6
Profit (loss) from continuing operations, net of tax	3,086	6,439	-3,353	-52.1
Profit (loss) from discontinued operations, net of tax	-3,367	-2,180	-1,187	54.4
Net profit (loss) for the year	-281	4,259	-4,540	-106,6

By raising its revenue by 29 per cent to €52.7 million and increasing its gross profit by 7 per cent to €34.2 million, the Hypoport Group continued its uninterrupted growth of previous years. As expected, the drive to win further market share in the Private Clients and Financial Service Providers business units – especially in the tough prevailing market conditions – has adversely affected the Company's financial performance. Consequently, the earnings generated by the Hypoport Group in the reporting year failed to keep pace with its revenue growth.

The rise in selling expenses also stemmed from a change in the method used to charge agency commissions for mortgage finance franchises and from the strong growth in revenue from the sale of insurance products through franchise partners and affiliated brokers.

Earnings before interest and tax (EBIT) from continuing operations fell by 19 per cent to €5.0 million. The EBIT margin (EBIT as a percentage of gross profit) fell accordingly from 19.3 per cent to 14.5 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 essentially comprises employee contributions of €256 thousand (2007: €215 thousand) to vehicle purchases.

Personnel expenses rose in line with the increase in the average headcount for the year from 368 employees to 460.

The rise in other operating expenses mainly relates to operating expenses of €3.391 million (2007: €2.630 million) and other personnel expenses of €629 thousand (2007: €442 thousand). By contrast, other selling expenses decreased to €2.678 million (2007: €2.843 million) and administrative expenses fell to €3.327 million (2007: €3.517 million).

The net finance costs include interest expenses of €983 thousand (2007: €823 thousand), which stemmed largely from loans totalling €19.8 million (2007: €12.8 million).

3. Net assets

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2008 is based on the balance sheet figures aggregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as 'current', while all others – unless shown separately – are reported as 'non-current'.

Assets	2008 €'000	2008 %	2007 €'000	2007 %	Change €'000	Change %
Intangible assets	23,945	42.1	23,319	48.4	626	2.7
Property, plant and equipment	2,035	3.6	1,553	3.2	482	31.0
Financial assets	1,395	2.4	522	1.1	873	167.2
Other assets	10	0.0	0	0.0	10	>999.9
Deferred tax assets	1,857	3.0	2,676	5.5	-819	-30.6
Non-current assets	29,242	51.3	28,070	58.2	1,172	4.2
Trade receivables	18,271	32.1	15,847	33.0	2,424	15.3
Other current items	1,722	3.0	1,019	2.1	703	69.0
Income tax assets	297	0.5	195	0.4	102	52.3
Cash and cash equivalents	7,458	13.1	3,100	6.4	4,358	140.6
Current assets	27,748	48.7	20,161	41.8	7,587	37.6
Total asset	56,990	100.0	48,231	100.0	8,759	18.2
Equity and Liabilities						
Subscribed capital	6,113	10.7	6,094	12.6	19	0.3
Reserves	16,597	29.1	16,836	34.9	-239	-1.4
	22,710	39.8	22,930	47.5	-220	-1.0
Minority interest	200	0.4	0	0.0	200	>999.9
Equity	22,910	40.2	22,930	47.5	-20	-0.1
Financial liabilities	19,939	35.0	12,059	25.0	7,880	65.3
Deferred tax liabilities	2,971	5.2	3,520	7.3	-549	-15.6
Provisions	42	0.1	0	0.0	42	>999.9
Non-current liabilities	22,952	40.3	15,579	32.2	7,373	47.3
Provisions	21	0.0	21	0.0	0	0.0
Financial liabilities	1,332	2.3	1,341	2.9	-9	-0.7
Trade payables	4,876	8.6	3,399	7.0	1,477	43.5
Income tax liabilities	207	0.4	319	0.7	-112	-35.1
Other current liabilities	4,692	8.3	4,642	9.6	50	1.1
Current liabilities	11,363	19.5	9,722	20.3	1,406	14.5
Total equity and liabilities	56,990	100.0	48,231	100.0	8,759	18.2

The Hypoport Group's consolidated total assets as at 31 December 2008 amounted to €57.0 million, an 18 per cent increase on the total as at 31 December 2007 (€48.2 million).

Non-current assets totalled €29.2 million (31 December 2007: €28.1 million). This amount included goodwill which, at an unchanged €14.8 million, remained the largest single item.

Financial assets essentially comprise a loan of €1.058 million (31 December 2007: €353 thousand) to a joint venture and loans totalling €171 thousand (31 December 2007: €169 thousand) to employees.

Current assets grew by €7.6 million, largely as a result of the €4.4 million expansion in cash and cash equivalents and the €2.4 million increase in trade receivables on the back of the revenue growth.

The equity attributable to Hypoport AG shareholders as at 31 December 2008 decreased by €0.2 million, or 1.4 per cent, to €22.7 million. The equity ratio came to 39.8 per cent (31 December 2007: 47.5 per cent), which is still extraordinarily high for a publicly traded company.

The €7.4 million increase in non-current liabilities to €23.0 million stemmed primarily from the €7.9 million expansion in financial liabilities. Deferred tax liabilities decreased by €0.5 million.

Current liabilities rose by €1.4 million to €11.1 million, largely owing to the €1.5 million increase in trade payables.

Total financial liabilities rose from €13.4 million to €21.3 million, primarily owing to new borrowing.

4. Financial position

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

	31.12.2008 €'000	31.12.2007 €'000	Change €'000
Current liabilities	11,128	9,722	1,406
Cash and cash equivalents	7,458	3,100	4,358
	3,670	6,622	-2,952
Other current assets	20,290	17,061	3,229
Surplus cover	16,620	10,439	6,181

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

	31.12.2008 €'000	31.12.2007 €'000	Change €'000
Non-current assets	29,242	28,070	1,172
Equity	22,910	22,930	-20
	6,332	5,140	1,192
Non current liabilities	22,952	15,579	7,373
Surplus cover	16,620	10,439	6,181

249 per cent (2007: 207 per cent) of the current liabilities of €11.128 million (2007: €9.722 million) are covered by current assets.

78 per cent (2007: 82 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.

	31.12.2008	31.12.2007
Return on investment = EBIT / (equity + non-current liabilities)	10.8 %	11.1 %
Cash Flow (CF) return on equity = CF from operating activities / equity	16.5 %	18.3 %
EBIT-Marge = EBIT / gross profit	14.5 %	19.3 %
Tier-1 liquidity = cash equivalents / current liabilities	67.0 %	31.9 %
Working capital = current assests - current liabilities	€16.6 m	€10.4 m
Equity ratio = equity / toatal equity and liabilities	40.2 %	47.5 %
Gearing = liabilities / total equity and liabilities	148.8 %	110.3 %
Tier-1 capital ratio = equity / non-current assets	83.7 %	90.3 %

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 Attachment IV 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 in 2008 decreased by 46 per cent to €4.1 million. This decline is largely attributable to the net loss reported for the year.

The net cash outflow of €6.4 million from investing activities (2007: €2.0 million) stemmed primarily from the €4.2 million increase in capital expenditure on non-current intangible assets.

The net cash inflow of €7.3 million from financing activities (2007: net cash outflow of €2.2 million) mainly resulted from borrowing of €12.9 million and loan repayments of €5.9 million.

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

Cash and cash equivalents as at 31 December 2008 totalled €7.5 million, which was €4.4 million higher 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 total other financial commitments of €9.297 million related to rentals and leases covering a number of years. Included in the other financial commitments are commitments of €2.204 million due within one year, €5.971 million due in one to five years and €1.122 million due in more than 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.

5. Capital expenditure and finance

Apart from the amounts spent on the development of the EUROPACE financial marketplaces, the most important capital expenditures in 2008 were the establishment of Starpool Finanz GmbH, Berlin, in collaboration with Deutsche Postbank AG, Bonn, and of GENOPACE GmbH, Berlin, in collaboration with several companies of the German cooperative financial services network.

The object of these two companies is the brokerage of loans on the EUROPACE platform. 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 both positive operating cash flow and borrowing.

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. In addition, Hypoport can, for example, offer advice on the renewal or refinancing of existing mortgage deals before the originally agreed fixed-interest period is due to expire, 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 consumer organisations, and the growing number of regional franchisees is raising its profile beyond the internet as well. Many new clients are increasing the brand's recognition by recommending Dr. Klein to others after having received good advice from the Company. This constitutes a significant unrecognised asset for Hypoport, because a trusted brand provides a valuable competitive advantage in the sale of financial products.

In its Institutional Clients business unit, Hypoport has long-term licensing and 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, we continued to significantly increase the amount of traffic on our website, thereby laying the necessary foundations for generating sustainable growth in our online distribution.

Having successfully stepped up our online sales operations, we prioritised the expansion of our telephone sales activities. This significantly increased our advisory capacities, which caused the proportion of clients we serve as part of our own sales activities to rise further. The growing range of products on offer is enabling our advisers to specialise more, thereby further improving the quality of the advice we provide to our clients.

We also redoubled our efforts to build our stationary distribution channel in 2008. We acquired 36 new franchisees for this distribution channel, which now operates as 'Freie Hypo – your local Dr. Klein property finance specialist'.

In 2008 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 had a considerable impact on the producer market. Banks, in particular, withdrew from the market at times or significantly raised their prices. We therefore stepped up our collaboration with insurance companies in 2008 to substantially minimise the risk of becoming reliant on individual producers. New transactions were closed with a total of 20 (2007: 17) lenders. The newly acquired partners helped to broaden Dr. Klein's product range further and increased the variety of products available to our clients. Furthermore, we have been offering a capital market finance product through 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 reliance on German banks' lending policies.

Our loan and collateral analysis advisory products and our EUROPACE WoWi software program are attracting growing demand. 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 strengthen our business relationships with existing partners and suppliers.

Two major strategic alliances – Starpool Finanz GmbH and GENOPACE GmbH – were launched in the second quarter of 2008.

Starpool Finanz GmbH is a strategic alliance with DSL Bank, the agent sales channel of Deutsche Postbank AG. The aim of this collaboration is to use Hypoport's service package to provide DSL's key distribution partners with third-party products. This form of open-ended offer by a product supplier to its distribution partners is unprecedented in the German market and has significant potential owing to the considerable reach that DSL Bank has with professional financial intermediaries.

GENOPACE GmbH is a joint venture with the credit cooperatives (Volksbanken) from Düsseldorf / Neuss and Münster. By working with these two initiators we have managed to transfer the concept of the EUROPACE marketplace to Germany's network of cooperative banks and, by using GENOPACE, to provide the ideal distribution solution for credit cooperatives based on our advanced technology. Advisers at the banks linked to GENOPACE now have access via a single platform to the full product range offered by the cooperative mortgage lenders WL Bank and Münchener Hypothekenbank as well as the insurance offering of R&V Versicherung. Supplemented by their own product ranges within GENOPACE, this arrangement significantly improves efficiency in the sale of mortgage finance compared with other processes to date.

In addition, we acquired further key partners in 2008, partly as a result of our service packages and our new 'Riester' savings product for potential homebuyers. The number of distribution organisations actively using the marketplace as at 31 December 2008 had increased substantially to 42 compared with 30 distributors as at 31 December 2007. 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 2008 this network effect continued to boost demand for access to this marketplace, thereby consolidating EUROPACE's prominent position in the market.

In February 2009 the EUROPACE strategy used by Hypoport Stater B.V. won the prestigious Banking Review Innovation Award 2008, an accolade given by Banking Review magazine for the most innovative new concept in the financial services sector.

In order to increase the platform's efficiency and the volume of transactions it processes, our subsidiaries continued to invest heavily in the expansion of the IT infrastructure in 2008. This created considerable spare capacity, which improved the platforms' performance.

B2B Financial Marketplaces – Institutional Clients

Now that the EUROPACE for investors product area has been closed, the Institutional Clients business unit consists solely of the profitable EUROPACE for issuers business. Our subsidiary Hypoport B.V. continues to be highly successful in offering our service for issuers. We significantly stepped up our marketing of this product outside the Netherlands.

8. Employees

The number of employees in the Hypoport Group rose continuously in line with revenue growth and stood at 489 people as at 31 December 2008. This was a year-on-year increase of 22 per cent (31 December 2007: 402 people). The average number of people employed in 2008 was 464, which was a year-on-year increase of 26 per cent (2007: 368 people).

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

	31.12.2008		31.12.2007		Change	
	Number	%	Number	%	Number	%
Financial Product Sales, Private Clients	180	37	175	44	5	3
Financial Product Sales, Corporate Real Estate Clients	26	5	26	6	0	0
B2B Financial Marketplaces, Financial Service Providers	82	17	33	8	49	148
B2B Financial Marketplaces, Institutional Clients	38	8	35	9	3	9
Information technology	120	25	96	24	24	25
Administration	43	9	37	9	6	16
	489		402		87	22

Staff turnover remained low during the year under review, which can be seen as an indication of the good relationship between the Company and its employees.

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.

Employees are given plenty of opportunities for continuing professional development.

9. Marketing

We again increased our marketing budget and selling expenses (excluding personnel expenses) in 2008. The cost of these activities for the Hypoport Group amounted to €21.1 million, or 40 per cent of revenue (2007: €11.7 million, or 29 per cent of revenue).

The objective of all our marketing activities is to add value for our clients and 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 measures accounted for a large proportion of these activities in 2008. 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 amount of the Management Board's remuneration 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 regularly reviewed, 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 director-ships 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 2008.

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 remu-neration 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 2008 totalled €615 thousand and was broken down as follows:

€'000	Fixed remuneration*		Variable remuneration		Other remuneration		Total remuneration	
	2008	2007	2008	2007	2008	2007	2008	2007
Prof. Dr. Thomas Kretschmar	166	156	0	0	3	3	169	159
Ronald Slabke	168	156	0	0	11	8	179	164
Marco Kisperth	166	156	0	0	2	3	168	159
Thilo Wiegand**	92	0	0	0	7	0	99	0
Total	592	468	0	0	23	14	615	482

*) 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 Super-visory Board receives double the amount of the fixed and variable remuneration, the vice-chairman one and a half times the amount.

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

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

The remuneration paid to the Supervisory Board for 2008 totalled €54 thousand and was broken down as follows:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
€'000	2008	2007	2008	2007	2008	2007	2008	2007
Dr. Ottheinz Jung-Senssfelder	20	18	3	5	1	2	24	25
Jochen Althoff	15	13	2	3	0	0	17	16
Christian Schröder	10	10	2	4	1	2	13	16
Total	45	41	7	12	2	4	54	57

11. Disclosures pursuant to section 315 (4) HGB

Composition of subscribed capital

The Company's subscribed capital amounted to €6,112,890.00 at the end of 2008. It is divided into 6,112,890 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 35.70 per cent of Hypoport's shares. Of these, 34.78 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 23.21 per cent of Hypoport's shares. Of these, 15.56 per cent of the voting shares in Kretschmar Familienstiftung, Berlin, and 7.64 per cent of r4i GmbH, Berlin, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

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

Shares with special rights conferring powers of control

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

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

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

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

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

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

Powers of the Management Board to issue and repurchase shares

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 16 May 2008 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 15 November 2009. The resolution adopted by the Annual Shareholders' Meeting of Hypoport AG on 1 June 2007 authorising the Management Board to purchase treasury shares was set aside when the resolution issuing this new authorisation came into effect. The Management Board may determine whether the shares are purchased through the stock market or by means of a public purchase offer or by means of a public invitation to submit such an offer.

The Annual Shareholders' Meeting on 26 August 2002 approved a conditional capital increase of up to €276,808.00 in the Company's subscribed capital. 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 €204,718.00 on 31 December 2008 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.

II. Risk report

It is not possible for medium-sized companies such as the Hypoport Group to in-fluence or control fundamental overarching risks. Consequently, we see risk management first and foremost as an entrepreneurial function that consists of taking calculated risks while exploiting the opportunities available. 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.

1. Integrated risk management system

Internal monitoring system

The central feature of our internal monitoring system is an appropriate, impermeable separation of functions. This is ensured by our organisational structures, job specifications, and processes, which are laid down in the Company's electronic manual and regularly reviewed for compliance. To supplement these regulations we are in the process of setting up a central Internal Audit function. Given the everincreasing size of the Company and the growing internal and external requirements, this represents an important step in the enhancement of our existing inter-nal control system.

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 protection regulations.

Financial planning and reporting

Strategic, operational and functional financial planning and reporting are conducted in all business units and are based on regular strategic reviews. This results in the systematic formulation of long-term and short-term business targets and objectives right down to each business unit and cost centre.

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

Early-warning systems

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

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 2008 and plans to do the same in 2009. These measures improved its competitive position last year.

The most important macroeconomic risk continues to be a slackening of demand for mortgage finance, because this product segment still accounts for a significant proportion of the Hypoport Group's activities. The main triggers for such a 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 a gloomy economic outlook, and the year-to-date trend in 2009 confirms this assumption.

If major product suppliers were to withdraw competitive terms and conditions or products from the Hypoport Group, terminate collaborative arrangements or reduce remuneration, or if one or more distribution partners were to restrict or end their relationship with Hypoport, this could result in a contraction in revenue. Given the large number and diversity of its product suppliers and distribution partners, the Hypoport Group's reliance on individual counterparties – and, consequently, the risk to which it is exposed – is strictly limited.

Because the internet is used intensively by financial product distributors to acquire new business and by financial marketplaces to communicate and execute transactions, the Hypoport Group is especially reliant on the fact that the internet continues to be available to and accepted by its clients and partners. Any impairment of its acceptance or technical availability could have serious consequences for the financial performance of several subsidiaries. However, recent studies suggest that the internet is becoming an increasingly accepted medium by private clients and in business transactions. Even the long-running debate about the security of the internet and the data it transmits has not curbed its growing use in recent years. The internet's growing importance for the entire economy and the high level of capital spending by the telecoms industry in the net's infrastructure mean that we are unlikely to see global technical impairments of the internet's availability.

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

If the revenue in one of our business units falls, the low probability of losses occurring elsewhere and the low anticipated level of such losses therefore mean that they are 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 actor than a target in this process. Given its current shareholder structure, a hostile takeover of the Company would be impossible. Nonetheless, its shareholder structure is constantly and carefully reviewed to detect any changes.

4. Operational risk

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

The Company therefore pursues a uniform, 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 critical infrastructure is outsourced to specialist service providers. Our internal IT systems are protected physically and systemically against unauthorised access.

The availability of existing and new expertise is particularly important in a growth company. The Hypoport Group regularly conducts HR planning to ensure that the necessary resources are available either inhouse or from external partners. In addition, it conducts regular staff development and performance appraisal reviews at all levels as a means of staff retention.

Timely and high-quality product development forms the backbone of any service-driven technology company. We have clearly defined development-related processes and responsibilities and introduced planning tools that help to ensure that development projects can be completed on schedule and on budget.

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

5. Financial risk

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

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 vast majority of the Hypoport Group's accounts receivable are owed by medium-sized and large financial service providers and employees. Suitable collateral security is pledged for long-term receivables.

The Group's interest-rate risk stems from non-current, interest-bearing liabilities. Floating-rate liabilities expose the Group to interest-related cash flow risks. Its financial risk policy requires that the vast majority of liabilities it assumes should be subject to fixed interest rates.

The Company's transparent financial reporting system and the healthy structure of its balance sheet also help to minimise its financial risks. These are supported by an early-warning system in the form of financial and revenue planning across all business units. This enables the Company to discuss its financial requirements with its lenders in a timely manner.

6. Strategic risk

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

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

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 preventive action can be taken at a sufficiently early stage.

III. Events after the balance sheet date

ABS Service GmbH (formerly Hypoport Capital Market AG) was sold on 5 March 2009 with economic effect from 1 January 2009 in connection with the decision taken in 2008 to sell the EUROPACE for investors business.

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.

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IV. Outlook

Over the past few weeks and months the global financial crisis has turned into an economic crisis that cuts across all sectors, impacting on every aspect of the German economy. The effects of this crisis can be felt in all industries. The EU Commission expects Germany and Europe to suffer a severe recession in 2009. German gross domestic product (GDP) is forecast to contract by 2.3 per cent. According to the Commission, eurozone GDP is set to fall by 1.9 per cent this year. The International Monetary Fund (IMF) reckons that the global economy will grow by only 0.5 per cent in 2009 and that, for the first time since the Second World War, the industrialised nations' combined economic output will decrease year on year: the IMF expects it to fall by 2.0 per cent in 2009. It is predicting that US GDP will contract by 1.6 per cent and that Japan's economic output will decline by 2.6 per cent this year. As a major exporting nation, Germany is being hit particularly hard by the contraction in world trade. Its exports will fall dramatically in the wake of the global recession. Capital spending on equipment will be slashed in the face of declining capacity utilisation, sharply deteriorating earnings prospects and the limited availability of finance. Consumer spending is likely to grow very little despite a rise in average real wages, and the savings ratio will remain high owing to the financial crisis and a severe lack of consumer confidence. Interest rates are therefore expected to remain low.

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 internet 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. The growing importance of real estate as a form of retirement pension and the increasing need for modernisation and renovation of a constantly ageing housing stock are compensating for the reduction in government housebuilding subsidies and 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. Given the further reductions in the level of income provided by state pensions, demand for such products is only likely to increase.

The effects of an ageing society on the state-run healthcare system are equally dramatic. At present there are few indications that politicians plan to radically reform this system. Eventually, however, there will be no alternative but for people to bear some of the cost of their own healthcare, 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 increasing signs that the fallout from the financial crisis is hitting national economies, we expect the Company's business to continue to perform well over the next two years, generating moderate revenue and earnings growth.

The Hypoport Group will continue to pursue a well-balanced strategy of organic growth and growth by acquisition in 2009, selectively acquiring companies that supplement and enhance its business model in strategically important places.

This management report contains statements that relate to the future development and performance of the Hypoport Group and its companies and to economic and political developments. These statements constitute assessments that we have made based on all the information available to us at the present time. If our underlying assumptions do not materialise or further risks occur, the actual results might differ from those currently forecast.

Berlin, 13 March 2009

Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar

Ronald Slabke

Marco Kisperth

Thilo Wiegand

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6 Consolidated financial statements

IFRS consolidated balance sheet as at 31 December 2008

Assets	31.12.2008 €'000	31.12.2007 €'000	Notes
Non-current assets			
Intangible assets	23,945	23,319	4.1
Property, plant and equipment	2,035	1,553	4.1
Financial assets	1,395	522	4.2
Other assets	10	0	4.4
Deferred tax assets	1,857	2,676	4.5
	29,242	28,070	
Current assets			
Trade receivables	18,271	15,847	4.3
Other assets	1,722	1,019	4.4
Current income tax assets	297	195	4.4
Cash and cash equivalents	7,458	3,100	4.6
	27,748	20,161	
	56,990	48,231	
Equity and liabilities			
Equity			
Subscribed capital	6,113	6,094	4.7
Reserves	16,597	16,836	4.10
	22,710	22,930	
Minority interest	200	0	4.11
	22,910	22,930	
Non-current liabilities			
Financial liabilities	19,939	12,059	4.12
Provisions	42	0	4.14
Deferred tax liabilities	2,971	3,520	4.5
	22,952	15,579	
Current liabilities			
Provisions	21	21	4.14
Financial liabilities	1,332	1,341	4.12
Trade payables	4,876	3,399	
Current income tax liabilities	207	319	
Other liabilities	4,692	4,642	4.13
	11,128	9,722	
	56,990	48,231	

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IFRS consolidated income statement

for the year ended 31 December 2008

	2008 €'000	2007 €'000	Notes
Revenue	52,679	40,726	3.1
Selling expenses	-18,461	-8,813	3.2
Gross profit	34,218	31,913	
Own work capitalised	3,776	2,637	3.3
Other operating income	745	499	3.4
Personnel expenses	-20,223	-16,454	3.5
Other operating expenses	-10,453	-9,853	3.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,063	8,742	
Depreciation, amortisation expense and impairment losses	-3,094	-2,578	3.6
Earnings before interest and tax (EBIT)	4,969	6,164	
Financial income	123	82	3.8
Finance costs	-982	-823	3.8
Earnings before tax (EBT)	4,110	5,423	
Income taxes and deferred taxes	-1,024	1.016	3.9
Profit (loss) from continuing operations, net of tax	3,086	6,439	
Profit (loss) from discontinued operations, net of tax	-3,367	-2,180	7.9
Net profit for the year	-281	4,259	
attributable to minority interest	0	0	
attributable to Hypoport AG shareholders	-281	4,259	
Basic earnings (loss) per share (€)	-0.05	0.69	3.10
from continuing operations	0.50	1.05	3.10
from discontinued operations	-0.55	-0.36	3.10
Diluted earnings (loss) per share (€)	-0.05	0.68	3.10
from continuing operations	0.50	1.03	3.10
from discontinued operations	-0.55	-0.35	3.10

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Consolidated statement of changes in equity for 2007 and 2008

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Minority interest	Equity
Equity as at 1 January 2007	6,288	1,350	11,182	18,820	–	18,820
Issue of new shares	53	107	–	160	–	160
Recall of treasury shares	-247	247	-309	-309	–	-309
Net profit (loss) for the year	–	–	4,259	4,259	–	4,259
Equity as at 31 December 2007	**6,094**	**1,704**	**15,132**	**22,930**	**–**	**22,930**

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Minority interest	Equity
Equity as at 1 January 2008	6,094	1,704	15,132	22,930	–	22,930
Issue of new shares	19	44	–	63	–	63
Cash receipts from minority interest	–	–	–	0	200	200
Change in basis of consolidation	–	–	-2	-2	–	-2
Net profit (loss) for the year	–	–	-281	-281	–	-281
Equity as at 31 December 2008	**6,113**	**1,748**	**14,849**	**22,710**	**200**	**22,910**

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IFRS consolidated financial statements for the year ended 31 December 2008

	2008 €'000	2007 €'000
Earnings before interest and tax (EBIT)	1,398	3,960
Non-cash income (+) / expense (-) from income tax	-585	1,522
Interest received (+)	122	88
Interest paid (-)	-982	-823
Income tax payments (-)	-421	-511
Income tax receipts (+)	26	23
Depreciation and amortisation expense im pairment losses (+) / reversals of impairm losses (-) on non-current assets	4,558	3,337
Gains (-) / losses (+) on the disposal of non-current assets	7	0
Cash flow	4,123	7,596
Increase (+) / decrease (-) in current provisions	0	3
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	-2,609	-6,116
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	1,965	2,722
Change in working capital	-644	-3,391
Cash flows from operating activities	3,479	4,205
from discontinued operations	343	690
Proceeds from the disposal of property, plant and equipment / intangible assets (+)	33	3,540
Payments to acquire property, plant and equipment / intangible assets (-)	-5,707	-4,720
Payments for acquire consolidated enterprises (-)	-2	-803
Proceeds from the disposal of financial assets (+)	58	464
Purchase of financial assets (-)	-765	-520
Cash flows from investing activities	-6,383	-2,039
from discontinued operatins	-386	-700
Proceeds from additions to equity (+)	63	159
Cash receipts from minority interest (+)	200	0
Payments to shareholders and minority interest (-)	0	-308
Proceeds from the issue of bonds and drawdown of loans under finance facilities (+)	12,900	5,500
Redemption of bonds and loans (-)	-5,901	-7,597
Cash flows from financing activities	7,262	-2,246
from discontinued operations	0	0
Net change in cash and cash equivalents	4,358	-80
Cash and cash equivalents at the beginning of the period	3,100	3,180
Cash and cash equivalents at the end of the period	7,458	3,100
from discontinued operations	40	85

Notes

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1. Basic principles underlying the consolidated financial statements
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 enterprise 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 2008 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 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 13 March 2009 and are expected to be submitted to the Supervisory Board on 20 March 2009 to be approved for publication.

The consolidated balance sheet has been 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 2008 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 International Financial Reporting Interpretations Committee published the following interpretations that were applicable in the current financial year:

- IFRIC 11 IFRS 2: Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 14 IAS 19: The limit on a defined-benefit asset, minimum funding requirements and their interaction.

The application of the new interpretations has not led to any changes to the Hypoport Group's accounting policies.

Furthermore, the IASB has published 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 1 Presentation of financial statements - capital disclosures (applicable from financial year beginning on or after 1 January 2009)
- IAS 23 Borrowing costs (1 January 2009)
- IAS 27 Consolidated and separate financial statements (1 July 2009)
- IAS 32 Financial instruments: presentation (1 January 2009)
- IAS 39 Financial instruments: recognication and measurement (1 July 2009)
- IFRS 1 First-time adoption of International Financial Reporting Standards (1 July 2009)
- IFRS 2 Share-based payment - vesting conditions and cancellations (1 January 2009)
- IFRS 3 Business combinations (1 july 2009)
- IFRS 7 Financial instruments: disclosures (1 January 2009 / 1 July 2009)
- IFRS 8 Operating segments (1 January 2009)
- IFRIC 13 Customer loyalty programmes (1 July 2009)

Hypoport is working on the assumption that the future application of these standards and interpretations will not have any effect on the financial position and financial performance of the Group.

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include 14 (2007: 14) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights.

Starpool Finanz GmbH, Berlin, and GENOPACE GmbH, Berlin, were consolidated for the first time in 2008.

Starpool Finanz GmbH, Berlin, was established in February 2008 in collaboration with Deutsche Postbank AG, Bonn. Its subscribed capital amounts to €200,100.00 and is fully paid-up. Hypoport AG owns a shareholding of €100,100.00.

GENOPACE GmbH, Berlin, was also established in February 2008. Its subscribed capital amounts to €200,100.00 and is fully paid-up.

Hypoport AG entered into a control and profit transfer agreement with GENOPACE GmbH on 12 February 2008, Hypoport AG being the controlling company in the agreement.

In April 2008, shares in GENOPACE GmbH amounting to €30,000.00 were sold to DSL Bank, Bonn; shares amounting to €20,000.00 were sold to each of Volksbank Düsseldorf Neuss eG, Düsseldorf, and to Volksbank Münster eG, Münster; and shares amounting to €10,000.00 were sold to each of Münchener Hypothekenbank eG, Munich, to R+V Lebensversicherung Aktiengesellschaft, Wiesbaden, and to WL Bank AG Westfälische Landschaft Bodenkreditbank, Münster. Hypoport AG therefore still holds 50.025 per cent of the shares in GENOPACE GmbH.

PFE GmbH, Lübeck, was sold for €1.00 under an agreement dated 23 December 2008 and was deconsolidated with effect from 31 December 2008. The assets sold amounted to €26 thousand and the liabilities sold came to €187 thousand. The parent company earned income of €161 thousand from this deconsolidation.

Furthermore, Prommise Technologies B.V., Amsterdam, was liquidated.

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

	Holding %
ABS Service GmbH, Berlin, Germany (formerly Hypoport Capital Market AG, Berlin)	100
Dr. Klein & Co. Aktiengesellschaft, Lübeck, Germany	100
Dr. Klein & Co. Consulting GmbH, Lübeck , Germany	100
Freie Hypo GmbH, Lübeck, Germany	100
GENOPACE GmbH, Berlin, Germany	50.025
Hypoport B.V., Amsterdam, Netherlands (formerly Hypoport Netherlands B.V.)	100
Hypoport Finance AG, Berlin, Germany (formerly Dr. Klein & Co. Capital AG, Berlin)	100
Hypoport Insurance Market GmbH, Berlin, Germany	100
Hypoport Mortgage Market Ltd., Westport, Ireland	100
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	100

With the exception of Hypoport Stater B.V. (joint venture, consolidation on a pro rata basis), all companies in the Group are fully consolidated.

The following assets, liabilities, income and expenses recognised for the subsidiary Hypoport Stater B.V., which is consolidated on a pro rata basis, have been included in the Hypoport Group:

€'000	2008	2007
Assets	1,953	952
non-current	1,722	743
Liabilities	2,397	965
non-current	2,290	705
Revenue	0	0
Personnel expenses	-272	-78
Other operating expenses	-207	-65
Income taxes and deferred taxes	130	40

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). The income of €51 thousand from financial transactions reported in the single-entity financial statements of Hypoport Finanz AG relates to book profits on the sale of current securities, which were reclassified as other operating income when the IFRS consolidated financial statements were prepared.

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 is 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.

2. Accounting policies

2.1 Comparative figures for 2006

Since 31 December 2008 there has been a change to the presentation of the income statement compared with the presentation in the consolidated financial statements for the year ended 31 December 2007. The income statement now includes a new item called 'gross profit', which comprises the Company's revenue minus another new item called 'selling expenses'. Selling expenses were previously reported as part of other operating expenses. Total selling expenses essentially consisted of commissions, lead costs, and advertising costs and travel expenses. With effect from 31 December 2008, commissions and lead costs have been reclassified as the new item 'selling expenses', while advertising costs and travel expenses continue to be reported as the other selling expenses included within other operating expenses. The comparative figures for 2007 have been restated accordingly. This reclassification has not affected either the net profit (loss) for the year or the earnings (loss) per share reported by the Hypoport Group.

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Owing to the closure of the EUROPACE for investors business and the related discontinuation of its Property Finance Europe publication, which are required by IFRS 5 to be presented as discontinued operations, Hypoport AG has restated the income statement it reported for 2007. For this purpose, the income and expense from these operations, which essentially relates to ABS Service GmbH (formerly Hypoport Capital Market AG) and PFE GmbH, has been reclassified as profit (loss) from discontinued operations, net of tax.

The table below shows the prior-year figures that have been restated to reflect the discontinuation of operations and the amended presentation of selling expenses.

Consolidated income statement €'000	2007 restated	2007 as reported	Change	Thereof: IFRS 5	Therof: Selling expenses
Revenue	40,726	41,714	-988	-988	0
Selling expenses	-8,813	0	-8.813	0	-8,813
Gross profit	31,913	41,714	-9,801	-988	-8,813
Own work capitalised	2,637	3,333	-696	-696	0
Other operating income	499	503	-4	-4	0
Cost of materials	0	-73	73	73	0
Personnel expenses	-16,454	-17,466	1,012	1,012	0
Other operating expenses	-9,853	-20,714	10,861	2,048	8,813
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,742	7,297	1,445	1,445	0
Depreciation, amortisation expense and impairment losses	-2,578	-3,337	759	759	0
Earnings before interest and tax (EBIT)	6,164	3,960	2,204	2,204	0
Financial income	82	88	-6	-6	0
Finance costs	-823	-823	0	0	0
Earnings before tax (EBT)	5,423	3,225	2,198	2,198	0
Income taxes and deferred taxes	1,016	1,034	-18	-18	0
Profit (loss) from continuing operations, net of tax	6,439	4,259	2,180	2,180	0
Profit (loss) from discontinued operations, net of tax	-2,180	0	-2,180	-2,180	0
Net profit (loss) for the year (total)	4,259	4,259	0	0	0
Earnings (loss) per share from continuing operations (€) (basic)	1.05	0.69	0.36	0.36	0.00
Earnings (loss) per share from continuing operations (€) (diluted)	1.03	0.68	0.35	0.35	0.00
Earnings (loss) per share from discontinued operations (€) (basic)	-0.36	0.00	-0.36	-0.36	0.00
Earnings (loss) per share from discontinued operations (€) (diluted)	-0.35	0.00	-0.35	-0.35	0.00

Furthermore, the method used to charge agency commissions for mortgage finance franchises was amended with effect from 1 January 2008. This increased the revenue and agency commissions reported by €4.169 million each. This recognition method has not affected either the net profit (loss) for the year or the earnings (loss) per share reported by the Hypoport Group.

2.2 Intangible assets

Goodwill arising on the consolidation of subsidiaries, capitalised development costs in connection with the development 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 not 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

Interest on borrowings is expensed as incurred.

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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. Financial instruments 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 in income at their fair value. 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 recognised in income at fair value

Financial assets recognised in income at fair value 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. This category includes equity instruments and debt instruments such as government bonds.

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 in income at their fair value 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 over 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 recognised in income at fair value

Financial liabilities recognised in income at fair value 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 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 original estimates (and any changes to these 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 are 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 in 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:

	2008 € million	2007 € million
Financial Product Sales – Corporate Real Estate Clients	6.8	4.8
Financial Product Sales – Private Clients	30.7	24.5
B2B Financial Marketplaces – Financial Service Providers	12.0	9.0
B2B Financial Marketplaces – Institutional Clients	2.3	2.1
Other	0.9	0.3
	52.7	40.7

3.2 Selling expenses

The table below gives a breakdown of selling expenses.

	2008 €'000	2007 €'000
Commissions	10,802	3,639
Lead costs	7,659	5,174
	18,461	8,813

3.3 Own work capitalised

Own work capitalised of €3.776 million (2007: €2.637 million) comprises work on the development and enhancement of internally produced financial marketplaces. In 2008, development costs of €2.776 million (2007: €1.478 million) were expensed as incurred.

3.4 Other operating income

Other operating income mainly comprises employee contributions of €256 thousand (2007: €215 thousand) to vehicle purchases

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3.5 Personnel expenses

Personnel expenses are broken down as follows:

	2008 €'000	2007 €'000
Wages and salaries	17,301	14,122
Social security contributions	2,803	2,213
Post-employment and other employee benefits	119	119
	20,223	16,454

The cost of defined-contribution pension plans amounted to €1.460 million (2007: €1.124 million).

3.6 Depreciation, amortisation expense and impairment losses

Of the depreciation / amortisation expense and impairment losses, €2.296 million (2007: €1.751 million) was attributable to intangible assets, and €798 million (2007: €827 thousand) to property, plant and equipment

3.7 Other operating expenses

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

	2008 €'000	2007 €'000
Operating expenses	3,391	2,630
Selling expenses	2,678	2,843
Administrative expenses	3,327	3,517
Other personnel expenses	629	442
Other expenses	428	421
	10,453	9,853

The operating expenses consist mainly of vehicle-related costs of €1.170 million (2007: €952 thousand) and building rentals of €971 thousand (2007: €863 thousand). The selling expenses primarily relate to advertising costs and travel expenses of €2.424 million (2007: €2.341 million). The administrative expenses largely comprise IT-related costs of €1.111 million (2007: €596 thousand) and legal and consultancy expenses of €727 thousand (2007: €1.187 million). The additional personnel expenses mainly comprise training costs of €406 thousand (2007: €328 thousand).

3.8 Net finance costs

The breakdown of net finance costs is as follows:

	2008 €'000	2007 €'000
Financial income		
Other interest and similar income	114	57
Income from other securities and lending of financial assets	9	25
	123	82
Finance costs		
Interest expense and similar charges	982	823
	-859	-741

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:

	2008 €'000	2007 €'000
Income taxes attributable to continuing operations	1,024	-1,016
current income taxes	649	723
deferred taxes	375	-1,739
in respect of timing differences	143	-1,549
in respect of tax loss carryforwards	232	-195
Income taxes attributable to discontinued operations	-44	-18
current income taxes	0	0
deferred taxes	-44	-18
in respect of timing differences	-324	-18
in respect of tax loss carryforwards	280	0
	980	-1,034

Taxes are determined on the basis of the relevant tax legislation for the individual companies.

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The total losses carried forward for corporation tax and trade tax purposes at the balance sheet date amounted to €6.012 million (2007: €7.319 million) and €4.422 million (2007: €6.864 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 €1.632 million (2007: €2.146 million) have been recognised for loss carryforwards and timing differences despite the losses reported for 2008 and 2007 because it is assumed that all the companies concerned will generate taxable profits in future.

The table below reconciles the tax expense anticipated for 2007 and 2008 to the tax expense actually reported for those years.

	2008 €'000	2007 €'000
Profit (loss) from continuing operations before tax	4,110	5,423
Profit (loss) from discontinued operations before tax	-3,572	-2,198
	538	3,225
Tax rate to be applied	30.0 %	30.0 %
Expected tax expense	-161	-968
Difference between financial statements and tax accounts	-355	173
Effect of non-deductible expenses	-32	-23
Restatement of loss carryforwards in line with tax assessment notices	-14	0
Effect of companies from discontinued operations	-324	0
Tax expense on pro rata taxation of income pursuant to section 8 b KStG	-65	-50
Tax expense on trade tax added back	-131	-55
Tax expense for previous years	-29	0
Tax differences in respect of foreign income	561	916
Adjustment of deferred tax liabilities at non-German companies	-387	490
Effect of tax rate adjustment resulting from 2008 tax reform	0	558
Restatement of deferred taxes for 2007	-43	0
Other	0	-7
Current tax income	-980	1,034
Tax rate for the Group	23.8 %	-32.1 %

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 diluted 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 2008:

	2008	2007
Net profit (loss) for the year (€'000)	-281	4,259
from continuing operations	3,086	6,439
from discontinued operations	-3,367	-2,180
Basic weighted number of outstanding shares ('000)	6,105	6,150
Basic earnings (loss) per share (€)	-0.05	0.69
from continuing operations	0.50	1.05
from discontinued operations	-0.55	-0.36
Weighted number of share options ('000) causing a dilutive effect	99	156
Diluted weighted number of outstanding shares ('000)	6,165	6,276
Dilutes earnings per share (€)	-0.05	0.68
from continuing operations	0.50	1.03
from discontinued operations	-0.55	-0.35

The weighted number of outstanding shares is calculated on the basis of a daily balance. The options granted had an average dilutive effect of 60 thousand shares in 2008 (2007: 126 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 2008 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 2008	3,684	7,653	230	3,259	14,826
Additions	0	0	0	0	0
Cost of acquisitions as at 31 December 2008	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 11.0 per cent (2007: 10.2 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 financial assets:

	2008 €'000	2007 €'000
Loans to employees	171	169
Loan to joint venture	1,058	353
Loans to third parties	166	0
	1,395	522

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

	2008 €'000	2007 €'000
Trade receivables from		
third parties	18,271	15,625
joint ventures	0	222
	18,271	15,847

The fair values of trade receivables equate to the carrying amounts.

The table below shows impairment losses on receivables.

	2008 €'000	2007 €'000
Balance as at 1 January	47	7
Addition to impairment of receivables	105	41
Irrecoverable receivables written off in 2008	18	1
Balance as at 31 December	134	47

Impairment charges of €85 thousand (2007: €175 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.

	2008 €'000	2007 €'000
1 to 90 days	696	414
90 to 180 days	69	274
180 to 360 days	24	280
More than 360 days	39	93
Total	828	1,061

4.4 Current income tax assets and other assets

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

	2008 €'000	2007 €'000
Financial assets		
Overpayments to suppliers	43	110
Receivables from employees	1	101
Advances	56	0
	100	211
Non-financial assets		
Advances payment of commissions	1,278	412
Prepaid expenses	188	154
Current income tax assets	297	195
VAT credits	16	144
Other	150	98
	1,929	1,003
	1,929	1,003

The following asset amounts are only recoverable after one year:

	2008 €'000	2007 €'000
Rent deposits	10	0
	10	0

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

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	2008 €'000	2007 €'000
In respect of tax loss carryforwards	1,699	154
Intangible assets	98	174
Rental and lease obligations	60	70
	1,857	398

Deferred tax liabilities	2008 €'000	2007 €'000
Intangible assets	1,217	1,937
Property, plant and equipment	40	59
Receivables / liabilities	1,714	1,524
	2,971	3,520

4.6 Cash and cash equivalents

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

	2008 €'000	2007 €'000
Cash at banks	7,456	3,094
Cash on hand	2	6
	7,458	3,100

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 2008	6,093,510.00
Increase due to exercise of share options	19,380.00
Balance as at 31 December 2008	6,112,890.00

The Company's subscribed capital amounts to €6,112,890.00 (31 December 2007: €6,093,510.00) and is divided into 6,112,890 (31 December 2007: 6,093,510) registered no-par-value shares.

The Annual Shareholders' Meeting held on 16 May 2008 voted to carry forward Hypoport AG's distributable profit of €3,989,629.87 to the next accounting period.

4.8 Authorised capital

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

4.9 Conditional capital

The Annual Shareholders' Meeting on 26 August 2002 approved a conditional capital increase of up to €276,808.00 in the Company's subscribed capital. 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 still amounted to €204,718.00 on 31 December 2008 (31 December 2007: €224,098.00) 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 (page 53).

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 in 2006 and 2007 (€1.002 million), 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 (2007: €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:

	2008 €'000	2007 €'000
Non-current		
Liabilities to banks		
Loans	18,540	11,505
Other liabilities		
Loans to joint ventures	1,232	353
Rental and lease obligations	167	201
	19,939	12,059
Current		
Liabilities to banks		
Loans	1,299	1,307
Overdrafts	0	1
Other liabilities		
Rental and lease obligations	33	33
	1,332	1,341
	21,271	13,400

1,194,492 no-par-value bearer shares in Dr. Klein & Co. AG have been pledged as collateral to lenders.

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 vary between 4.3 per cent and 6.5 per cent (2007: between 4.8 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.

	2008 €'000	2007 €'000
Credit line	4,500	3,500
Amount utilised	0	1
Credit line available	4,500	3,499

The average interest rate on credit lines utilised was 8.25 per cent (2007: 8.0 per cent).

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

	2008 €'000	2007 €'000
6 months or less	682	650
6 to 12 months	617	657
1 to 5 years	19,022	9,940
More than 5 years	750	1,918
	21,071	13,166

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

	2008 €'000	2007 €'000
Between 1 and 2 years	1,539	1,349
Between 2 and 5 Jahren	17,616	8,725
More than 5 years	784	1,985
	19,939	12,059

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

	Carrying amount		Fair value	
	2008	2007	2008	2007
Liabilities to banks	18,540	11,505	19,624	11,619
Loans from joint ventures	1,232	353	1,232	353
Rental and lease obligations	167	201	167	201
	19,939	12,059	21,023	12,173

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:

	2008 €'000	2007 €'000
Tax liabilities		
Value-added tax	329	151
Wage tax and church tax	300	220
	629	371
Personnel		
Financial assets		
Bonuses	1,555	1,406
Outstanding holiday entitlements	304	368
Severance payments	39	0
Wages and salaries	5	16
Non-financial assets		
Pre-retirement part-time employment	0	15
Employers' liability insurance association	60	86
Disabled persons levy	43	40
Social security contributions	12	38
	2,018	1,969
Other		
Fiancial assets		
Year-end costs	101	113
Commissions to be passed on	1,051	1,176
Non-financial assets		
Outstanding invoices	436	658
Deferred income	270	125
Sundry	187	230
	2,045	2,302
	4,692	4,642

4.14 Provisions

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

€'000	1 Jan 2008	Utilisation	Reversals	Additions	31 Dec 2008
Non-current provisions	0	0	0	42	42
	0	0	0	42	42
Current provisions					
Cancellations	21	21	0	21	21
Follow-up costs	0	0	0	0	0
	21	21	0	21	21

The provision for cancellations relates 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.

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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. Indebtedness and the corresponding interest expense 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.

There is no subdivision of the primary segments into secondary segments (geographical segments) because less than 10 per cent of the Hypoport Group's revenue, capital expenditure and total assets are generated or located outside Germany.

The segment breakdown of business performance in 2008 is as follows:

2008 (€'000)	Corporate Real Estate Clients	Private Clients	Financial Service Providers	Institutional Clients	Reconciliation	Group
Segment revenue in respect of third parties	6,812	30,697	11,990	2,295	885	52,679
2007	4,797	24,499	8,977	2,090	363	40,726
Segment revenue in respect of other segments	70	881	358	0	-1,309	0
2007	14	1	436	46	-497	0
Total segment revenue	6,882	31,578	12,348	2,295	-424	52,679
2007	4,811	24,500	9,413	2,136	-134	40,726
Segment earnings (EBIT)	2,875	1,936	1,875	-3,011	-2,278	1,398
2007	834	4,379	5,521	-1,412	-5,362	3,960
from continuing operations	2,875	1,936	1,875	437	-2,155	4,969
2007	834	4,379	5,521	510	-5,080	6,164
from discontinued operations	0	0	0	-3,448	-123	-3,571
2007	0	0	0	-1,922	-282	-2,204
Segment assets	10,831	15,623	22,006	4,624	3,906	56,990
2007	8,266	15,970	11,957	1,368	10,670	48,231
Segment liabilities	841	3,097	6,540	366	23,236	34,080
2007	231	1,888	2,428	200	20,554	25,301
Segment capital expenditure	360	407	4,752	57	101	5,707
2007	115	98	2,567	0	1,244	4,024
Segment depreciation / amortisation expense, impairment losses	144	218	2,040	181	511	3,094
2007	48	52	1,402	0	1,076	2,578
Significant non-cash expenses	591	1,702	3,444	15	9	5,761
2007	221	1,190	421	84	2,026	3,942

7. Other Disclosers

7.1 Other financial commitments

At the balance sheet date there were total other financial commitments of €9.297 million related to rentals, leases and maintenance agreements covering a number of years. Included in the other financial commitments are commitments of €2.204 million due within one year, €5.971 million due in one to five years and €1.122 million due in more than five years. The cost of rentals and leases (minimum leases) amounted to €1.956 million in 2008 (2007: €1.960 million).

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 2008 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. Martin Damaske was dismissed from the GEC on 22 February 2008 and Klaus Kannen was removed from this body on 6 June 2008) and their close family members.

The total remuneration paid to the members of the Group Executive Committee (GEC) in 2008 was €1.141 million; total remuneration for members of the Supervisory Board was €54 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 balance of shares and options granted by the parent under the share option programme as at 31 December 2008.

	Number of shares 31.12.2008	Number of shares 31.12.2007	Number of options 31.12.2008	Number of options 31.12.2007
Group Executive Committee				
Prof. Dr. Thomas Kretschmar	1,418,624	1,383,353	0	0
Ronald Slabke	2,182,000	2,177,608	32,000	32,000
Marco Kisperth	93,926	108,212	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

Ronald Slabke, Lübeck, holds 35.70 per cent of Hypoport's shares. Of these, 34.78 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 23.21 per cent of Hypoport's shares. Of these, 15.56 per cent of the voting shares in Kretschmar Familienstiftung, Berlin, and 7.64 per cent of r4i GmbH, Berlin, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). Thomas Kretschmar, Co-CEO of Hypoport AG, is a member of the board of Kretschmar Familienstiftung. All the shares in r4i GmbH are held by Thomas Kretschmar, Co-CEO of Hypoport AG.

Stephan Gawarecki, Dätgen, holds 3.07 per cent of Hypoport's shares. Of these, 3.07 per cent of the voting shares in Gawarecki GmbH, Preetz, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (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.

7.3 Management Board

Thilo Wiegand was appointed as a further member of the Management Board of Hypoport AG with effect from 1 June 2008. He will be responsible for the Financial Service Providers business unit.

The members of the Management Board as at 31 December 2008 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.

The total remuneration paid to the members of the Management Board in 2008 amounted to €615 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 2008:

- Ottheinz Jung-Senssfelder (chairman of the Supervisory Board), attorney, Fürth; directorships at other companies: chairman of the supervisory board at mwb 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 2008 amounted to €54 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 9.82 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 programme as at 31 December 2008:

	Plan 2002 - 2004
In issue as at 1 January 2008	110,658
Granted	0
Exercised	19,380
Expired	6,530
In issue as at 31 December 2008	84,748

The weighted average share price for the options exercised in the period under review was €3.25. 84,748 of the outstanding options could have been exercised by 31 December 2008. The exercise period for all options comes to an end between 31 December 2009 and 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.

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7.7 Auditors' fees and services

The fees of €69 thousand incurred for services rendered by the auditors BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in 2008 related exclusively to audits of financial statements.

The audit fees include the fees for auditing the consolidated financial statements as well as the single-entity financial statements of Hypoport AG, Dr. Klein & Co. Aktiengesellschaft and Hypoport Finance AG.

7.8 Average number of persons employed during the financial year

In 2008 the Company employed an average of 460 (2007: 368) 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 2008		31 Dec 2007		Change	
	Number	%	Number	%	Number	%
Financial Product Sales – Private Clients	180	37	175	44	5	3
Financial Product Sales – Corporate Real Estate Clients	26	5	26	6	0	0
B2B Financial Marketplaces – Financial Service Providers	82	17	33	8	49	148
B2B Financial Marketplaces – Institutional Clients	38	8	35	9	3	9
Information technology	120	25	96	24	24	25
Administration	43	9	37	9	6	16
	489		402		87	22

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 six people (2007: five) were employed at such companies.

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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 Service GmbH (formerly Hypoport Capital Market AG) 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	2008			2007		
	Institutional Clients	Reconciliation	Group	Institutional Clients	reconciliation	Group
Revenue	583	496	1,079	566	422	988
Selling expenses	0	0	0	0	0	0
Gross profit	583	496	1,079	566	422	988
Own work capitalised	383	0	383	696	0	696
Other operating income	28	25	53	0	4	4
Cost of materials	0	-25	-25	0	-73	-73
Personnel expenses	-1,480	-20	-1,500	-969	-43	-1,012
Other operating expenses	-1,499	-598	-2,097	-1,458	-590	-2,048
Earnings before interest, tax, depreciation and amortisation (EBITDA)	-1,985	-122	-2,107	-1,165	-280	-1,445
Depreciation, amortisation expense and impairment losses	-1,462	-2	-1,464	-757	-2	-759
thereof extraordinary on development work	-1,241	0	-1,241	0	0	0
Earnings before interest and tax (EBIT)	-3,447	-124	-3,571	-1,922	-282	-2,204
Financial income	0	0	0	3	3	6
Finance costs	0	-1	-1	0	0	0
Earnings before tax (EBT)	-3,447	-125	-3,572	-1,919	-279	-2,198
Income taxes and deferred taxes	201	-157	44	0	18	18
Profit (loss) on deconsolidation	0	161	161	0	0	0
Profit (loss) from discontinued operations, net of tax	-3,246	-121	-3,367	-1,919	-261	-2,180
Earnings (loss) per share from discontinued operations (€) (basic)			-0,55			-0,36
Earnings (loss) per share from discontinued operations (€) (diluted)			-0,55			-0,35

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 2008, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2007: €3 thousand) higher or lower. This would have been primarily attributable to currency translation gains or losses on dollar-denominated trade receivables.

If the exchange rate of the euro to the pound sterling had been 10 per cent higher or lower on 31 December 2008, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2007: €3 thousand) higher or lower. This would have been primarily attributable to currency translation gains or losses on sterling-denominated trade receivables.

The main credit risk for the Hypoport Group lies in its trade receivables. In 2008 it recognised impairment losses of €85 thousand (2007: €175 thousand) to cover the probability of irrecoverable receivables. Such receivables are estimated by the management of the Hypoport Group on the basis of past experience and current economic conditions.

The credit risk in cash and cash equivalents is limited because these are all held by banks within the limits covered by deposit insurance.

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

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

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

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

	Maturities					
€'000	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Floating-rate financial liabilities	0	0	0	0	0	0
2007	0	216	635	3,071	2,106	6,027
Fixed-rate financial liabilities	305	270	1,712	20,414	762	23,463
2007	19	293	864	8,731	0	9,905
Rental and lease obligations	3	8	25	134	30	200
2007	3	8	25	134	64	234
2008	308	278	1,737	20,548	792	23,663
2007	22	516	1,523	11,936	2,170	16,166

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.

If interest rates had been 10 basis points higher or lower on 31 December 2008, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €21 thousand (2007: €13 thousand) lower or higher. This would have been primarily attributable to higher or lower interest expense and similar charges on floating-rate financial liabilities.

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'.

	Measured at amortised cost		Measured at fair value	Non-financial assets / liabilities	
€'000	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	carrying amount on the balance sheet at 31 Dec 2008
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	21,272	–	–	–	21,272
Measured at amortised cost	21,272	22,356	–	–	21,272
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	29,639	–	–	–	29,639
Thereof: measured at amortised cost	29,639	–	–	–	29,639

€'000	Measured at amortised cost: Carrying amount	Measured at amortised cost: Pro forma: fair value	Measured at fair value: Carrying amount	Non-financial assets / liabilities: Carrying amount	carrying amount on the balance sheet at 31 Dec 2007
Trade receivables	15,847	–	–	–	15,847
Loans and receivables	15,847	15,847	–	–	15,847
Financial assets	522	–	–	–	522
Loans and receivables	522	522	–	–	522
Other assets	211	–	–	808	1,019
Loans and receivables	211	211	–	–	211
Non-financial assets	–	–	–	808	808
Cash and cash equivalents	3,100	–	–	–	3,100
Loans and receivables	3,100	3,100	–	–	3,100
Total financial assets	19,680	–	–	–	19,680
Thereof: loans and receivables	19,680	–	–	–	19,680
Financial liabilities	13,400	–	–	–	13,400
Measured at amortised cost	13,400	13,515	–	–	13,400
Trade payables	3,399	–	–	–	3,399
Measured at amortised cost	3,399	–	–	–	3,399
Other liabilities	3,737	–	–	905	4,642
Measured at amortised cost	3,737	–	–	–	3,737
Non-financial liabilities	–	–	–	905	905
Total financial liabilities	20,536	–	–	–	20,536
Thereof: measured at amortised cost	20,536	–	–	–	20,536

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

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

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

€'000	Loans and receivables	Held-to-maturity investments	Fair value / held for trading	Liabilities measured at amortised cost	2008
Interest and similar income	114	–	–	–	114
Interest expense and similar charges	–	–	–	-983	-983
Gains / losses on disposals	–	–	23	–	23
Impairment losses	-208	–	–	–	-208
Net result	-94	0	23	-983	-1,054

€'000	Loans and receivables	Held-to-maturity investments	Fair value / held for trading	Liabilities measured at amortised cost	2007
Interest and similar income	86	–	–	–	86
Interest expense and similar charges	–	–	–	-807	-807
Gains / losses on disposals	–	–	51	–	51
Translation adjustments	-9	–	–	–	-9
Impairment losses	-217	–	–	–	-217
Net result	-140	0	51	-807	-896

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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 KWG.

In order to maintain or alter its capital structure, Hypoport returns capital to its shareholders, issues new shares or sells assets to repay its liabilities.

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 2008 and 31 December 2007.

	2008 €'000	2007 €'000
Financial liabilities	21,271	13,400
Minus cash and cash equivalents	7,458	3,100
Net debt	13,813	10,300
Equity	22,910	22,930
Gearing	60 %	45 %

7.13 Declaration of compliance with the German Corporate Governance Code

Hypoport AG has issued and made available to its shareholders the declaration of compliance required by section 161 of the German Stock Corporation Act (AktG).

This declaration can be viewed on the Company's website at www.hypoport.com.

7.14 Events after the balance sheet date

ABS Service GmbH (formerly Hypoport Capital Market AG) was sold on 5 March 2009 with economic effect from 1 January 2009. This completes the closure of the loss-making EUROPACE for investors business that was originally announced in October of last year.

Berlin, 13 March 2009
Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar   Ronald Slabke

Marco Kisperth   Thilo Wiegand

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

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 management report gives a fair presentation of the Hypoport Group's business, profits and position and that the material opportunities and risks of its expected development are described."

Berlin, 13 March 2009
Hypoport AG - The Management Board

Prof. Dr. Thomas Kretschmar

Ronald Slabke

Marco Kisperth

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.

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 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Beecker
(German Public Auditor)

Herbers
(German Public Auditor)

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9 Single-entity financial statements of Hypoport AG (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 2008

	2008 €'000	2007 €'000
Revenue	11,592	6,351
Other operating income	2,062	1,950
Personnel expenses	-9,550	-7,179
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-68	-221
Other operating expenses	-5,474	-3,609
Income from long-term equity investments	1,443	1,174
Income from profit transfer agreements	5,855	5,092
Income from other securities and lending of financial assets	26	18
Other interest and similar income	246	290
Expense in respect of loss transfers	-181	0
Interest expense and similar charges	-710	-851
Profit (loss) from ordinary activities	5,241	3,015
Extraordinary expenses	-1,984	-1,107
Income taxes	-59	0
Other taxes	-4	0
Net profit (loss) for the year	3,194	1,908
Profit brought forward	3,989	2,391
Expense in respect of the recall of shares	0	-309
Income from capital reduction	0	247
Addition to capital reserves pursuant to section 237 (5) AktG	0	-247
Distributable profit	7,183	3,990

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Balance sheet as at 31 December 2008

	31.12.2008 €'000	31 Dec 2007 €'000
Assets		
Fixed assets		
Intangible assets	13	24
Property, plant and equipment	200	175
Financial assets	23,124	21,678
	23,337	21,877
Current assets		
Trade receivables	2.011	463
Receivables from affiliated companies	10,685	6,854
Receivables from other long-term investees and investors	136	444
Other assets	363	367
Cash and cash equivalents	2,360	63
	15,555	8,191
Prepaid expenses	15	24
	38,907	30,092
Equity and liabilities		
Equity		
Subscribed capital	6,113	6,093
Capital reserves	1,748	1,704
Retained earnings	6,525	6,525
Distributable profit	7,183	3,990
	21,569	18,312
Provisions	1,332	1,163
Liabilities		
Liabilities to banks	13,967	9,868
Trade payables	240	341
Liabilities to affiliated companies	1,460	195
Other liabilities	338	213
	16,005	10,617
Deferred income	1	0
	38,907	30,092

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