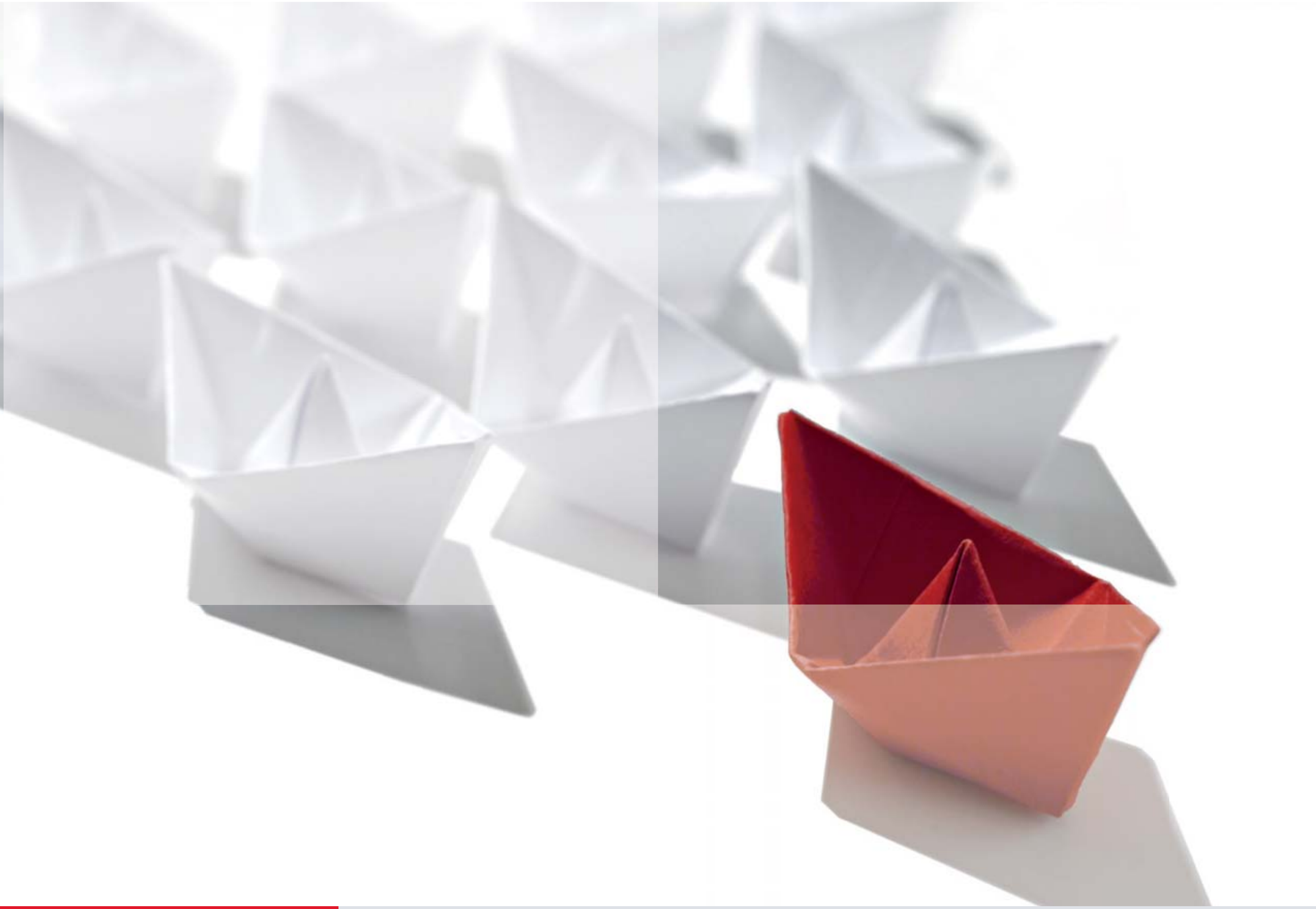
HYPOPORT
THE FINANCE INTEGRATOR



Hypoport AG
annual report for 2012

HYPOPORT
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Key performance indicators

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011*	Change
Financial performance (€'000)			
Continuing operations			
Revenue	87,753	84,360	4 %
Gross profit	44,719	44,457	0 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,131	11,473	-29 %
Earnings before interest and tax (EBIT)	3,197	6,752	-53 %
EBIT margin (EBIT as a percentage of gross profit)	7.1	15.2	-53 %
Earnings per share (€)	0.32	0.72	-56 %
Hypoport Group			
Net profit (loss) for the year	-815	3,749	-122 %
attributable to Hypoport AG shareholders	-825	3,717	-122 %
Earnings per share (€)	-0.13	0.60	-122 %
Financial position (€'000)	**31 Dec 2012**	**31 Dec 2011**	
Current assets	35,283	37,090	-5 %
Non-current assets	35,464	35,046	1 %
Equity	29,844	31,269	-5 %
attributable to Hypoport AG shareholders	29,614	31,049	-5 %
Equity ratio (%)	42.2	43.3	-3 %
Total assets	70,747	72,136	-2 %

* The comparative prior-year tax figures have been adjusted and are explained in section 2.1 of the notes "Comparative figures for 2011"

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1. Letter to Shareholders

Dear shareholder

2012 was marked by sweeping regulatory and economic changes in the financial services sector. Several key factors led to this shift that was – and still is – accompanied by constant uncertainty.

Despite this fragile environment, Hypoport managed to expand its market share and to raise its revenue by 4.0 per cent to €87.8 million. Overall, diversification of the Group across product areas, customer segments and value chains is clearly providing the right foundations for growth. However, even with all of these business models we still operate within the financial services market and we cannot escape the factors that influence this sector. Consequently, great efforts were required to expand our market position in such a tough environment and they have taken their toll on our earnings, with EBITDA down year-on-year to €8.1 million.

The impact of the changes in the sector was particularly apparent in the Private Clients business unit where low interest rates created attractive conditions for the mortgage finance segment. In a market environment that remained stable because property is in short supply in Germany, the overall performance of the product segment was encouraging. At the same time, however, the low level of interest rates significantly reduced the appeal of pension products. The statutory cap on commissions for comprehensive private health insurance also depressed earnings and the difficult environment for insurance led to consolidation in the market.

Although this boosted growth in the Dr. Klein franchise organisation, margins were slashed. The European Central Bank's ‚cheap money' policy has reduced the banks' need for customer deposits and this depressed the basic savings sector during the remainder of the year, despite a strong first half-year.

The Institutional Clients business unit generally performed well. In the loan brokerage business, growth in renewals virtually compensated for the weaker level of new business compared with the record year in 2011. Insurers again increased their offering for big-ticket business and as a result there was a more diverse product range for Dr. Klein. Advisory activity for both property investors and issuers remained unchanged. Dr Klein was also able to offer customers a unique selling proposition in the shape of its industry-specific product innovations.

The Financial Service Providers business unit benefited from increased use of the platform by a few large partners and numerous small partners. The transaction volume was up by 36 per cent year on year to a total of around €29 billion. The building finance product performed particularly well and there was also strong growth in mortgage finance. Although the low level of interest rates resulted in fewer applications being converted into deals, longer average fixed interest periods made up for the impact this had on earnings. Capital investment in the platform remained high in 2012.

Looking at the business units individually illustrates the wide range of challenges facing Hypoport in 2012 as a result of conditions in the financial services sector. It also shows that we have successfully countered these challenges both within the units and across them. However, the severity of some of the market turmoil meant that we failed to achieve the full potential offered by our business models in normal circumstances. We believe the financial services market will remain strained in the coming year. Last year we made good progress in adjusting to this market environment and we will continue to do so. For 2013, we plan to achieve double-digit revenue growth and we expect our earnings to return to their record levels of previous years.

King regards,

Ronald Slabke
Chief Executive Officer

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2. Highlights

January

More than €21 billion generated on EUROPACE

Year-on-year growth of 40.2 per cent has made 2011 the strongest year to date for the B2B financial marketplace. EUROPACE, the online B2B financial marketplace, significantly expanded its volume of transactions in 2011. Transactions worth an aggregate €21.17 billion were generated on this platform from January to December of last year (2010: €15.1 billion), which represented a year-on-year increase of 40.2 per cent.

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

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

February

Vergleich.de: housing worldwide; how do people live here and elsewhere?

Homes around the globe are the latest ‚Topic of the Month', which examines global property trends and the pertinent types of finance available. One of the areas on which it focuses is modern, energy-efficient forms of living, such as those that have been promoted for many years by Germany's KfW development bank.

March

Hypoport generates growth in turbulent times

The Hypoport Group raised its revenue by 26 per cent to approximately €84 million in 2011, carving out a distinctive position for itself in the marketplace.

The Financial Service Providers and Private Clients business units significantly expanded their market share, while the Corporate Real Estate Clients unit managed to build on the outstanding record level of revenue that it had reported for 2010. Earnings before interest, tax, depreciation and amortisation (EBITDA) replicated its prior-year all-time high, reaching €11 million.

Bausparkasse Schwäbisch Hall acquires equity stake in GENOPACE

The product range available on GENOPACE is being extended to include the building finance products offered by Germany's largest building society. Bausparkasse Schwäbisch Hall AG will become one of GENOPACE GmbH's shareholders on 1 April 2012. Consequently, this platform for credit cooperatives and mutually owned banks will in future provide its partners with automated access to the mortgage finance products of the entire cooperative financial network. This will create an online financial marketplace that offers an exclusive one-stop solution for the cooperative and mutual sector.

April

€7,000,000,000 worth of financial products brokered on EUROPACE in the first quarter of 2012!

Transactions totalling in excess of €100 billion have been processed on this financial marketplace to date. The volume of transactions generated on the EUROPACE financial marketplace in the first quarter of 2012 jumped by 76 per cent compared with the corresponding period of 2011, to €7.25 billion. This growth was driven by heightened marketplace activity across all product lines. Although building finance products achieved the strongest growth in relative terms (207 per cent), the total value of mortgages and personal loans brokered on EUROPACE also increased sharply.

Eyes wide open: Dr. Klein focuses on advisory services that are worth a second look

Empty words are no longer enough in the financial services industry. Customers choosing their financial advisors these days do so with their eyes wide open, and legislators are also increasingly less willing to turn a blind eye in this respect.

Dr. Klein has played a pioneering role by deciding to have all its mortgage finance advisors certified by the German Chamber of Industry and Commerce. This has made the quality of its advice immediately obvious for customers to see. The 13 per cent increase in the volume of loan products sold in the first quarter of 2012 is a direct result of this holistic advisory approach. In the insurance sector, on the other hand, you get the impression that the normally sharp-sighted lawmakers have taken their eye off the ball, otherwise the latest consumer protection legislation would have looked a bit different and should have focused more on high-quality advice. This is exactly what Dr. Klein has done and, consequently, it expects its insurance business for 2012 as a whole to grow significantly across the board, thereby keeping its customers happy.

May

Hypoport starts 2012 on a robust note
Financial service provider Hypoport continued to grow in the first quarter of 2012, raising its revenue by 16.4 per cent to €20.6 million. The key drivers of this growth were the strong performance of the EUROPACE marketplace and the impartial mortgage finance advice offered to customers. However, a lack of big-ticket deals with institutional clients masked the Company's impressive earnings figures, with EBITDA declining marginally year on year to around €2 million.

June

Hypoport and Santander Bank expand collaboration
Santander Bank – a branch office of Santander Consumer Bank – and Hypoport AG have decided to expand their collaboration further. Santander Bank – which provides retail banking services – will in future use the support of Hypoport's EUROPACE technology to offer its customers a product mix comprising its own loans as well as the extensive product ranges of third-party institutions. This will enable it to deliver appropriate financing solutions for its customers under a best-advice approach.

July

EUROPACE: almost €15 billion in first half of 2012
The growing numbers of users of this platform are reflected in its transaction volumes. Transactions with a combined value of €7.33 billion were processed via the EUROPACE financial marketplace in the second quarter of 2012. The increase of 57 per cent on the same period of last year is attributable to a significant increase in the number of transactions involving mortgage finance and building finance products .

Dr. Klein one of Germany's top ten financial service providers
The latest league table published by Cash. magazine ranks Dr. Klein ninth among Germany's financial service providers owing to its strong growth across all product lines in recent years. The volume of transactions in loan products continued to grow in the first half of 2012 and was up by 23 per cent. By contrast, the huge changes taking place in the insurance market adversely affected the corresponding operating segment over the same period, with the volume of insurance product transactions contracting by 22 per cent year on year.

August

Hypoport considerably boosts revenue and profitability
Despite continued challenging market conditions, web-based financial service provider Hypoport generated significant growth in all business units and thereby bucked the market trend in the first six months of 2012. Revenue rose by 17 per cent to €42 million, enabling the Company to expand its market share. EBITDA increased by 34 per cent to €5.2 million.

Qualitypool is outrunning all other pools
Cash. magazine has just ranked the Qualitypool sales support system as the fastest-growing brokerage pool in 2011. The latest edition of this publication has therefore awarded it this accolade for the second time running. Its ranking was based on the growth in Qualitypool's revenue, which jumped by over 80 per cent year on year to €10.8 million.

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September

New: Dr. Klein's energy-efficiency loans provide housing sector with low fixed interest rates for 20 years
This combination of a KfW development bank loan and a building finance agreement makes it easier to invest in long-term energy-efficiency measures. Dr. Klein's innovative new loans provide the housing industry with a product that makes it cheaper to invest in energy-efficiency improvements to buildings that are mainly used for residential purposes. This cross between a KfW loan and a building finance agreement guarantees a fixed interest rate for 20 years. Investment projects financed by KfW programmes to date have ended after ten years, which means that they have then faced an unpredictable interest-rate risk after this period.

October

147 extra advisors: more and more are flocking to Dr. Klein
Just under 150 additional financial advisors have decided to work with Dr. Klein's Private Clients division within the past year. The Company's non-captive status and product diversity as well as the extensive support available within the Dr. Klein franchise system were key factors in their decision. The total volume of transactions in loans for private clients grew by 20 per cent at Group level in the first nine months of 2012. The insurance market continues to falter and faces considerable challenges that are also impacting on Dr. Klein. The total volume of insurance transactions completed in the first nine months of 2012 fell by 25 per cent year on year.

EUROPACE exceeds 2011 volume in just nine months
This German marketplace for financial products is paving the way for the future. The volume of transactions completed via Germany's largest marketplace for financial products amounted to around €22 billion in the first nine months of 2012, exceeding the €21 billion generated in 2011 as a whole. The online financial marketplace boosts the processing efficiency of its partners – banks, building finance associations, insurers and financial product distributors – and is gaining increasing importance as a management tool.

November

Hypoport exploits challenging market conditions to generate growth
Hypoport continued to win market share and increase its revenue in the first nine months of 2012. The online financial service provider raised its revenue in the first three quarters of this year by 7 per cent compared with the corresponding period of 2011 to €62.9 million (Q1-Q3 2011: €58.8 million). Persistently tough market conditions – especially in the insurance sector – reduced earnings before interest, tax, depreciation and amortisation (EBITDA) by 11 per cent year on year to €6.9 million (Q1-Q3 2011: €7.8 million).

December

Dr. Klein's mortgage finance trend indicator for November 2012: home buyers are opting for security and certainty
Stephan Gawarecki, the chief executive officer (CEO) of Dr. Klein & Co. AG, reported on the latest mortgage finance trends and made the following comments on the results of the Company's mortgage finance trend indicator (DTB):
„The financing options available to private buyers of residential property in November are extremely attractive. The standard monthly amount payable has reached its lowest level since the DTB's records began at the start of 2009. The standard monthly repayment on a loan of €150,000 at an interest rate of 2 per cent fixed for ten years and a loan-to-value ratio of 80 per cent is now €575. This is €23 less than in October. The monthly loan repayment in November 2012 is almost €100 lower than it was in December 2011. This trend can be attributed to the historically low level of interest rates."

3. Report of the Supervisory Board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2012 financial year.

In 2012 the Supervisory Board continued to apply due care and diligence in discharging the responsibilities incumbent upon it under the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board regularly advised the Management Board on the running of the Company and continuously supported and monitored its actions. This advisory and monitoring function was based on the detailed written and oral reports submitted by the Management Board, which informed the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group. The Supervisory Board was informed at regular intervals either during or in advance of Supervisory Board meetings. The Management Board and the Supervisory Board were also in regular contact outside the meetings, so the Supervisory Board was kept abreast of particularly important events at all times. The Supervisory Board also obtained information about key developments for itself and supported the Management Board in an advisory capacity. All decisions and actions of fundamental importance that required approval were discussed with the Supervisory Board at an early stage and submitted to the Supervisory Board for approval.

The Supervisory Board held five scheduled meetings in 2012. It also held three regular telephone meetings and one extraordinary telephone meeting.

One resolution was adopted in writing (by email) at the request of the Supervisory Board chairman following detailed preparation and dissemination of information. All the members of the Supervisory Board attended each meeting and took part in the resolutions adopted outside the meetings.

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

Key points of the Supervisory Board's deliberations

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

At the meeting held on **23 January 2012** the Supervisory Board noted with approval the budget for 2012 submitted by the Management Board.

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

Furthermore, the Supervisory Board discussed internal audits.

At the Supervisory Board meeting held by telephone on **27 February 2012** the Management Board and the Supervisory Board discussed the possibility of granting a loan to a company in respect of which the possibility of a corporate transaction was also discussed. However, neither the loan nor the corporate transaction subsequently came about.

Representatives of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting held on **16 March 2012** and presented a comprehensive report on their audit of the single-entity and consolidated financial statements for 2011. As required by section 171 AktG, the Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2011 as well as both management reports.

Furthermore, the Supervisory Board examined the Management Board's proposal for the appropriation of profit, which it approved and voted to adopt.

In addition, the Supervisory Board discussed its own report on the 2011 financial year and voted to adopt it.

The Management Board reported on the fourth quarter of 2011, adding that 2012 had got off to a promising start and that a net profit was expected to be earned for the first quarter of that year.

The Management Board and the Supervisory Board discussed the convening of the Annual Shareholders' Meeting and its agenda as well as the Company's policy on dividends. Outside its meetings, on **16 April 2012** the Supervisory Board adopted a written resolution approving the convening of the Annual Shareholders' Meeting and its agenda.

The Supervisory Board meeting held by telephone on **27 April 2012** mainly dealt with the interim report for the first quarter of 2012.

The Supervisory Board meeting held by telephone on 27 April 2012 was continued by way of a telephone meeting on **2 May 2012**, at which the Management Board and the Supervisory Board voted to conduct a share repurchase programme. After they had discussed the purpose, volume, timetable and execution of the share buy-back, the Supervisory Board approved the Management Board's decision to conduct the share repurchase programme and to utilise the pertinent authorisation granted by the Annual Shareholders' Meeting on 4 June 2010 allowing the Company to purchase its own shares.

The meeting held on **1 June 2012** discussed the Management Board's report on the first quarter and the Company's second-quarter performance to date.

The Supervisory Board meeting held by telephone on **27 July 2012** mainly discussed the Management Board's report on the Hypoport Group's performance in the second quarter of 2012 and the interim report for the period ended 30 June 2012.

At the Supervisory Board meeting held on **31 August 2012** the Management Board reported on the second quarter of 2012 and on specific developments and trends in the individual business units. The meeting also discussed recent developments and trends in the sale of insurance to private clients.

In addition, the meeting discussed and voted to approve the extension of Klaus Kannen's contract as an executive director of Hypoport Finance AG.

The main item on the agenda of the Supervisory Board meeting held by telephone on **26 October 2012** was the interim report for the period ended 30 September 2012. Furthermore, the schedule for 2013 was approved.

The Supervisory Board meeting held on **30 November 2012** looked in detail at the Company's operating performance in the third quarter of 2012 as well as the latest developments and trends in the business units.

In addition, the meeting discussed and voted to approve the extension of Thilo Wiegand's contract as a member of the Management Board of Hypoport AG.

When the Management Board members were not present the Supervisory Board then used the supporting material provided by the Hans Böckler Foundation to review the effectiveness of its work. The review did not reveal any shortcomings.

No committees

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

Corporate Governance Code

In 2012 the Supervisory Board once again discussed the content of the German Corporate Governance Code and adopted the necessary resolutions on compliance with its recommendations and on individual exceptions from these recommendations. Further information on corporate governance at the Company can be found in the corporate governance report. The remuneration report contains detailed information on the level and structure of remuneration paid to the Supervisory Board and Management Board. The Management Board and Supervisory Board voted to issue the declaration of compliance required by section 161 AktG and have made it permanently available on the Company's website.

The Supervisory Board and Management Board are aware that good corporate governance that safeguards the interests of shareholders and the capital markets is essential for the Company's success.

Single-entity and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2012 single-entity financial statements that it had prepared in accordance with the German Commercial Code (HGB), the 2012 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), both management reports, the proposal for the appropriation of profit, and the corresponding independent auditors' reports.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors appointed by the Company, audited its single-entity financial statements, the consolidated financial statements and both management reports for the year ended 31 December 2012 and they issued an unqualified opinion in each case. As required by section 171 AktG, the Supervisory Board reviewed and discussed the single-entity and consolidated financial statements for 2012 and both management reports. At the Supervisory Board meeting held on 15 March 2013 to discuss the Company's financial statements the auditors reported in person to the Supervisory Board and provided exhaustive answers to the questions put to them. The Supervisory Board also examined the Management Board's proposal for the appropriation of profit.

The Supervisory Board agreed with the auditors' findings. Having completed its own examination, it had no objections to raise. The Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2012 prepared for the Company by the Management Board. The single-entity financial statements have thus been adopted. After itself examining the Management Board's explanation of its proposed appropriation of profit, and after considering all the arguments, the Supervisory Board approved the proposal.

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

Berlin, 15 March 2013

Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

4. Corporate Governance

The Management Board and Supervisory Board of Hypoport AG are committed to the principles of responsible corporate governance. Hypoport AG is of the firm belief that transparent corporate governance adds value to its business over the long term. It is also essential if we are to honour the trust placed in us by investors, financial markets, business partners, customers, employees and the public at large. Hypoport AG regularly examines amendments to the German Corporate Governance Code to ensure that it constantly refines its own system.

Declaration of compliance with the German Corporate Governance Code

The latest version of the German Corporate Governance Code dated 15 May 2012, which was published on 15 June 2012, has been closely scrutinised. The declaration of compliance documented below shows in what ways and for what reasons the Company deviates from the Code's recommendations. The declaration submitted by the Management Board and Supervisory Board of Hypoport AG on 25 January 2013 is reproduced below. The declaration of compliance has been made permanently available to the public and can be viewed at www.hypoport.de/corporate-governance.html.

Management Board and Supervisory Board

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

The Supervisory Board of Hypoport AG consists of three members. The chairman of the Supervisory Board is elected from among the members of this body. The current members of the Supervisory Board were elected at the 2010 Annual Shareholders' Meeting for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the actions of the Supervisory Board for the 2014 financial year.

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

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Shareholders and the Annual Shareholders' Meeting

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

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

Transparency

Hypoport AG attaches great importance to the provision of uniform, comprehensive and timely information. Information on the Company's business situation and financial results is published in its annual, half-yearly and quarterly reports. Information is also published in the form of ad-hoc announcements and press releases. All reports, notifications, presentations, statements and other releases are made permanently available in the Press and Investor Relations sections of the Company's website.

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

Financial reporting and auditing of financial statements

Since 2005 the Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Once the consolidated financial statements have been prepared by the Management Board, they are audited by the independent auditors and then reviewed and approved by the Supervisory Board. The Supervisory Board also reviews and approves the single-entity financial statements prepared by the Management Board, which are thus adopted. The consolidated financial statements are published within 90 days after the end of the financial year.

It has been agreed with the Company's independent auditors that the chairman of the Supervisory Board should be notified immediately of any reasons for exclusions or exemptions or of any misrepresentations in the declaration of compliance that come to light during the course of the audit. The independent auditors notify the Supervisory Board chairman immediately of any matters or events of material importance to the Supervisory Board's work that arise during the course of the audit.

Shareholdings and directors' dealings

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

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

A list of all the directors' dealings published in 2012 can be found in the ‚Hypoport's shares' chapter of this annual report.

The modus operandi of the Management Board and Supervisory Board

The Supervisory Board has appointed a chairman of the Management Board. The Supervisory Board approved the latest version of the rules of procedure for the Management Board on 6 August 2010. These rules of procedure govern the internal workings of the Management Board, the allocation of its responsibilities, and its cooperation with the Supervisory Board.

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

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

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

The provisions of section 11 (3) of the statutes state that the Supervisory Board is quorate if all its members participate in a vote. The Supervisory Board provides itself with rules of procedure pursuant to section 9 (3) of the statutes. The currently applicable rules of procedure were issued on the basis of a resolution adopted by the Supervisory Board on 31 March 2008. The Supervisory Board has not set up any committees at present because it consists of only three members.

The members of the Supervisory Board are elected for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the acts of management for the fourth financial year after the term of appointment commences. The Annual Shareholders' Meeting may stipulate a shorter term of appointment. The next elections to the Supervisory Board are due to be held at the Annual Shareholders' Meeting in 2015.

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5. Hypoport's shares

Share price performance

Hypoport's share price initially performed well in the first half of 2012, rising from €6.95 on 1 January to the year's high of €12.08 on 30 May, before gradually falling back to a level around the €8.00 mark. The lowest price during the year was the €6.95 recorded on 1 January. The shares closed the year at €8.04 on 30 December. The low level of trading activity meant that Hypoport's share price was heavily impacted by individual buying and selling transactions.

Performance of Hypoport´s share price, January to December 2012 (daily closing prices on Frankfurt Stock Exchange)

Earnings per share

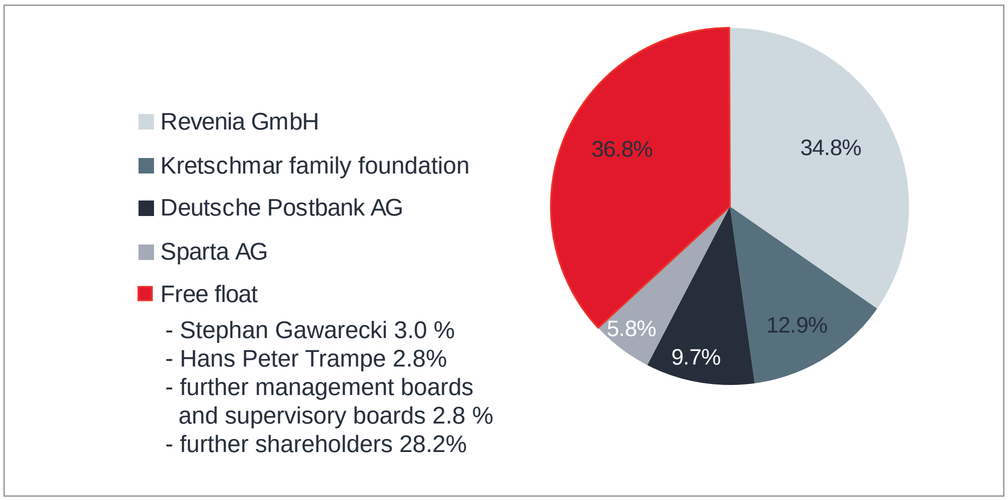
We reported a loss of €0.13 per share for 2012, having posted earnings of €0.60 per share in 2011. The Company's continuing operations generated earnings of €0.32 per share (2011: €0.72), while its discontinued operations incurred a loss of €0.45 per share (2011: loss of €0.12).

Trading volumes

The daily volume of Hypoport shares traded in 2012 averaged €26,701.82. The highest average daily turnover was in the second quarter (5,007 shares), followed by the fourth quarter (2,436 shares). The lowest daily turnover was recorded in the first quarter, when an average of only 2,003 Hypoport shares changed hands. Average daily turnover in the third quarter was only slightly higher at 2,067 shares.

Shareholder structure

The free float in Hypoport's shares amounts to 36.8 per cent.



Breakdown of shareholders as at 31 December 2012

Designated sponsors

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

Research

Three analysts published research studies on Hypoport's shares in 2012.

Analyst	Recommendation	Target price	Date
Equinet	Hold	€9.00	6 November 2012
CBS Research	Buy	€13.20	5 November 2012
Montega	Hold	€9.80	5 November 2012
Montega	Buy	€16.00	13 September 2012
Equinet	Buy	€11.50	23 August 2012
CBS Research	Buy	€15.00	6 August 2012
Equinet	Hold	€11.50	6 August 2012
Equinet	Hold	€11.50	8 May 2012
CBS Research	Buy	€17.00	7 May 2012
CBS Research	Buy	€17.00	20 March 2012
CBS Research	Buy	€17.00	5 March 2012

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Ad-hoc disclosures

As a publicly traded company we are required to make ad-hoc disclosures of facts that could influence our share price. The following ad-hoc disclosure was published on 2 May 2012:

Hypoport AG approves share repurchase programme

Berlin, 2 May 2012: The Management Board of Hypoport AG has today decided to repurchase up to 60,000 of the Company's own shares exclusively through the stock market for a total purchase price of no more than €900,000 (excluding purchase-related costs). The maximum volume of shares that may be repurchased during the buy-back programme has been set at 1,000 shares per day.

The purpose of this programme is to provide treasury shares for employee share ownership schemes and other means of issuing shares to employees of the Company and the Hypoport Group. The shares will be repurchased under the authorisation granted by the Annual Shareholders' Meeting on 4 June 2010 for the Company to purchase its own shares. The Supervisory Board has approved this share buy-back programme. The repurchase of shares will commence no sooner than 8 May 2012 and will be completed by no later than 31 December 2012.

The shares will be repurchased in accordance with section 14 (2) of the German Securities Trading Act (WpHG) in conjunction with Commission Regulation (EC) No. 2273/2003 (‚safe harbour'). The details of the share buy-back will be announced before the programme commences.

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

Notification of directors' dealings

The table below shows the directors' dealings notified and published in 2012.

Datum der Transaktion	Mitteilungspflichtiger	Transaction	Stock exchange	Number of shares	Execution price
15 June 2012	Christian Schröder	Sale	XETRA	500	€ 10.60
17 May 2012	Monika Schröder	Sale	XETRA	1,00	€ 10.00
17 April 2012	Monika Schröder	Sale	XETRA	890	€ 9.30
16 April 2012	Monika Schröder	Sale	XETRA	110	€ 9.30
2 April 2012	Thilo Wiegand	Purchase	XETRA	333	€ 8.25
2 April 2012	Thilo Wiegand	Purchase	XETRA	400	€ 8.29
30 March 2012	Thilo Wiegand	Purchase	XETRA	647	€ 8.24
30 March 2012	Thilo Wiegand	Purchase	XETRA	60	€ 8.27
30 March 2012	Thilo Wiegand	Purchase	XETRA	470	€ 8.25
30 March 2012	Thilo Wiegand	Purchase	XETRA	2,000	€ 8.20
30 March 2012	Thilo Wiegand	Purchase	XETRA	470	€ 8.28
28 March 2012	Ronald Slabke	Purchase	XETRA	500	€ 8.25
23 March 2012	Ronald Slabke	Purchase	XETRA	480	€ 8.20
22 March 2012	Inge Trampe	Purchase	XETRA	5,290	€ 8.25
22 March 2012	Ronald Slabke	Purchase	XETRA	2,600	€ 8.25
22 March 2012	Ronald Slabke	Purchase	XETRA	410	€ 8.20
21 March 2012	Inge Trampe	Purchase	XETRA	710	€ 8.15

Key data on Hypoport's shares

WKN	549 336
ISIN	DE 000 549 3365
Stock exchange symbol	HYQ
Type	No-par-value shares
Notional value	€1.00
Subscribed capital	€6,194,958.00
Stock exchanges	Frankfurt
	XETRA
Market segment	Regulated market
Transparency level	Prime standard
Membership of indices	CDAX
	Classic All Share
	DAXsector All Financial Services
	DAXsubsector Diversified Financial
	GEX
	Prime All Share
Performance	
Share price as at 1 January 2012	€6.95 (Frankfurt)
Share price as at 30 December 2012	€8.04 (Frankfurt)
High in 2012	€12.08 (30 May 2012)
Low in 2012	€6.95 (1 January 2012)
Market capitalisation	€49.8 million (30 December 2012)
Trading volume	€26,701.82 (daily average for 2012)

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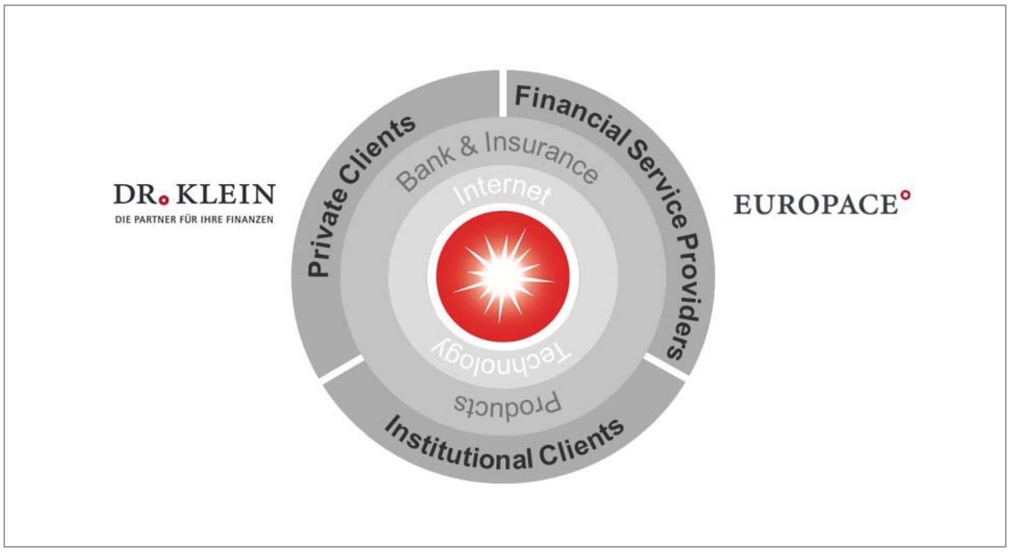
6. Management Report

Business report
1. Business and economic conditions
Business model and strategy

The Hypoport Group is an internet-based financial service provider. Its parent company is Hypoport AG, which is headquartered in Berlin, Germany. Its business model is based on its three mutually supporting business units: Institutional Clients, Private Clients, and Financial Service Providers.



All three of the Hypoport Group's business units are engaged in the distribution of financial products and services, facilitated or supported by internet technology.

Private Clients business unit

Operating through its subsidiaries Dr. Klein & Co. Aktiengesellschaft, Vergleich.de Gesellschaft für Verbraucherinformation mbH and Qualitypool GmbH (hereinafter also referred to jointly as ‚Dr. Klein'), the Hypoport Group offers private clients internet-based banking and financial products (providing advice, if requested, either by telephone or face to face) ranging from current accounts and insurance to mortgage finance. Dr. Klein selects the best products for its clients from a wide offering of over 300 leading banks and insurance companies. By using web-based processes, it generates cost advantages that it passes on to its private clients. This usually enables Dr. Klein to offer much better terms and lower prices than individual banks and insurance agents.

Institutional Clients business unit

Dr. Klein & Co. AG has been a major financial service partner to housing companies, local authorities and commercial property investors since 1954. This business unit provides its institutional clients in Germany and the Netherlands with a fully integrated service comprising expert advice and customised solutions in the areas of financial management, portfolio management, and insurance for business customers.

Financial Service Providers business unit

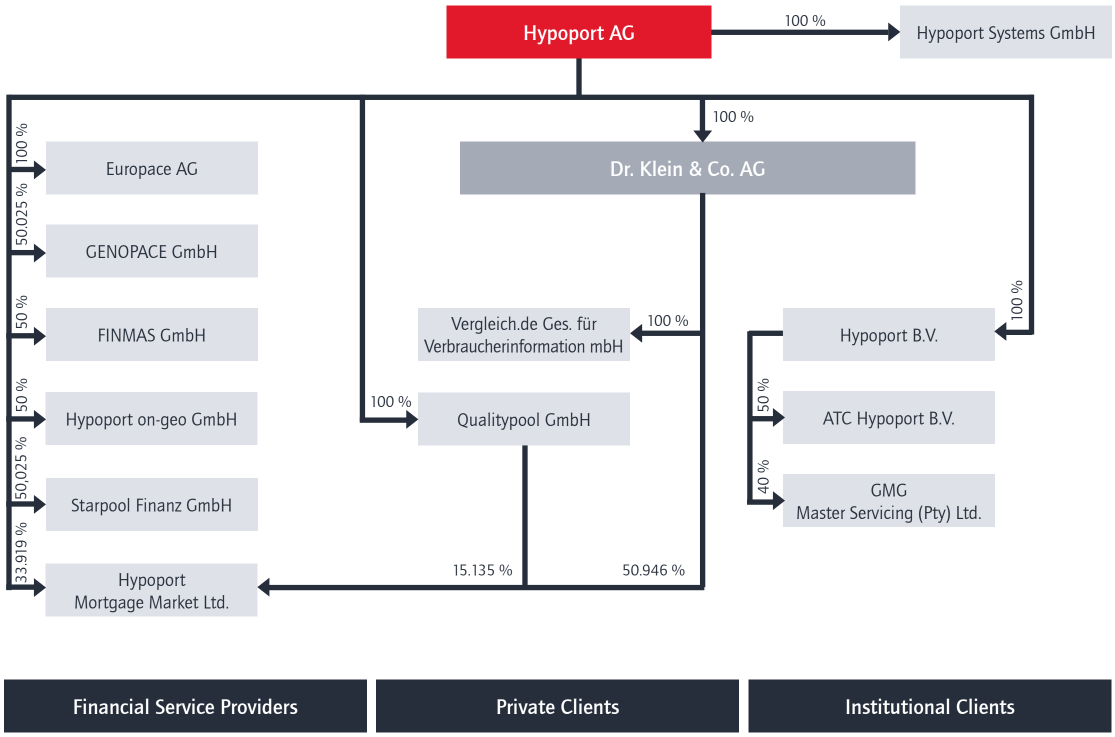
The Hypoport Group uses its EUROPACE B2B financial marketplace – Germany's largest online transaction platform – to sell banking products through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, current accounts, credit insurance). A fully integrated system links a large number of banks with several thousand financial advisors, thereby enabling products to be sold swiftly and directly. The highly automated processes used on this platform generate significant cost advantages in the brokerage of financial products and services. EUROPACE is now used to process several hundred financing transactions every day.

GENOPACE GmbH was launched in 2008 as a joint venture with the credit cooperatives (Volksbanken) from Düsseldorf/Neuss and Münster and acts as an internal marketplace and central coordinating intermediary for Germany's cooperative banking sector. GENOPACE's shareholders now include all the major central cooperative institutions: Münchener Hypothekenbank eG, R+V Versicherung AG, WL BANK AG Westfälische Landschaft Bodenkreditbank, and Bausparkasse Schwäbisch Hall AG.

FINMAS GmbH is a subsidiary set up in 2009 in collaboration with Ostdeutscher Sparkassenverband (OSV), the association of eastern German savings banks, and acts as the financial marketplace for the members of the Savings Banks Finance Group.

Hypoport on-geo GmbH is a joint venture with on-geo GmbH and provides bank partners of EUROPACE with services around the valuation of real estate.

The operating activities of the loss-making joint venture Hypoport Stater B.V. were discontinued in 2012. The aim of establishing the German market standard for transaction platforms in the Dutch market was impossible to achieve at a time when the Dutch banking and real-estate markets had been severely depressed by the financial crisis for several years.



Economic conditions

There's still no glue to hold everything together

Confidence and trust are and remain the foundations on which successful and lasting relationships are built. Unfortunately, this valuable commodity was restored in only certain spheres of the political and economic realm in 2012. Although the measures taken by the international organisations and national governments were sufficient to – as the managing director of the International Monetary Fund (IMF) put it – „stop the collapse", they were not enough to kick-start global economic growth. A full four years after the financial crisis broke, the preconditions for reinvigorating growth had yet to be fully put in place. The latest study published by the World Bank estimated global growth for 2012 to be 2.3 per cent – some 0.4 percentage points lower than in 2011. While the real economy's recovery from the crisis was no more than sluggish, the situation in the financial markets improved substantially, especially as a result of the action taken by the European Central Bank (ECB).

Europe is slowly but surely – albeit tentatively – emerging from the crisis

The ECB's interest-rate cuts continued to have little impact on European countries' real economies in 2012. The lack of confidence on the part of investors, banks and businesses in the economic performance of Europe's crisis countries hampered the banking industry and, consequently, capital spending as well. The World Bank reckons that the region's economic output fell by 0.4 per cent in 2012.

Germany's market forces are shifting

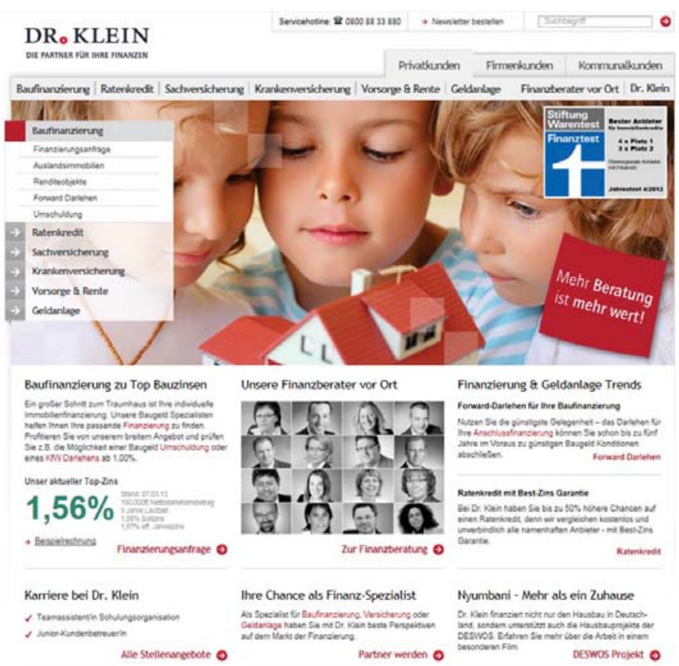
Even the German economy was not left unscathed by Europe's recession: its growth slowed and, according to the German Federal Statistical Office, real gross domestic product (GDP) grew by around 0.7 per cent. In many areas, however, the German economy performed exceptionally well – especially when compared with the other European countries. Although the increase in employment slowed, Germany's labour market remained robust on the whole and unemployment continued to fall. Indeed, rising wages and record levels of employment actually enabled the government to achieve a budget surplus – to the tune of 0.1 per cent of GDP – for the first time since 2007 and for the third time since German reunification. The German economy's strong overall performance in 2012 cannot mask the fact that structural and regulatory changes have been acting as a drag on parts of the financial services sector in particular.

Sectoral performance

The Hypoport Group and its segments operate in various individual financial services markets. The Private Clients business unit and the Financial Service Providers unit are both affected by sectoral market conditions in financial services for private clients. The Institutional Clients business unit operates in financial services markets for real-estate and housing companies as well as for their lenders from the banking and insurance industries.

Financial services for private clients in Germany

2012 was a year full of challenges and changes for financial product distributors. The continued low level of interest rates boosted sales of loan-based products while reducing the appeal of some insurance products.



www.drklein.de

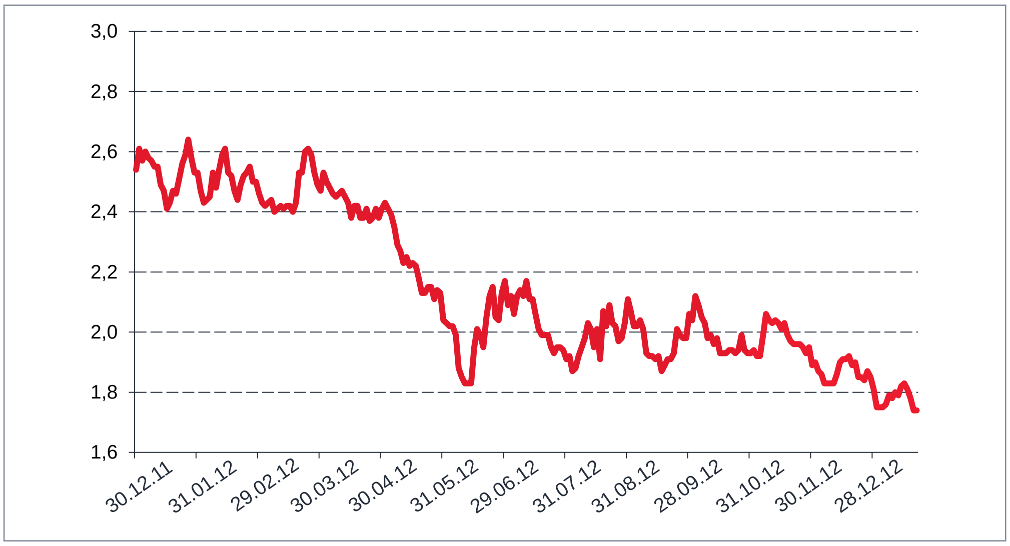
Although companies such as Dr. Klein that provide a broad range of banking and insurance products and pursue a holistic advisory approach were not totally unaffected by this challenging environment, their comprehensive product offering meant that they were better placed to mitigate the sluggish demand for certain products.

The extremely critical assessment of the role that the financial services sector (banks, insurers and financial product distributors) plays in our economy – which has been ongoing since the financial crisis – continued in 2012. The loss of trust and confidence in the financial services industry is therefore making customers – especially private clients – increasingly discerning. In some cases Dr. Klein is benefiting from the growing demand for impartial advisors who offer clear and comprehensive advice. However, customers' general willingness to purchase financial products and services has been diminished.

The challenging market environment, increasingly stringent regulatory requirements, and customers' need for impartial advice all favour financially strong and independent financial product distributors that have innovative and fair business models. Dr. Klein has been winning trust and operating successfully according to this principle ever since 1954 and therefore remained a franchise system of choice for highly qualified financial advisors in 2012.

Mortgage finance

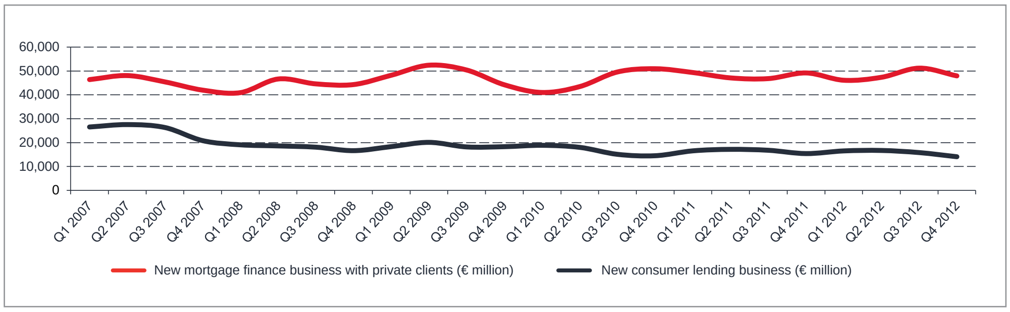
The market in which mortgage finance providers operate remained highly competitive. This market benefited from the low level of interest rates. German interest rates in 2012 continued to be heavily influenced by the European crisis. Ten-year swap rates fell sharply until June and then declined gradually up to the end of the year. This resulted in historically low building finance rates in Germany and boosted the mortgage finance market, especially in those segments offering follow-up financing.



Ten-Year swap rates of the year 2012

Although there was strong demand for real estate in 2012, supply was limited. This severely impaired the performance of the market in loans for those looking to build or buy their own home.

According to the Bundesbank's statistics, Germany's mortgage finance market in 2012 was worth a total of €192.6 billion, which was only 0.1 per cent higher than in the previous year (2011: €192.4 billion).



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

Our research revealed that distribution channels that offered consumer advice which is independent of the product supplier had managed to win substantial mar-ket share. Previously closed distribution systems are increasingly being made available to third parties' product offerings, thereby enabling them to supply their customers with more attractive solutions.

Other banking products

Because the central bank maintained liquidity at artificially high levels for the banking sector and strong inflows of funds were received from other forms of investment as well, there was less competition among banks' offerings of basic savings products (instant-access deposits, fixed-term deposits, savings accounts) and their closely related current accounts. According to Bundesbank statistics, the total funds invested in fixed-term, instant-access and savings accounts across all groups of institutions had increased by 5.4 per cent to €1.671 trillion by 31 December 2012 (31 December 2011: €1.585 trillion).

Because there was less competition, the rates of return offered to consumers on these investment products and the remuneration paid to distributors such as Dr. Klein for selling such products fell significantly over the course of the year.

The level of interest in building finance remained high throughout 2012 owing to the extensive public debate about real estate as a form of retirement pension. The Bundesbank's statistics revealed that Germany's total building finance market in 2012 had grown by 2.6 per cent year on year to €101.8 billion (2011: €99.2 billion).

The fierce competition among banks in the market for the high-margin business of personal loans continued in 2012. The low refinancing rates available were consistently passed on to consumers, which meant that interest rates on personal loans fell overall. The overall market in personal loans did not benefit from this situation because consumer confidence was low as a result of the general economic climate. According to the Bundesbank's statistics, this market was worth a total of €63.1 billion, which was again slightly lower year on year (2011: €65.9 billion).

Insurance products

The German insurance sector had plenty of issues to contend with in 2012. These included Solvency II, gender-neutral rates, the capping of commissions for comprehensive private health insurance, and the low level of interest rates.

2012 got off to a very subdued start for insurance companies after large amounts of business were brought forward to the end of 2011 because the guaranteed returns on endowment insurance policies were reduced at the end of 2011 and because a cap on commissions for the sale of comprehensive private health insurance was due to be introduced and the cancellation periods for these policies were to be extended with effect from 1 April 2012.

The insurance industry's hopes that the reforms around gender-neutral insurance rates being introduced on 21 December 2012 (which would make many insurance policies much more expensive from this date because it would no longer be legally permissible to differentiate premiums according to gender) would boost demand for, and sales of, many types of product in the second half of the year proved to be misplaced. Although there was a surge in demand for these policies just a few weeks before the reforms were due to be introduced, insurance companies did not manage to recognise this additional business in their income statements by 31 December 2012.

Given this operating environment, many small and medium-sized financial product distributors that specialise in insurance products saw their profitability deteriorate sharply in 2012 and consequently came under growing pressure to cut their costs and consolidate.

The German Insurance Association (GDV) has yet to comment officially on the impact that these challenging market conditions are having on the insurance sector.

Financial services for institutional clients

The sector of municipal and cooperative housing companies, which is characterised by a high degree of continuity, once again generated higher gross value added in 2012 and therefore had a stabilising influence on the German economy. According to the German Housing and Property Companies Association (GdW), total capital expenditure by the real-estate and housing companies organised in the GdW and its regional associations rose sharply in 2012 and, according to the GdW's estimates, amounted to around €10.6 billion, exceeding the €10 billion mark for the first time since 2011.

A considerable proportion of this capital spending is invested not only in new builds but also in the modernisation and refurbishment of existing properties.

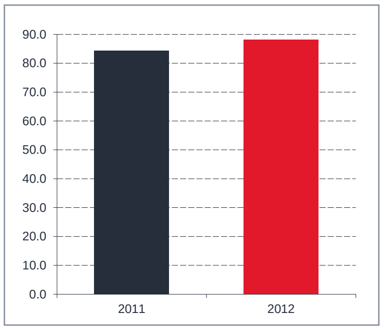
German housing companies are traditionally popular customers for lenders from the banking and insurance sectors. However, the regulatory developments around Basel III and Solvency II are making their business much more complex. The integrated advisory, systems-based analysis and loan brokerage products offered by Dr. Klein are benefiting from this trend because of the growing indirect transparency and disclosure challenges facing housing companies.

Since the German government decided to redirect its energy policy, housing companies have been sharpening their focus on energy efficiency. Dr. Klein has won many plaudits with its innovative product idea for this sector: its energy-efficiency loans offer low fixed interest rates and maximise the effectiveness of investing in energy-efficiency improvements to residential properties, be they new builds or modernisation projects.

Hypoport B.V., a subsidiary that forms part of the Institutional Clients business unit, also benefited from regulatory developments and the continued strong demand for advice, systems-based analysis and ongoing reporting on new and existing securitisations and funding transactions conducted by banks for their loan portfolios.

Revenue

In 2012 the Hypoport Group raised its revenue by 4.0 per cent year on year from €84.4 million to €87.8 million. It therefore failed to meet its target of achieving double-digit revenue growth in the reporting year. Selling expenses rose at a slightly higher rate than revenue owing to a partial shift from higher-margin to low-margin revenue models. Consequently, gross profit rose by 0.6 per cent from €44.5 million to €44.7 million.



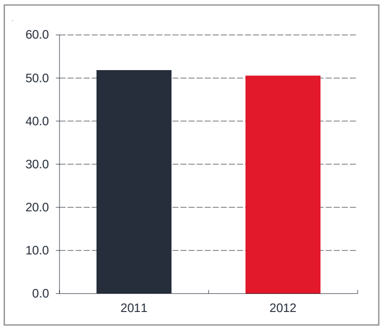
Group Revenue (€ million)

The figures for revenue and selling expenses described below include revenue and selling expenses shared with other segments.

Private Clients business unit

The Private Clients business unit, which specialises in online sales of financial products, saw its revenue decline only slightly by 2.4 per cent to €50.5 million (2011: €51.8 million) and therefore held up fairly well in what was generally an adverse market environment (see section on market conditions).

Operating in stable market conditions, the mortgage finance product segment generated strong growth in its total volume of loans processed, which increased by 18.9 per cent from €3.86 billion to €4.59 billion.

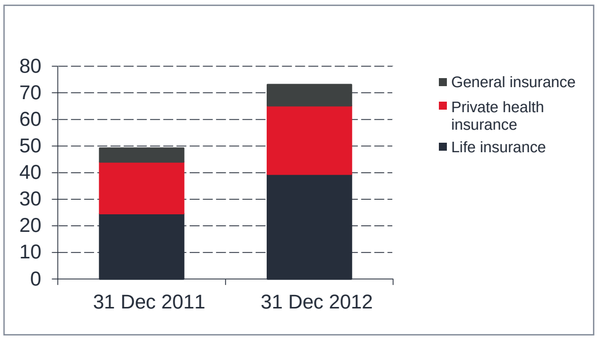


Private Clients revenue (€ million)

The volume of transactions in insurance products fell by 13.4 per cent from €27.45 million in annual premiums to €23.77 million in what was a challenging market environment. This trend clearly reflects the situation in the insurance market de-scribed in the section on conditions in the financial services sector.

	2012	2011
Volume of financing transactions (€ billion)	4.59	3.86
Volume of insurance transactions (€ million)	23.77	27.45
life insurance	13.26	11.51
private health insurance	7.34	14.08
general insurance	3.17	1.86

The introduction of gender-neutral rates in the insurance product segment at the end of 2012 caused processing backlogs for product suppliers, which means that some of the sales generated in 2012 will not be recognised in profit or loss until 2013.

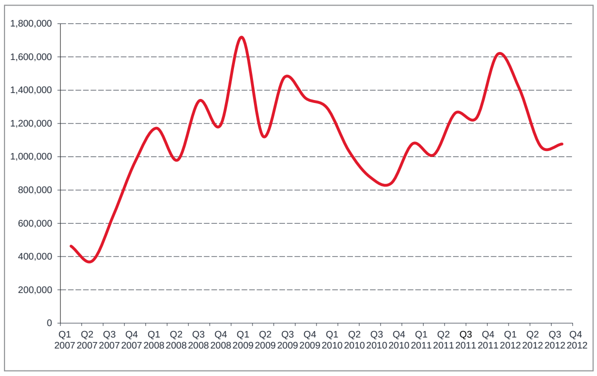


Portfolio of insurance policies/annual premiums (€ million)

The insurance portfolio managed by Dr. Klein was supplemented by new business and by portfolios obtained from newly acquired distribution partners. On the other hand, policyholders' contract cancellations and the loss of distribution partners caused Dr. Klein's insurance portfolio to contract.

Boosted by strong growth in its network of advisors, Hypoport achieved a significant year-on-year increase in its portfolio of insurance policies in 2012, raising its annual life insurance premiums by 60.1 per cent from €24.64 million to €39.44 million, its annual private health insurance premiums by 32.5 per cent from €19.44 million to €25.76 million and its annual general insurance premiums by 55.2 per cent from €5.09 million to €7.90 million. The total portfolio of insurance policies under management therefore reached a new all-time high of €73.10 million in annual premiums at the end of 2012 compared with €49.17 million at the end of 2011.

Likewise, the number of leads acquired in 2012 rose by 0.6 million year on year to 5.2 million (2011: 4.6 million). However, the potential for generating revenue was limited by market conditions in 2012.



Number of Leads

Selling expenses and gross profit
The selling expenses incurred by the Private Clients business unit stemmed from fees and commissions paid to distribution partners (e.g. franchisees in the mortgage finance and insurance product segments) and from the cost of acquiring leads. Gross profit represents the difference between product suppliers' fee and commission payments and these selling expenses.

The gross margin earned in this business unit came under considerable pressure in 2012 owing to market conditions in the insurance product segment.

Given the competitive environment, we were unable to fully pass on to our distribution partners the decline in our revenue resulting from the cap on agency commissions for the sale of comprehensive private health insurance, which came into effect on 1 April 2012. In addition, the tough market conditions in other segments of the insurance sector fuelled increasingly fierce competition for successful distribution partners, which many small and medium-sized rivals – unable to differentiate themselves from their competitors in any other way – waged by guaranteeing unprofitable levels of fees and commissions. Dr. Klein was affected to some extent by this downward pressure on margins.

The gross margin that could be earned in the mortgage finance product segment continued to be impaired by the wide range of competitive product suppliers. The addition of regional suppliers to the existing pool of product suppliers resulted in a further significant increase in the number of active partners available in 2012. This environment continued to limit the purchasing potential arising from Dr. Klein's growing size and prevented Hypoport from widening its gross margin in 2012.

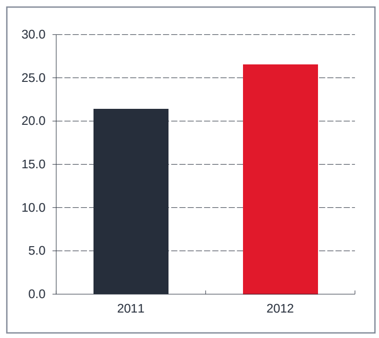
As described above in the section on market conditions, the interest shown by product suppliers in the basic banking products segment declined markedly over the course of the year, which also caused margins to narrow.

Consequently, the gross profit generated by this business unit in 2012 fell by 15.3 per cent from €18.3 million to €15.5 million.

Private Clients	2012	2011
Revenue (€ million)	50.5	51.8
Selling expenses (€ million)	35.0	33.5
Net Revenue (€ million)	15.5	18.3

Financial Service Providers business unit

Operating in a stable market environment, Financial Service Providers – the second-largest business unit – celebrated its most successful financial year in terms of transaction volumes since the EUROPACE financial marketplace was set up, winning major partners and benefiting from the general growth in independent financial product distributors.



Financial Service Providers revenue (€ million)

The volume of transactions executed via the EUROPACE financial marketplace grew by 36.3 per cent year on year to a new record of €28.9 billion in 2012.

The total volume of mortgage finance transactions completed in 2012 rose by 31.4 per cent to €22.6 billion (2011: €17.2 billion). Banks, insurance companies and building finance associations use EUROPACE not only as a supplier of products brokered by EUROPACE distribution partners but also increasingly in order to link up their own sales channels or even expand their business models by migrating to the platform's open architecture. In doing so, these institutions – in addition to offering their own products – operate as brokers of third-party products for their clients and draw on EUROPACE's much wider product range in order to offer these products to their own customers.

The total value of building finance products brokered via EUROPACE jumped by 75.9 per cent to €5.1 billion (2011: €2.9 billion). This result reflected the migration of new strategic partners and the benign trend towards the long-term hedging of interest-rate risk.

Our business in personal loans continued to feel the effects of a lacklustre market environment and financial product distributors' low level of interest in this product segment. The value of personal-loan transactions rose slightly year on year to €1.2 billion (2011: €1.1 billion).

Revenue grew by an impressive 23.8 per cent to €26.5 million on the back of larger transaction volumes (2011: €21.4 million). With selling expenses rising at a similarly high rate, the gross profit earned in 2012 increased correspondingly by 22.8 per cent to €17.8 million (2011: €14.5 million).

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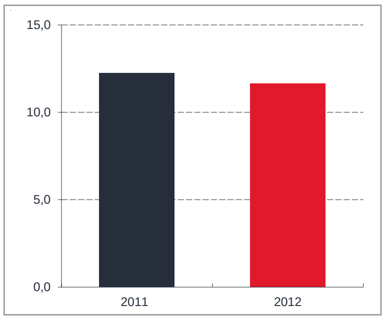
EUROPACE	2012	2011
Volume of transactions (€ billion)	28.9	21.2
thereof mortgage finance	22.6	17.2
thereof personal loans	1.2	1.1
thereof building saving	5.1	2.9
Revenue (€ million)	26.5	21.4
Selling expenses (€ million)	8.7	6.9
Net Revenues (€ million)	17.8	14.5

Institutional clients business unit

The Hypoport Group merged its Corporate Real Estate Clients business unit with its Institutional Clients unit to form the new Institutional Clients business unit with effect from 1 January 2012. The objectives of this merger are to create three business units of a similar size and to simplify internal processes.



Institutional Clients revenue (€ million)

Arranging big-ticket loans for German housing companies, local authorities and commercial property investors constitutes a key source of revenue for the new, larger business unit as well. In this function the unit has continued to benefit from its exceptionally strong market position as the central intermediary for big-ticket financing, and in 2012 it achieved the second-largest volume of new loans brokered in its entire history (€1.9 billion). Overall, the volume of new lending brokered in 2012 was 10 per cent down on the record year of 2011.

The strategically successful development of this business unit in 2012 was obscured by the volatility of a few big-ticket transactions during the year.

The revenue generated by this unit in 2012 comprised €7.8 million from the brokerage of loans and insurance (2011: €8.3 million) and €3.8 million from consulting services (2011: €4.0 million).

Institutional Clients business unit	2012	2011
Loan Brokerage		
Volume of new business (€ million)	1,350	1,787
Volume of prolongation (€ million)	577	363
Revenue (€ million)	11.6	12.3
Selling expenses (€ million)	0.3	0.5
Net Revenue (€ million)	11.3	11.8

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2. Financial performance

	2012 €'000	2011* €'000	Chance €'000	%
Revenue	87.753	84.360	3.393	4,0
Selling expenses	-43.034	-39.903	-3.131	7,8
Gross profit	**44.719**	**44.457**	**262**	**0,6**
Own work capitalised	4.180	3.570	610	-17,1
Other operating income	2.376	1.845	531	28,8
Personnel expenses	-29.937	-26.529	-3.408	12,8
Other operating expenses	-13.207	-11.870	-1.337	11,3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**8.131**	**11.473**	**-3.342**	**29,1**
Depreciation, amortisation expense and impairment losses	-4.934	-4.721	-213	4,5
Earnings before interest and tax (EBIT)	**3.197**	**6.752**	**-3.555**	**52,7**
Net finance costs	-859	-734	-125	-17,0
Earnings before tax (EBT)	**2.338**	**6.018**	**-3.680**	**-61,1**
Current income taxes	-841	-1.274	433	-34,0
Deferred taxes	447	277	724	261,4
Profit (loss) from continuing operations	**1.944**	**4.467**	**-2.523**	**56,5**
Profit (loss) from discontinued operations	**-2.759**	**-718**	**-2.041**	**284,3**
Net profit for the year	**-815**	**3.749**	**-4.564**	**-121,7**

* The comparative prior-year tax figures have been adjusted and are explained in section 2.1 of the notes "Comparative figures for 2011"

The higher earnings generated by the Financial Service Providers business unit owing to economies of scale and the solid earnings contributed by the Institutional Clients business unit in what was a normal, volatile market environment failed to compensate for the much lower level of earnings in the Private Clients business unit resulting from the challenging market conditions affecting insurance and basic banking products.

Against the backdrop of the operating performance described above, EBITDA from continuing operations fell to €8.1 million (2011: €11.5 million), while EBIT from continuing operations declined to €3.2 million (2011: €6.8 million). Consequently, the EBIT margin (EBIT as a percentage of gross profit) fell from 15.2 per cent to 7.1 per cent.

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

Other operating income mainly comprises income of €765 thousand (2011: €358 thousand) from insurance compensation, employee contributions of €525 thousand (2011: €448 thousand) to vehicle purchases, and income of €408 thousand (2011: €462 thousand) from the reversal of provisions.

Personnel expenses rose in line with the increase in the average headcount for the year from 478 employees to 524 and the higher bonuses paid.

The rise in other operating expenses essentially relates to administrative expenses of €3.659 million (2011: €3.116 million) and general operating expenses of €5.321 million (2011: €4.715 million), whereas other expenses fell to €604 thousand (2011: €915 thousand).

The net finance costs mainly comprise interest expense and similar charges of €869 thousand (2011: €1.023 million), which stemmed from bank loans totalling €17.8 million (2011: €17.4 million).

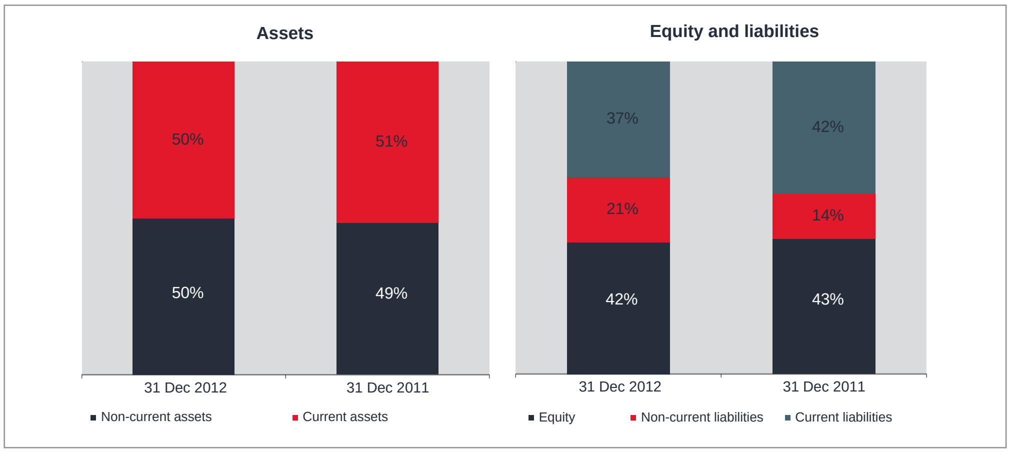
The operating activities of the loss-making joint venture Hypoport Stater B.V. were discontinued with effect from 31 December 2012. The loss incurred by Hypoport Stater B.V. has been reported as profit (loss) from discontinued operations, net of tax. In addition to this company's operating loss, the loss reported on the face of the income statement includes an impairment loss of €1.068 million on the cost of developing the transaction platform for the Dutch market and an impairment charge of €701 thousand on deferred tax assets.

3. Net assets

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2012 is based on the balance sheet figures ag-gregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as ‚current', while all others – unless shown separately – are reported as ‚non-current'.

Assets	2012 €'000	2012 %	2011 €'000	2011 %	Change €'000	Change %
Intangible assets	27,684	39.0	27,867	38.7	-183	-0.7
Property, plant and equipment	2,618	3.7	2,452	3.4	166	6.8
Financial assets	115	0.2	985	1.4	-870	-88.3
Trade receivables	4,640	6.6	2,498	3.5	2,142	85.7
Other assets	23	0.0	26	0.0	-3	-11.5
Deferred tax assets	384	0.5	1,218	1.7	-834	-68.5
Non-current assets	**35,464**	**50.0**	**35,046**	**48.7**	**418**	**1.2**
Trade receivables	21,082	29.9	25,115	34.8	-4,033	-16.1
Other current items	4,687	6.6	3,862	5.4	825	21.4
Income tax assets	959	1.4	595	0.8	364	61.2
cash and cash equivalents	8,555	12.1	7,518	10.4	1,037	13.8
Current assets	**35,283**	**50.1**	**37,090**	**51.3**	**-1,807**	**-4.9**
Total assets	**70,747**	**100.0**	**72,136**	**100.0**	**-1,389**	**-1.9**
Equity and liabilities						
Subscribed capital	6,195	8.8	6,195	8.6	0	0.0
Treasury shares	-61	-0.1	-1	0.0	-60	> 100.0
Reserves	23,480	33.2	24,855	34.6	-1,375	-5.5
	29,614	41.9	31,049	43.0	-1,435	-4.6
Non-controlling interest	230	0.3	220	0.3	10	4.5
Equity	**29,844**	**42.2**	**31,269**	**43.3**	**-1,425**	**-4.6**
Financial liabilities	12,935	18.3	7,769	10.8	5,166	66.5
Provisions	241	0.3	299	0.4	-58	-19.4
Other current liabilities	10	0.0	10	0.0	0	-
Deferred tax liabilities	1,639	2.3	2,219	3.1	-580	-26.1
Non-current liabilities	**14,825**	**21.0**	**10,297**	**14.3**	**4,528**	**44.0**
Provisions	78	0.1	281	0.4	-203	-72.2
Financial liabilities	5,365	7.6	10,890	15.1	-5,525	-50.7
Trade payables	14,070	19.9	12,176	16.8	1,894	15.6
Income tax liabilities	116	0.2	905	1.3	-789	-87.2
Other current liabilities	6,449	9.1	6,318	8.8	131	2.1
Current liabilities	**26,078**	**37.0**	**30,570**	**42.3**	**-4,492**	**-14.7**
Total equity and liabilities	**70,747**	**100.0**	**72,136**	**100.0**	**-1,389**	**-1.9**

The Hypoport Group's consolidated total assets as at 31 December 2012 amounted to €70.7 million, which was 1.9 per cent lower than their total on 31 December 2011 (€72.1 million).



Balance sheet structure

Non-current assets totalled €35.5 million (31 December 2011: €35.0 million). This amount included goodwill which, at an unchanged €14.8 million, remained the largest non-current asset on the balance sheet.

Current other assets essentially comprise advance commission payments of €3.881 million (31 December 2011: €3.128 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2012 fell by €1.4 million, or 4.6 per cent, to €29.6 million. The equity ratio declined from 43.3 per cent to 42.2 per cent.

The €4.5 million increase in non-current liabilities to €14.8 million stemmed primarily from higher non-current financial liabilities. In this connection, bank loans were restructured in 2012 so as to optimise their maturities and interest rates. Current financial liabilities decreased accordingly. Total financial liabilities contracted by an aggregate €0.4 million to €18.3 million.

Other current liabilities mainly comprised commissions received in advance totalling €1.8 million (31 December 2011: €1.7 million) and bonus commitments of €1.9 million (31 December 2011: €2.4 million).

4. Financial position

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

	31 Dec 2012 €'000	31 Dec 2011 €'000	Change €'000
Current liabilities	26,078	30,570	-4,492
Cash and cash equivalents	8,555	7,518	1,037
	17,523	23,052	-5,529
Other current assets	26,728	29,572	-2,844
Surplus cover	**9,205**	**6,520**	**2,685**

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

	31 Dec 2012 €'000	31 Dec 2011 €'000	Change €'000
Non-current assets	35,464	35,046	418
Equity	29,670	31,269	-1,599
	5,620	3,777	1,843
Non-current liabilities	14,825	10,297	4,528
Surplus cover	**9,205**	**6,520**	**2,685**

135 per cent (31 December 2011: 121 per cent) of the current liabilities of €26.078 million (31 December 2011: €30.570 million) are covered by current assets.

84 per cent (31 December 2011: 89 per cent) of non-current assets are funded by equity.

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

	31 Dec 2012	31 Dec 2011
Return on investment = EBIT / (equity + non-current liabilities)	7.2 %	16.2 %
Cash flow (CF) return on equity = CF from operating activities / equity	26.0 %	14.9 %
EBIT margin = EBIT / gross profit	7.1 %	15.2 %
Tier-1 liquidity = cash and cash equivalents / current liabilities	32.8 %	24.6 %
Equity ratio = equity / total equity and liabilities	42.2 %	43.3 %
Gearing = liabilities / total equity and liabilities	57.8 %	56.7 %
Tier-1 capital ratio = equtiy / (intangible assets + property, plant and equipment)	98.5 %	103.1 %

HYPOPORT
THE FINANCE INTEGRATOR

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

Cash flow during the reporting period decreased by €2.6 million to €6.5 million (2011: €9.1 million) The total net cash generated by operating activities as at 31 December 2012 amounted to €7.8 million (2011: €4.7 million). The year-on-year increase in cash flow was mainly attributable to the fact that the cash used for working capital declined by €5.6 million to €1.2 million (2011: increase of €6.4 mil-lion in cash used for working capital).

The net cash outflow of €6.5 million from investing activities (2011: net outflow of €5.7 million) stemmed primarily from the €5.4 million increase in capital expenditure on non-current intangible assets.

The net cash outflow of €0.3 million from financing activities (2011: net cash out-flow of €2.6 million) resulted from a cash inflow of €0.3 million (net balance of loan repayments and new borrowing) and a cash outflow of €0.6 million (purchase of the Company's own shares).

Cash and cash equivalents as at 31 December 2012 totalled €8.5 million, which was €1.0 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 other financial commitments totalling €13.974 million (31 December 2011: €9.197 million) in respect of rentals, leases and maintenance agreements covering several years. Included in these other fi-nancial commitments were commitments of €3.476 million (31 December 2011: €3.153 million) due within one year, €7.771 million (31 December 2011: €5.941 million) due in one to five years, and €2.727 million (31 December 2011: €103 thousand) due in more than five years.

Summary assessment of the Company's financial position and financial per-formance at the time the management report was prepared
Based on the information available at the time the management report was prepared, the Company's financial position and financial performance have been consistent.

5. Capital expenditure and finance

The main capital expenditures in 2012 related to the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces. Hypoport also invested heavily in new advisory systems for end customers and distributors. This capital expenditure was partly funded by new borrowing.

6. Unrecognised assets

One asset that is recognised to only a minor extent is the internally generated software that uses an integrated online system to link up the participants on EUROPACE's financial marketplaces and make EUROPACE the central intermediary in the German property finance market.

The brokerage activities of the Private Clients and Institutional Clients business units provide Hypoport with information on its clients' assets and revenue and on the financial products sold to them. This client base and transaction portfolio constitute an unrecognised asset, because Hypoport can use this information to sell further suitable financial products to the same client in future. For example, Hypoport can also offer advice on the renewal or refinancing of existing mortgage deals well in advance of the end of the original fixed-interest period, for which it may receive another commission from the product supplier.

In its Financial Service Providers business unit, Hypoport provides several thousand financial advisors with access to its EUROPACE marketplace so that they can process their new business in mortgages, building finance and personal loans. This enables Hypoport to assemble a substantial distribution capability, which in turn exerts a considerable appeal for further product suppliers that offer either the same or similar financial products. This potential future extension of the product range enables additional transactions to be processed on the EUROPACE marketplace and constitutes a significant unrecognised asset. Furthermore, Hypoport can enable affiliated financial advisors 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 agency commission.

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

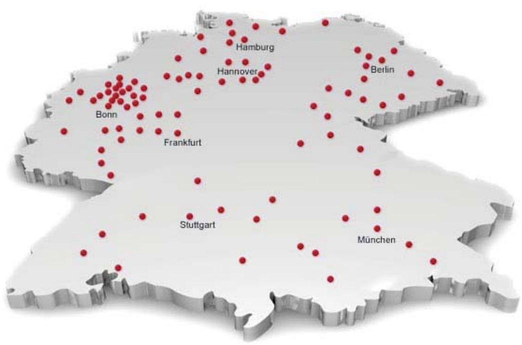
7. Procurement and distribution
Private Clients business unit

By intensifying our online marketing activities for drklein.de and vergleich.de and focusing on acquiring high-quality leads, we continued to provide a sound basis on which to generate sustainable growth in 2012.

The systematic development of our franchise-based branch sales network was continued to great effect in 2012 despite fierce competition for successful distribu-tion partners. Last year brought us yet another step closer to our strategic goal of becoming one of Germany's top five financial product distributors.

We have so far managed to acquire a total of 164 franchisees (2011: 148) for our stationary distribution channel. By 31 December 2012, 759 advisors (end of 2011: 643) were working in our seven (end of 2011: six) flagship stores and at the 199 (end of 2011: 177) branches of our franchise partners.

The map on the right gives an impressive overview of the extensive network of branches established by our franchisees in Germany as well as our flagship stores, which are located in the major German commercial centres.



At the same time, the number of affiliated partners operating within our agent sales network rose to 3,923. Apart from improving the capacity utilisation of our infrastructure, these partners – who are only loosely associated with us – offer significant potential for expanding our business in future.

Distribution channels	31 Dec 2012	31 Dec 2011
Advisers in branch-based sales	759	643
Branches run by franchisees	199	177
Independent financial advisers acting as agents	3,923	3,434

In 2012 we continued to recruit new partner banks and insurance companies as product suppliers. Because it offers a broad range of products from more than 300 partners, Dr. Klein is setting a clear benchmark against which other financial prod-uct distributors are measured.

Institutional Clients business unit

The financial crisis continued to have a considerable impact on the lending market. The trend for some business to gradually shift from banks to insurers and pension funds – something that had already been observed in 2011 – continued in 2012 in anticipation of the introduction of Basel III and Solvency II. We stepped up our collaboration with insurance companies and building finance associations in 2012 in response to banks' reluctance to lend and in order to minimise much of the risk of becoming reliant on individual product suppliers. New transactions were closed with a total of 32 (2011: 29) lenders and 168 (2011: 153) financing customers. The newly acquired partners helped to broaden our product range further and increased the variety of products available to our institutional clients.

In 2012 we repositioned our myWoWi (previously EUROPACE WoWi) portfolio management system as a central management information system for real-estate companies. There is generally brisk demand for our advisory products in the form of loan and collateral analysis as well as myWoWi owing to the increasing transparency and disclosure requirements in the banking industry. These products help strengthen our client loyalty and provide us with vital support in our attempts to acquire new sources of finance.

We are constantly expanding the range of insurance products that we offer the real-estate sector. In addition to the usual types of insurance available, Dr. Klein regularly provides specialist information on current and future issues concerning the real-estate industry. The number of our insurance customers is rising continuously. In 2012 we provided service and support to 30 customers (2011: 20).

Our subsidiary Hypoport B.V. continues to be successful in offering our IT-based advisory service for lenders. It handled projects for customers in Belgium, Germany, the United Kingdom and Greece as well as for our established customers in the Netherlands.

Financial Service Providers business unit

In order to ensure that our EUROPACE marketplace prospers, we need, above all, to attract new distribution partners and product suppliers and to strengthen our business relationships with existing partners and suppliers. The total number of partners using the EUROPACE platform had risen to 199 by 31 December 2012 compared with 165 partners as at 31 December 2011. These organisations, which include Germany's largest banks, building finance associations and financial product distributors, provide several thousand users with a fully integrated method of purchasing financial services on EUROPACE.

In April, loan protection insurance policies were integrated into EUROPACE's sales process as an additional new mortgage finance product under the alliance with payment protection insurer Credit Life International N.V. These policies insure customers against default in the event that they die, become unemployed or are unable to work and constitute a modest step towards the integration of insurance products on the EUROPACE platform.

Santander Bank, which is Germany's third-largest retail bank, decided in June to expand its collaboration with Hypoport further. Santander Bank – which provides consumer banking services – will in future use the support of EUROPACE's technology to offer its customers a product mix comprising its own loans as well as the extensive product ranges of third-party institutions. This will enable it to deliver appropriate financing solutions for its customers under a best-advice approach.

More than 270 participants – a record figure – attended the 20th EUROPACE Conference that was held in August. The two main focal topics of interest at this gathering were the new Basel III and Solvency II regulations and their impact, and the latest technological developments around EUROPACE 2. 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 2012 this network effect continued to boost demand for access to this marketplace, thereby consolidating EUROPACE's prominent position in the market.

In order to increase the platform's efficiency and the volume of transactions it can process, our subsidiaries continued to invest heavily in the expansion of the IT infrastructure in 2012. This created considerable spare capacity, which improved the platforms' performance.

GENOPACE

The number of GENOPACE partners from the sector of credit cooperatives and mutually owned banks continued to rise sharply to 76 (31 December 2011: 54).

Bausparkasse Schwäbisch Hall acquired an equity stake in GENOPACE GmbH with effect from 1 April 2012. Consequently, this platform for credit cooperatives and mutually owned banks will in future provide its partners with automated access to the mortgage finance products of the entire cooperative financial network. Users of GENOPACE will therefore be able to choose from the full range of building finance products available in the marketplace.

FINMAS

Our fairly recently established marketplace for German savings banks and other public-sector financial institutions significantly increased the number of its partner banks to 42 (31 December 2011: 33).

8. Employees

The number of employees in the Hypoport Group rose substantially in line with revenue growth and stood at 546 people as at 31 December 2012. This was an increase of 12 per cent on the end of 2011 (31 December 2011: 489 people). The average number of people employed in 2012 was 524, which was a year-on-year increase of 10 per cent (2011: 478 people). The table below gives a breakdown of the Company's employees by business unit at the balance sheet date.

	31 Dec 2012		31 Dec 2011		Change	
	Number	%	Number	%	Number	%
Financial Product Sales - Private Clients	177	32	123	25	54	44
Financial Product Sales - Institutional Clients	57	10	54	11	3	6
B2B Financial Marketplaces - Financial Service Providers	124	23	105	21	19	18
Information Technology	101	18	97	20	4	4
Administration	87	16	110	22	-23	-21
	546		489		57	12

In today's business environment, which is dominated by myriad social and eco-nomic changes, a company's workforce is the key competitive factor. The lasting success and ongoing evolution of a company's business are essentially guaranteed by a suitably qualified and highly motivated workforce.

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

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

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

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

By offering long-term healthcare and sickness-prevention schemes and providing attractive sports and leisure facilities, Hypoport has created the optimum working conditions to ensure that its staff achieve the right work/life balance. To this end it offers a number of individual and flexible working-time models that include home office solutions, childcare facilities at some sites and customised schemes that make it easier for employees to return to work after they have taken parental leave.

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

9. Marketing

The objective of all our marketing activities is to build and maintain long-term client relationships. The individual elements of our marketing mix are geared to our clients' needs and the target market. In addition to our product-related, pricing and distribution policies, promotional campaigns accounted for a large proportion of these activities. In order to achieve a fully integrated marketing and communica-tions mix, we stepped up all relevant aspects of our public relations, print advertising, print media, direct marketing, sales promotions and trade fair exhibitions.

10. Remuneration report

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

The total remuneration paid to the members of the Management Board in 2012 was composed of a basic salary, a performance-related salary, a variable year-end payment, and non-cash remuneration.

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

Changes in basic salary and the level of variable salary components are deter-mined using the calculation base, the assessment base, and consolidated EBIT. Consolidated EBIT is defined as earnings before interest and tax (EBIT) as reported in the Hypoport Group's IFRS consolidated annual financial statements, excluding variable year-end payments to members of the Group Management Board. The assessment base is defined as consolidated EBIT for the financial year just ended minus the calculation base. The calculation base is newly determined each year and is defined as the average consolidated EBIT over the most recent three-year period. The calculation base must never be less than €5.0 million.

If the calculation base changes, the annual basic salary is increased or reduced by half of the year-on-year percentage change in the calculation base. If the annual basic salary is reduced, however, it must never be less than €180,000.00. If consolidated EBIT is less than €3.0 million, the annual basic salary will amount to €180,000.00 irrespective of any previous increases.

The performance-related salary is paid out in full if consolidated EBIT for the previous year exceeds €3.0 million. If consolidated EBIT is below €3.0 million, the performance-related salary is paid out accordingly on a pro-rata basis. If the calculation base is increased, the annual performance-related salary is raised by half of the year-on-year percentage increase in the calculation base. The performance-related salary is never reduced.

The variable year-end payment initially amounted to 5 per cent (also referred to below as ‚bonus rate') of the assessment base. Starting in the 2012 financial year, if the calculation base changes, the bonus rate is reduced or increased by half of the year-on-year percentage increase or reduction in the calculation base. The bonus rate is never more than 5 per cent. The year-end payment amounts to no more than the sum total of the annual basic salary and the performance-related salary.

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

The Management Board members' service contracts contain no agreements that would apply in the event of a change of control resulting from a takeover bid. No loans or advances had been granted as at 31 December 2012.

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. This policy specifies an excess of at least 10 per cent of the insurance claim up to one-and-a-half times the annual remuneration of the Management Board member concerned.

No pension payments, annuities or similar benefits have been agreed with any of the members of the Management Board.

The remuneration paid to the Management Board for 2012 totalled €895 thousand and was broken down as follows:

€'000	Fixed remuneration* 2012	2011	Variable remuneration 2012	2011	Other remuneration 2012	2011	Total remuneration 2012	2011
Ronald Slabke	204	204	0	58	11	11	215	273
Thilo Wiegand	204	204	0	58	13	13	217	275
Hans Peter Trampe	204	204	0	58	9	10	213	272
Stephan Gawarecki	204	204	0	58	46	45	250	307
Total	**816**	**816**	**0**	**232**	**79**	**79**	**895**	**1,127**

* The fixed remuneration includes the guaranteed bonus.

The remuneration paid to the members of the Supervisory Board is stipulated in the Company's statutes and is determined by the Annual Shareholders' Meeting. It was last amended by a resolution adopted by the Annual Shareholders' Meeting on 4 June 2010 and consists of three components: an annual fixed remuneration, special remuneration for the chairman and vice-chairman of the Supervisory Board, and a performance-related element.

Pursuant to section 12 of the Company's statutes, the members of the Supervisory Board receive a fixed remuneration of €12,000.00 for every full financial year during which they serve on the Supervisory Board, plus reimbursement of their out-of-pocket expenses. In addition, the members of the Supervisory Board receive a variable remuneration equivalent to 0.1 per cent of any positive earnings before interest and tax (EBIT) as reported in the Company's IFRS consolidated annual financial statements, but in any event no more than €5,000, for every full financial year during which they serve on the Supervisory Board. Both the fixed and variable remuneration are payable at the end of the Annual Shareholders' Meeting that formally approves the acts of management for the previous financial year, unless the Annual Shareholders' Meeting decides otherwise. The chairman of the 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 2012 totalled €64 thousand and was broken down as follows:

in TEUR	Fixed remuneration 2012	Fixed remuneration 2011	Variable remuneration 2012	Variable remuneration 2011	Other remuneration 2012	Other remuneration 2011	Total remuneration 2012	Total remuneration 2011
Dr. Ottheinz Jung-Senssfelder	24	24	3	10	2	2	29	36
Prof. Dr. Thomas Kretschmar	18	18	2	7	0	0	20	25
Christian Schröder	12	12	1	5	2	2	15	19
Total	**54**	**54**	**6**	**22**	**4**	**4**	**64**	**80**

11. Disclosures under German takeover law

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

Composition of subscribed capital

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

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

Restrictions on voting rights and the transfer of shares

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

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

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

Ronald Slabke, Berlin, holds 36.25 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.23 per cent of Hypoport's shares. Of these, the 0.23 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

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

Shares with special rights conferring powers of control

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

Type of control over voting rights in cases where employees are 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 deter-mined by the Supervisory Board. If the Management Board is short of a member, this member is appointed by the courts in urgent cases at the request of an inter-ested party pursuant to section 85 AktG.

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

Powers of the Management Board to issue and repurchase shares

The Annual Shareholders' Meeting held on 1 June 2012 voted to set aside the unused authorisation granted on 1 June 2007 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 31 May 2017. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

The Annual Shareholders' Meeting held on 4 June 2010 adopted a resolution authorising the Management Board to purchase treasury shares amounting to a total of up to 10 per cent of the subscribed capital in existence at the time the resolution was adopted. The shares thus purchased, together with other treasury shares that are in the possession of Hypoport AG or are attributable to it pursuant to sections 71d and 71e of the German Stock Corporation Act (AktG), must at no time account for more than 10 per cent of the Company's subscribed capital in existence at that time. The authorisation may be utilised either in full or partially, on one or more occasions, in pursuit of one or more objectives by Hypoport AG or by its Group companies or for its or their account by third parties. The authorisation is valid until 3 June 2015. The resolution adopted by the Annual Shareholders' Meeting of Hypoport AG on 5 June 2009 authorising the Management Board to purchase treasury shares was set aside when the resolution issuing this new authorisation came into effect. The Management Board may determine whether the shares are purchased through the stock market or by means of a public purchase offer or by means of a public invitation to submit such an offer.

The conditional capital created by an Annual Shareholders Meeting resolution adopted on 26 August 2002 no longer exists.

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

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

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

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

12. Corporate management declaration

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

II. Opportunities and risks report

It is not possible for medium-sized companies such as the Hypoport Group to influence or control fundamental overarching risks. Hypoport's risk policy focuses on continuously and permanently increasing the value of the Company, achieving its medium-term financial targets and safeguarding it as a long-term going concern. Consequently, we see risk management first and foremost as an entrepreneurial function that consists of exploiting opportunities whilst weighing up the risks that arise from doing so in a responsible manner and with shareholder value in mind. The task of management and all employees is to optimise the likelihood of either of these factors occurring in order to safeguard the Company's interests.

Hypoport has introduced a risk management and early-warning system as required by section 91 (2) AktG. All risks are registered, measured and monitored on a quarterly basis. The Hypoport Group's early-warning system for risk is adjusted as soon as possible to reflect changes in the market environment.

1. Integrated risk management system

Internal monitoring system

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

The security and reliability of our IT infrastructure is constantly being refined and is regularly reviewed. The same applies to the Company's compliance with data 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 2012 and plans to do the same in 2013. These measures improved its competitive position last year.

The most important macroeconomic risk continues to be a slackening of demand for mortgage finance, because this product segment still accounts for a significant proportion of the Hypoport Group's activities. The main triggers for such a downturn could be the housing market or long-term interest rates.

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

The interest rate on long-term investments, which serve as the benchmark rate on property finance, could also have a significant impact on the demand for finance and, consequently, on the performance of both Dr. Klein as a financial product distributor and EUROPACE as a financial marketplace.

A sharp rise in long-term interest rates might curb demand for such finance, while lower interest rates could stimulate it. We expect interest rates to remain low against a backdrop of persistently challenging economic conditions. The year-to-date trend in 2013 confirms this assumption.

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

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

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

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

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

At the same time, however, the market is undergoing a period of consolidation. Increasingly restrictive legal requirements – especially in respect of financial advi-sory services and financial products – and technological innovations demand that companies operate on an efficient scale. The need to achieve this critical mass is currently driving the market in mergers and acquisitions. The Hypoport Group will be an active player rather than a target in this process. Given its current shareholder structure, a hostile takeover of the Company would be impossible. Nonetheless, its shareholder structure is constantly and carefully reviewed to detect any changes.

HYPOPORT
THE FINANCE INTEGRATOR

4. Operational risk

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

The Company therefore pursues a Group-wide IT strategy to mitigate its IT risks. When selecting our IT systems we usually opt for software packages supplied by reputable providers, supplementing them where necessary with proprietary software developed specifically for Hypoport. To ensure that they work properly, we subject all IT systems to rigorous testing before they go live. The operation of 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 con-stantly increasing. It meets this demand for capital by working closely with its lenders. Its shareholders help to increase the Company's financial strength and mitigate its financial risks by retaining its profits.

To ensure that it can borrow sufficient amounts, the Hypoport Group maintains business relationships with several banks. It discusses its future borrowing requirements with these institutions in a timely fashion. We subject our banking 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. Most of the Hypoport Group's accounts receivable are owed by medium-sized and large financial service providers. An appropriate system of payment reminders is used to mitigate default risk.

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

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

6. Strategic risk

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

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

The Group Management Board regularly reviews the strategy adopted for the Hypoport Group as part of our long-term planning. Corporate and divisional strategies form the basis on which the four-year plan and the budget for the following year are compiled. To this end we continuously monitor the domestic and international environment and keep our strategic market position under constant review. This enables us, where necessary, to respond to changing market conditions by adjusting our business model or processes. When formulating such strategic initiatives, the Management Board liaises closely with the Supervisory Board.

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

7. Disclosures pursuant to section 315 (2) no. 5 HGB

The following description of the material features of the internal control and risk management systems used for the consolidated financial reporting process is re-quired by section 315 (2) no. 5 HGB.

Main features of the internal control and risk management systems used by Hypoport AG and the Hypoport Group for the financial reporting process

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

The internal control system used in the Hypoport Group incorporates all the principles, procedures and measures needed to ensure that its financial reporting is effective, efficient and carried out correctly and to ensure that it complies with the relevant legislation.

The Company and the Group have a clear management and organisational structure in which key interdepartmental functions are managed centrally by the Company while individual companies within the Group enjoy a high degree of independence.

Accounting, financial control and financial reporting – the areas primarily involved in the financial reporting process – have clearly segregated roles in order to prevent fraudulent acts and abuse. Their areas of responsibility have been clearly allocated.

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

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

There is an effective system of standards and policies (e.g. accounting standards, payment guidelines, travel policy etc.), which is constantly updated. Various checklists and descriptions of procedures are also available.

The areas involved in the financial reporting process are equipped with the necessary resources in terms of both quality and quantity.

Specific training and professional development courses generate a high degree of quality awareness among all those involved in the process throughout the Group network.

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

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

The Company's clearly defined work processes and the way in which it documents and follows up on all matters that have to be accounted for ensure that the entries in its bookkeeping system are complete and properly checked.

The accounting-related internal control system guarantees that bookkeeping records are checked to make sure that they are arithmetically and factually correct.

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

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

The financial reporting function, which acts as a direct point of contact for financial reporting and Group financial statements for the Management Board and the directors/managing directors of the subsidiaries, prepares and compiles the consolidated financial statements in accordance with IFRS.

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

Because all Group companies are required to report their financial results to the Group parent company in a standard format every month of the year, deviations of actual figures from the budget during the year are identified quickly and it is possible to take appropriate swift action.

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

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

The IT systems used for financial reporting purposes are protected by special se-curity devices against unauthorised access in order to ensure that accounting-related data cannot be accessed, used or altered by non-approved persons. Access authorisations are issued for specific functions. Only those areas that are responsible for recording the transactions concerned are given write access. Functions that process information use read access.

We centrally manage and monitor the relevant IT systems used in our financial reporting process, and we carry out regular system back-ups to prevent any data loss and system malfunctions as far as possible.

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

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

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

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

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

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

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

Clearly defined areas of responsibility, in both financial reporting itself and in risk management and internal audit, as well as ensuring that the accounting function is adequately equipped with the necessary human and material resources, enable the areas involved in the financial reporting process to work efficiently. Precise statutory and corporate rules and guidelines ensure that the financial reporting process is conducted consistently and properly. Clearly defined checking mechanisms (particularly checking by a second person) within the areas involved in the financial reporting process itself, systematic controls undertaken by internal and external auditors and the early identification of risk by the risk management function ensure that financial reports are error free and coherent.

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

8. Limitations

The internal control and risk management system makes it possible for the organisational, control and monitoring structures built into the Hypoport Group to record, process and assess all company-related information and for the information to be presented appropriately in the consolidated financial statements.

However, due to the nature of the business, it is not possible to rule out discretion-ary personal decisions, defective controls, criminal acts and other circumstances that could impair the effectiveness and reliability of the internal control and risk management systems in use. As a result, even though the system is applied across the Group it is not possible to guarantee with absolute certainty that information in the consolidated financial statements has been recognised correctly, promptly or in full.

The statements made relate only to the subsidiaries included in Hypoport AG's consolidated financial statements whose financial and operating policies Hypoport AG is able to influence directly or indirectly in order to benefit from the activities undertaken by these companies.

9. Opportunities

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

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

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

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

Growing demand for financial provision for old age is a long-term trend that is set to continue as life expectancy increases and the birth rate falls. Privately funded pensions will continue to gain in importance given the current challenges faced by countries and their governments in overcoming the present economic crisis. The importance of professional financial product distributors who offer impartial advice and allow customers to select the best product for them will continue to grow. The successful sale of financial products and services will involve growing levels of complexity for all market participants, which will make it increasingly necessary to provide all stakeholders with automated, technology-based support, such as that offered by EUROPACE.

III. Events after the balance sheet date

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

IV. Outlook

The performance of the global, European and German economies and of Germany's financial services market in 2013 will once again be largely determined by the euro crisis. This crisis is certain to continue making its presence felt this year; the only unknown is how it will pan out. Commenting in its semi-annual study on the global economy, the World Bank has revised downwards its growth forecasts for 2013 and is now predicting growth of 2.4 per cent. It is likely to be 2014 before global growth picks up again, when it is forecast to hit 3 per cent. The factors that could curb growth worldwide are the risk of an ineffective fiscal policy and a re-newed intensification of the euro crisis as well as shocks emanating from food and oil prices. The World Bank estimates that the European economy will continue to contract in 2013, shrinking by 0.1 per cent. Various negative scenarios could impair growth forecasts for 2013.

The ifo Institute of Economic Research reckons there is a two-thirds probability that the German economy will grow by 0.7 per cent in 2013. Its forecast is based on the assumption that there will be no further escalation of the troubles in the euro zone and that the region's crisis countries do their homework to address their public debt and spending. The ifo Business Climate Index revealed highly encouraging results for the third time in succession. The Institute and the businesses that it surveys believe that the economy will have started to recover by the end of this year. Nonetheless, the number of those in employment will rise only slightly, if at all.

In addition to government-funded construction projects, the high level of excess demand will continue to boost private-sector building activity as well in 2013. The German Institute for Economic Research (DIW) expects the construction industry to grow by 5 per cent in nominal terms and by 2 per cent on an inflation-adjusted basis in 2013. Residential construction will be a key growth driver here because investors and homeowners alike continue to regard property as a safe haven. Long-term interest rates in Germany will not change dramatically over the next few months. Even if the European Central Bank raises interest rates, this will have no short-term impact on the borrowing terms available for mortgage finance. These terms are expected to remain highly attractive in the first half of 2013. This combination of cheap finance and growth in housing starts will have a positive impact on all business units in the Hypoport Group.

On the other hand, the low level of interest rates will continue to seriously dent the appeal of short-term savings products and long-term pension products offered by banks and insurance companies. The resultant challenges facing all market participants mean that over the next few years we can expect to see a continuation of the substantial downward pressure on prices in these product segments and further fierce competition for distribution partners. Irrespective of the varying market conditions prevailing at present, there are several key reasons why the Hypoport Group's business models should continue to prosper in 2013 and 2014: there is growing acceptance and use of the internet, demand for good pension and insurance products remains strong, and there are still many people who wish to realise their dream of becoming a homeowner. Nonetheless, regulation and the low level of interest rates will continue to act as a drag on the insurance market over the next two years.

The Private Clients business unit has equipped itself to deal with the challenges that it faces in its insurance business by significantly increasing the number of its advisors and branches and offering comprehensive one-stop advisory services. Over the next two years we expect to generate double-digit revenue growth and – by substantially improving our profitability – to return to profit in 2013 and then achieve a disproportionate increase in EBIT in 2014. The key factors influencing the performance of our Private Clients business unit will be the fierce competition in the insurance distribution market going forward and the massive expansion of our market presence in online personal loans.

The Institutional Clients business unit is also well placed for the next few years on the back of its innovative financing solutions and its leading position in the market. By exploiting the robust conditions in our market over the next two years we aim to build on the successful, systematic revenue and earnings growth achieved in recent years.

The Financial Service Providers business unit will continue to expand its growth in the cooperative and public sectors and will benefit from the impressive performance of its markets and platforms. Because of the size that it has now reached and the fact that the stimulus provided by big-ticket projects completed in 2012 is now no longer available, we expect it to generate lower revenue growth over the next two years and to significantly improve its EBIT compared with the impressive prior-year figure.

The Hypoport Group as a whole is ideally placed in the market to achieve these goals in 2013 and 2014. Assuming that the European and German economies perform reasonably well over the next two years, we expect to generate double-digit revenue growth and an EBIT figure in line with previous record years.

Based on the capital spending decisions that we have already taken and the future projects that we are planning, we anticipate that the Hypoport Group will require financial resources of approximately €6.0 million in each of the next two years. Most of these funds will be invested in the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces. Allowing for the level of operating cash flow that we expect to generate, the Hypoport Group's net borrowing is likely to remain stable over the next two years.

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

Berlin, 8 March 2013

Hypoport AG – The Management Board

Ronald Slabke | Thilo Wiegand

Stephan Gawarecki | Hans Peter Trampe

7. Consolidated financial statements

IFRS consolidated balance sheet as at 31 December 2012

Assets	31 Dec 2012 €'000	31 Dec 2011 €'000	Note
Non-current assets			
Intangible assets	27,684	27,867	4.1
Property, plant and equipment	2,618	2,452	4.1
Financial assets	115	985	4.2
Trade receivables	4,640	2,498	4.3
Other assets	23	26	4.4
Deferred tax assets	384	1,218	4.5
	35,464	**35,046**	
Current assets			
Trade receivables	21,082	25,115	4.3
Other assets	4,687	3,862	4.4
Current income tax assets	959	595	4.4
Cash and cash equivalents	8,555	7,518	4.6
	35,283	**37,090**	
	70,747	**72,136**	
Equity and liabilities			
Equity			
Subscribed capital	6,195	6,195	4.7
Treasury shares	-61	-1	4.10
Reserves	23,480	24,855	4.11
Non-controlling interest	230	220	4.12
	29,844	**31,269**	
Non-current liabilities			
Financial liabilities	12,935	7,769	4.13
Provisions	241	299	4.15
Other liabilities	10	10	4.14
Deferred tax liabilities	1,639	2,219	4.5
	14,825	**10,297**	
Current liabilities			
Provisions	78	281	4.15
Financial liabilities	5,365	10,890	4.13
Trade payables	14,070	12,176	
Current income tax liabilities	116	905	
Other liabilities	6,449	6,318	4.14
	26,078	**35,570**	
	70,747	**72,136**	

IFRS consolidated income statement

for the year ended 31 December 2012

	2012 €'000	2011* €'000	Note
Revenue	87,753	84,360	3.1
Selling expenses	-43,034	-39,903	3.2
Gross profit	**44,719**	**44,457**	
Own work capitalised	4,180	3,570	3.3
Other operating income	2,376	1,845	3.4
Personnel expenses	-29,937	-26,529	3.5
Other operating expenses	-13,207	-11,870	3.7
Earnings before interest, tax, depreciation and amortisation	**8,131**	**11,473**	
Depreciation, amortisation expense and impairment losses	-4,934	-4,721	3.6
Earnings before interest and tax (EBIT)	**3,197**	**6,752**	
Financial income	179	346	3.8
Finance costs	-1,038	-1,080	3.8
Earnings before tax (EBT)	**2,338**	**6,018**	
Income taxes and deferred taxes	-394	-1,551	3.9
Profit (loss) from continuing operations, net of tax	**1,944**	**4,467**	
Profit (loss) from discontinued operations, net of tax	**-2,759**	**-718**	**7.9**
Net profit (loss) for the year	**-815**	**3,749**	
attributable to non-controlling interest	10	32	2.1
from continuing operations	10	32	2.1
from discontinued operations	0	0	2.1
attributable to Hypoport AG shareholders	**-825**	**3,717**	**2.1**
from continuing operations	**1,934**	**4,435**	**2.1**
from discontinued operations	-2,759	-718	2.1
Earnings (loss) per share (€)	-0.13	0.60	3.10
from continuing operations	0.32	0.72	3.10
from discontinued operations	-0.45	-0.12	3.10

* The comparative prior-year tax figures have been adjusted and are explained in section 2.1 of the notes „Comparative figures for 2011"

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Consolidated statement of comprehensive income

for the period 1 January to 31 December 2012

	2012 €'000	2011 €'000
Net profit (loss) for the year	**-815**	**3.749**
Total income and expenses recognized in equity*)	**0**	**0**
Total comprehensive income	**-815**	**3.749**
attributable to non-controlling interest	10	32
from continuing operations	10	32
from discontinued operations	0	0
attributable to Hypoport AG shareholders	**-825**	**3.717**
from continuing operations	**1.934**	**4.435**
from discontinued operations	**-2.759**	**-718**

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

Consolidated statement of changes in equity for 2011 and 2012

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equtiy attributable to non-controlling interest	Equity
Equity as at 1 Jan 2011	6,182	1,937	19,083	27,202	188	27,390
Sale of own shares	12	115	3	130	0	130
Total comprehensive income	0	0	3,717	3,717	32	3,749
Equity as at 31 Dec 2011	**6,194**	**2,052**	**22,803**	**31,049**	**220**	**31,269**

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equtiy attributable to non-controlling interest	Equity
Equity as at 1 Jan 2012	6,194	2,052	22,803	31,049	220	31,269
Sale of own shares	0	0	1	1	0	1
Purchase of own shares	-60	0	-551	-611	0	-611
Total comprehensive income	0	0	-825	-825	10	-815
Equity as at 31 Dec 2012	**6,134**	**2,052**	**21,428**	**29,614**	**230**	**29,844**

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IFRS consolidated financial statements

for the year ended 31 December 2012

	2012 €'000	2011 €'000
Earnings before interest and tax (EBIT)	1,246	5,915
from continuing operations	3,197	6,752
from discontinued operations	-1,951	-837
Non-cash income (+) / expense (-)	256	-607
Interest received (+)	179	134
Interest paid (-)	-946	-1,154
Income tax payments (-)	-737	-409
Income tax receipts (+)	0	0
Depreciation and amortisation expense, impairment losses (+) / reversals of impairment losses (-)	6,533	5,180
Gains (-) / losses (+) on the disposal of non-current assets	1	6
Cash flow	**6,532**	**9,065**
Increase (+) / decrease (-) in current provisions	-203	109
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	1,555	-8,077
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	-118	3,554
Change in working capital	**1,234**	**-4,414**
Cash flows from operating activities	**7,766**	**4,651**
from discontinued operations	101	544
Proceeds from the disposal of property, plant and equipment / intangible assets (+)	0	4
Payments to acquire property, plant and equipment / intangible assets (-)	-6,517	-5,269
Deconsolidation of joint ventures (-)	-15	0
Proceeds from the disposal of financial assets (+)	63	70
Purchase of financial assets (-)	-6	-554
Cash flows from investing activities	**-6,475**	**-5,749**
from discontinued operations	-268	-453
Proceeds from additions to equity (+)	0	0
Purchase of own shares (-)	-611	0
Proceeds from the issue of bonds and drawdown of loans under finance facilities (+)	11,100	0
Redemption of bonds and loans (-)	-10,743	-2,584
Cash flows from financing activities	**-254**	**-2,584**
from discontinued operations	0	0
Net change in cash and cash equivalents	1,037	-3,682
Cash and cash equivalents as the beginning of the period	7,518	11,200
Cash and cash equivalents at the end of the period	**8,555**	**7,518**
from discontinued operations	0	167

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Notes to the consolidated financial statements

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1. Basis of presentation

1.1 Business background and company-law information

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

As the parent company of the Hypoport Group, Hypoport AG is required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements and a group management report. Because the Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange, this obligation applies irrespective of whether certain minimum size criteria are met. As a parent entity that is listed on a stock exchange, the Company is obliged to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). It is required by section 315a (1) HGB to comply with supplementary provisions of the German Commercial Code.

The consolidated financial statements for 2012 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (EU). Furthermore, a group management report has been added to the IFRS consolidated financial statements to meet the requirements of the HGB. The IFRS consolidated financial statements comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated cash flow statement and the notes to the consolidated financial statements. The disclosures required by section 315a (1) HGB are presented in the notes to the consolidated financial statements and in the remuneration report, which forms part of the group management report. The consolidated financial statements were completed on 7 March 2013 and are expected to be submitted to the Supervisory Board on 15 March 2013 to be approved for publication.

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

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

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

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

All figures on the quantities and volumes of financial products sold (e.g. volume of loans brokered, life insurance premiums, or volume of transactions processed on EUROPACE) include cancellations and, consequently, cannot be compared directly with the revenue figures shown, which exclude cancellations.

The relevant figures shown in each case are calculated at a cut-off point in the product transaction process that is appropriate for the accrual method of accounting used. Cancellations that occur later in this process – e.g. as a result of additional credit checks or health checks performed by product suppliers or the exercise of cancellation rights by consumers – are not included in the relevant figures shown.

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

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

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

1.2 Application of International Financial Reporting Standards (IFRS)

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2012 have been adopted. All the principles of the framework, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations of the Standing Interpretations Committee (SIC) applicable at the balance sheet date have been applied.

Only the following standards and interpretations that had been revised or newly issued by the IASB were required to be applied for annual periods beginning on or after 1 January 2012:

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

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

The application of the above amendment to the IFRSs has had no impact on the financial position or financial performance of the Hypoport Group.

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

- IAS 1: Presentation of Items of Other Comprehensive Income
  (required to be applied for annual periods beginning on or after 1 July 2012)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (1 January 2013)

- IAS 19: Employee Benefits (1 January 2013)
- IAS 27: Separate Financial Statements (1 January 2014)
- IAS 28: Investments in Associates and Joint Ventures (1 January 2013)
- IAS 32: Financial Instruments: Presentation – Offsetting financial assets and financial liabilities (1 January 2014)
- IFRS 1: 'First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' (1 January 2013)
- IFRS 1: Government Loans (1 January 2013)
- IFRS 7 Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities (1 January 2013)
- IFRS 9: Financial Instruments: Classification and measurement of financial assets (1 January 2015)
- IFRS 10: Consolidated Financial Statements (1 January 2014)
- IFRS 11: Joint Arrangements (1 January 2014)
- IFRS 12: Disclosure of Interests in Other Entities (1 January 2014)
- IFRS 13: Fair Value Measurement (1 January 2013)
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)
- Various: Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) (1 January 2014)
- Various: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12 (1 January 2013)
- Various: Annual Improvements 2009–2011 Cycle (1 January 2013)

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

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

IAS 19: Employee Benefits
These amendments to IAS 19 were issued in June 2011. Actuarial gains and losses must be recognised immediately in other comprehensive income. This eliminates the previously available option of using the corridor method. Reductions in plan assets will in future be treated as unrecognised past

service cost, i.e. the plan reduction will be fully recognised in the period in which it occurs. The figures for interest cost and expected return on plan assets, which have been calculated separately to date, will be replaced by the net interest expense, which is calculated using a standard interest rate. The amended standard also contains more extensive disclosure requirements in respect of employee benefits.

IAS 27: Separate Financial Statements

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

IAS 28: Investments in Associates and Joint Ventures

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

IAS 32: Financial Instruments: Presentation – Offsetting financial assets and financial liabilities

The amendments to IAS 32 issued in December 2011 clarify that financial assets and financial liabilities may only be offset on the face of the balance sheet if the present right to offset does not depend on a future event and is legally enforceable both in the ordinary course of business and in the event of the default, bankruptcy or insolvency of a party to the agreement. Furthermore, it specifies that gross settlement mechanisms are equivalent to net settlement, provided no credit risk or liquidity risk remains and assets and liabilities are processed in one settlement procedure.

IFRS 1: 'First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'

These two amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation. The amendments are not relevant for the Hypoport Group.

IFRS 1: Government Loans

The amendments issued in March 2012 regulate the recognition and measurement of government loans at below-market interest rates during transition to IFRS. The amendments enable first-time adopters to first recognise such loans in their opening IFRS balance sheet at the amortised carrying amount and subsequently at fair value. These amendments are not relevant to Hypoport.

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IFRS 7: Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities
The amendments issued in December 2011 expand the scope of existing disclosure requirements to include financial instruments on the face of the balance sheet that have been offset against each other. They also include additional disclosure requirements for financial instruments that are subject to offsetting agreements, regardless of whether they have actually been offset in accordance with IAS 32.

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

IFRS 10: Consolidated Financial Statements
This new standard, which was issued in May 2011, supersedes the consolidation principles contained in IAS 27 and SIC 12 on the consolidation of special-purpose entities. Although the new standard does not amend any accounting policies, the concept of control is now widened to include the issue of the consolidation of special-purpose entities. The definition of ‚control' is also modified. An investor is now deemed to control an investee when it has power over the investee, it is exposed – or has rights – to variable returns from its involvement with the investee, and it has the ability to affect those returns through its power over the investee.

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

Because pro-rata consolidation has been eliminated, the following Group companies will be equity-accounted from 1 January 2014 instead of being consolidated on a pro-rata basis as they have been to date: Hypoport on-geo GmbH, FINMAS GmbH and ATC Hypoport B.V. As a result, their income, expenses, assets, liabilities and cash flows will no longer be attributed to the Group. The impact on the Group's financial position and financial performance will be minimal. As at 31 December 2012, the proportion of the joint ventures' assets to Group assets was 1.1 per cent, the proportion of their equity and liabilities to Group equity and liabilities was 1.2 percent and the proportion of their revenue to Group revenue was 0.8 percent.

IFRS 12: Disclosure of Interests in Other Entities
This standard, which was also issued in May 2011, stipulates the minimum disclosure requirements for subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Although the standard constitutes a minimum framework, it goes beyond the scope of the disclosure requirements applicable to date. Its main objective is to require the disclosure of information on the nature of, and the risks associated with, an entity's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement
This standard, which was issued in May 2011, sets out in a single IFRS a framework for measuring fair value, which in the past has been governed by differing arrangements in individual standards. At the same time it has introduced comprehensive disclosure requirements on this issue.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
This interpretation is of no relevance to Hypoport's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
In the future, the amendments issued in October 2012 will release many investment companies from the requirement to consolidate subsidiaries controlled by them in their consolidated financial statements. Instead, they will be able to measure interests held for investment purposes at fair value. New disclosure requirements are also set out for investment entities. These amendments are not relevant to the Hypoport Group.

Transition Guidance for IFRS 10, IFRS 11 and IFRS 12
The transitional guidance issued in June 2012 includes exemptions when the standards are adopted for the first time. Adjusted comparative information now only has to be disclosed for the immediately preceding comparative period. There is no longer a requirement to disclose comparative information for non-consolidated, structured entities for periods prior to first-time adoption of IFRS 12.

Annual Improvements 2009–2011 Cycle
In May 2012, provisions arising from the annual improvement project were issued that included amendments to five standards. In addition to minor amendments to content, the provisions largely relate to clarifications regarding recognition, disclosure and measurement.

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

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

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include nine (2011: ten) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, and three (2011: four) joint ventures.
As at 31 December 2012, the operating activities of the loss-making joint venture Hypoport Stater B.V. were closed down and the company was consequently deconsolidated. The aim of establishing the German market standard for transaction platforms in the Dutch market was impossible at a time when the Dutch banking and real-estate markets had been depressed by the financial crisis for several years. The joint venture will be wound up in an orderly manner by means of voluntary liquidation. The disposal of assets amounting to €32 thousand and of liabilities amounting to €23 thousand resulted in a deconsolidation loss of €9 thousand at Group level.

To streamline the structure of shareholdings, Hypoport Finance AG was merged with the Hypoport AG with effect from 30 September 2012 and is therefore no longer included in the consolidation as an individual entity. This merger has had no impact on profit or loss. The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG:

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

With the exception of Hypoport on-geo GmbH, FINMAS GmbH and ATC Hypoport B.V. (all joint ventures consolidated on a pro-rata basis owing to lack of control), all companies in the Group are fully consolidated. The following assets, liabilities, income and expenses recognised for the subsidiaries consolidated on a pro-rata basis have been included in the Hypoport Group:

€'000	2012	2011
Assets	746	2,431
non-current	0	2,007
Liabilities	500	1,902
non-current	0	813
Revenue	718	338
Personnel expenses	-136	-242
Other operating expenses	-117	-790
Income taxes and deferred taxes	-26	193

1.4 Principles of consolidation

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

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

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

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When the acquisition costs incurred in business combinations are being determined, conditional purchase price components are recognised at their fair value at the date of first-time consolidation. Subsequent deviations from this value are recognised in profit or loss. Transaction costs are expensed as incurred in accordance with IFRS 3. Any negative differences or negative goodwill arising on consolidation are immediately recognised in profit or loss.

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

The Hypoport Group consolidates its interests in joint ventures on a pro-rata basis. IAS 31 allows entities to choose between the equity method and the proportionate method of consolidation when preparing their consolidated financial statements. This chosen method must then be applied across the entire consolidated group. Hypoport is of the view that proportionate consolidation is more appropriate for presenting joint ventures because this method makes it easier for users of these financial statements to understand what proportion of the joint ventures' financial position and financial performance is attributable to the Hypoport Group. For each individual item it aggregates its pro-rata share of the joint ventures' income, expenses, assets, liabilities and cash flows with similar items in its own financial statements.

As a result of the amendments to IFRS 11, joint ventures will be consolidated using the equity method from 1 January 2014 onwards. In the case of long-term equity investments accounted for under the equity method in the consolidated financial statements, their carrying amount will be increased or decreased annually to reflect any changes in the proportion of equity held by Hypoport. When equity-accounted investments are included for the first time, differences arising from first-time consolidation are treated in accordance with the principles of full consolidation. Changes in the proportion of equity, including write-downs on goodwill, are recognised in profit (loss) from equity-accounted long-term equity investments.

Long-term equity investments that have a minor impact on the Group's financial position and financial performance individually and whose impact is immaterial overall, are included in the consolidated financial statements at acquisition cost minus impairment losses. The basis rollover method is used to recognise common control transactions. The assets and liabilities in step acquisitions are recognised at their fair value at the acquisition date. Existing investments are measured at fair value through profit or loss. Goodwill is determined at the acquisition date. Differences arising from the acquisition or sale of investments in affiliated companies without any acquisition or loss of control are recognised in other comprehensive income.

Trade receivables, loans and other receivables are fully offset against the corresponding liabilities and provisions as part of the elimination of intercompany balances between the subsidiaries included in consolidation; such assets and liabilities are offset on a pro-rata basis in cases where the proportionate method of consolidation is used.

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

1.5 Currency translation

In the single-entity financial statements for the companies in the Group, all receivables and payables denominated in foreign currency are measured using the mid rate on the balance sheet date regardless of any existing hedging. Where, in the case of receivables, the closing rate is lower or, in the case of payables, the closing rate is higher, the foreign currency value translated at the closing rate is reported. Any exchange differences arising as a result are recognised in consolidated income.

1.6 Use of assumptions and estimates

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

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

2 Accounting policies

2.1 Comparative figures for 2011

Owing to the closure of the operating activities of Hypoport Stater B.V. and the related discontinuation of the ‚transaction platform for the Dutch market' business unit, which are required by IFRS 5 to be presented as discontinued operations, Hypoport AG has restated the income statement it reported for 2011. For this purpose, the income and expense from these operations, which essentially relate to Hypoport Stater B.V., have 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.

Income Statement	2011 restated €'000	2011 as reported €'000	Change €'000	Thereof IFRS 5 €'000
Revenue	84,360	84,386	-26	-26
Selling expenses	-39,903	-39,903	0	0
Gross profit	**44,457**	**44,483**	**-26**	**-26**
Own work capitalised	3,570	4,021	-451	-451
Other operating income	1,845	1,845	0	0
Personnel expenses	-26,529	-26,690	161	161
Other operating expenses	-11,870	-12,564	694	694
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,473**	**11,095**	**378**	**378**
Depreciation, amortisation expense and impairment losses	-4,721	-5,180	459	459
Earnings before interest and tax (EBIT)	**6,752**	**5,915**	**837**	**837**
Financial income	346	346	0	0
Finance costs	-1,080	-1,154	74	74
Earnings before tax (EBT)	**6,018**	**5,107**	**911**	**911**
Income taxes and deferred taxes	-1,551	-1,358	-193	-193
Profit (loss) from continuing operations, net of tax	**4,467**	**3,749**	**718**	**718**
Profit (loss) from discontinued operations, net of tax	**-718**	**0**	**-718**	**-718**
Net profit (loss) for the year (total)	**3,749**	**3,749**	**0**	**0**
attributable to non-controlling interest	32	32	0	0
attributable to Hypoport AG shareholders	**3,717**	**3,717**	**0**	**0**
Earnings (loss) per share from continuing operations (€)	**0.72**	**0.60**	**0.12**	**0.12**
Earnings (loss) per share from discontinued operations (€)	**-0.12**	**0.00**	**-0.12**	**-0.12**

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

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

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

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

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

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

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

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

2.3 Property, plant and equipment

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

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

2.4 Borrowing costs

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

2.5 Financial assets

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

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

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments 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.

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

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

2.6 Impairment of financial assets

At each balance sheet date, the carrying amounts of financial assets are tested to see whether there is objective evidence of any impairment; such evidence could be serious financial difficulties on the part of the borrower or significant changes in the technological, economic, legal or market environment of the borrower. In the case of equity instruments, a sustained or significant fall in their fair value would constitute objective evidence that they may be impaired.

Loans and receivables:

The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's original effective interest rate. The impairment is recognised in income.

If the amount of the impairment loss decreases in a subsequent reporting period and if this decrease can be objectively attributed to an event that occurred after the impairment was recognised, the previously recognised impairment loss is reversed and taken to income.

Most impairment losses on loans and receivables (e.g. trade receivables) are charged to impairment accounts. The decision as to whether a credit risk is recognised through an impairment account or by a direct impairment loss on the receivable depends on how high the probability of default is estimated to be. If receivables are classified as irrecoverable, the respective impaired asset is derecognised.

2.7 Impairment of deferred tax assets

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

Having conducted this review, the Company recognised deferred tax assets worth €384 thousand as at 31 December 2012 (31 December 2011: €1.218 million). In the year under review, impairment charges of €701 thousand (2011: €0 thousand) were recognised on deferred tax assets.

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

2.8 Leases

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

2.9 Trade receivables and other assets

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

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

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and overdraft facilities. Utilised overdraft facilities are shown on the face of the balance sheet as liabilities to banks under current financial liabilities.

Cash is measured at nominal value.

2.11 Treasury shares

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

2.12 Provisions

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

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

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

Accruals are reported under other liabilities.

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

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

2.13 Financial liabilities

Financial liabilities include trade payables, liabilities to banks, bonds and other liabilities.

Financial liabilities recognised at amortised cost:

Once they have been initially recognised, financial liabilities are measured at amortised cost under the effective interest method

2.14 Trade payables and other liabilities

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

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

2.15 Contingent liabilities

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

2.16 Employee benefits

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

2.17 Recognition of revenue and expense

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

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

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

In accordance with IAS 18, revenue arising on service transactions is recognised on performance of the services provided that the amount of income, the percentage of completion at the balance sheet date, the costs already incurred in the transaction and the expected costs to complete can be reliably measured and it is sufficiently probable that the transaction will lead to an inflow of resources embodying economic benefits.

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

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

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

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

2.18 Income taxes and deferred taxes

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

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

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

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

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

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

2.19 Discontinued operations

The Group reports the earnings of a business unit as profit (loss) on discontinued operations if it represents a key business area or if it encompasses all the activities of a geographical region. Profit (loss) from discontinued operations is recognised in the period to which it relates, and it is reported separately on the face of the income statement as profit (loss) from discontinued operations, net of tax. The income statement for the previous period is restated to reflect the Group business units' profit or loss that is attributable to the discontinued operations. In the statement of cash flows, the cash flows attributable to the discontinued operations are reported in a separate line and the figures for the previous period are adjusted accordingly. In order to reflect the proportion of profit or loss attributable to the discontinued operations, the revenue and expenses arising from intra-group transactions are reported, provided they will not continue to accrue after disposal of the discontinued operations.

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:

	2012 € million	2011 € million
Financial Product Sales – Institutional Clients	11.5	12.2
Financial Product Sales – Private Clients	50.5	51.7
B2B Financial Marketplaces – Financial Service Providers	25.6	20.4
Other	0.1	0.1
	87.8	84.4

3.2 Selling expenses

The table below gives a breakdown of selling expenses.

	2012 €'000	2011 €'000
Commissions	33,100	31,694
Lead cost	9,934	8,209
	43,034	39,903

Fee and commission expenses include write-offs of €808 thousand (2011: 257 thousand) relating to insurance commission receivable and impairment charges of €644 thousand (2011: €135 thousand) on advances paid for insurance commission

3.3 Own work capitalised

Own work capitalised of €4.180 million (2011: €3.570 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €6.947 million reported for 2012 (2011 €6.532 million), €2.499 million was therefore expensed as incurred (2011 €2.511 million).

3.4 Other operating income

Other operating income mainly comprises income of €765 thousand arising from insurance compensation (2011: €358 thousand), €525 thousand (2011: €448 thousand) relating to employee contributions to vehicle purchases and €408 thousand (2011: €462 thousand) arising from the reversal of provisions and liabilities.

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3.5 Personnel expenses

Personnel expenses are broken down as follows:

	2012 €'000	2011 €'000
Wages and salaries	25,618	22,795
Social security contributions	4,214	3,644
Post-employment and other employee benefits	105	90
	29,937	26,529

The cost of defined-contribution pension plans amounted to €2.023 million (2011: €1.883 million).

3.6 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses, €3.996 million (2011: €3.932 million) was attributable to intangible assets and €938 thousand (2011: €789 thousand) to property, plant and equipment.

Because the cost of the EUROPACE classic financial marketplace was fully amortised in 2012, the level of amortisation for intangible assets will be significantly lower in the future.

3.7 Other operating expenses

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

	2012 €'000	2011 €'000	Change €'000
Operating expenses	5,321	4,715	606
Other selling expenses	2,797	2,353	444
Administrative expenses	3,659	3,116	543
Other personnel expenses	826	771	55
Other expenses	604	915	-311
	13,207	11,870	1,337

The operating expenses consist mainly of building rentals of €1.885 million (2011: €1.741 million) and vehicle-related costs of €1.435 million (2011: €1.297 thousand). The other selling expenses relate to advertising costs and travel expenses of €2.797 million (2011: €2.353 million). The administrative expenses largely comprise IT-related costs of €1.155 million (2011: €1.142 million) and legal and consultancy expenses of €778 thousand (2011: €525 thousand). The other personnel expenses mainly consist of training costs of €621 thousand (2011: €543 thousand).

3.8 Net finance costs

The breakdown of net finance costs is as follows:

	2012 €'000	2011 €'000	Change €'000
Financial income			
Other interest and simila income	176	335	-159
Oncome from other securities and lending of financial assets	3	11	-8
	179	346	-167
Finance costs			
Interest expense and similar charges	1,038	1,080	-42
	-859	-734	-125

The finance costs mainly comprise interest expense and similar charges of €869 million (2011: €1.023 thousand) incurred by the drawdown of loans and use of credit lines as well as discounts of €190 thousand (2011: €212 thousand interest income by the addition of loans) on non-current receivables

3.9 Income taxes and deferred taxes

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

	2012 €'000	2011 €'000
Income taxes attributable to continuing operations	394	1,551
current income taxes	841	1,274
deferred taxes	-447	277
in respect of timing differences	219	-266
in respect of tax loss carryforwards	-741	543
Income taxes attributable to discontinued operations	701	-193
current income taxes	0	0
deferred taxes	701	-193
in respect of timing differences	43	0
in respect of tax loss carryforwards	658	-193
	1,095	1,358

A current income tax expense of €34 thousand (2011: €6 thousand) relates to previous years. Taxes are determined on the basis of the relevant tax legislation for the individual companies.

The total losses carried forward for corporation tax and trade tax purposes at the reporting date amounted to €2.582 million (2011: €3.574 million) and €2.671 thousand (2011: €103 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 €772 thousand (2011: €689 thousand) have been recognised for loss carryforwards and timing differences despite the losses reported for 2011 and 2012 because it is assumed that all the companies concerned will generate taxable profits in future.

The table below reconciles the tax expense anticipated for 2011 and 2012 to the tax expense actually reported for those years.

	2012 €'000	2011 €'000
Profit (loss) from continuing operations before tax	2.338	6.018
Profit (loss) from discontinued operations before tax	-2.049	-911
	289	5.107
Tax rate to be applied	30,0 %	30,0 %
Expected tax expense	-87	-1.532
Effect of non-deductible expenses	-189	-166
Effect of differing tax rates	-70	379
Tax expense for previous years	-34	6
Impairment losses of tax loss carryforwards	-658	0
Impairment losses of deferred tax assets	-43	0
Other tax-related effects	-14	-45
Current tax expense	-1.095	-1.358
Tax rate for the Group	378,8 %	26,6 %

3.10 Earnings per share

The figure for earnings per share is determined in accordance with IAS 33. Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the period attributable to the shareholders of Hypoport AG by the weighted average number of outstanding shares. 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.

There was no dilutive effect in the current reporting period or in the previous year. The weighted number of outstanding shares is calculated on the basis of a daily balance.

	2012	2011
Net profit (loss) for the year (€'000)	-815	3.749
of which attributable to Hypoport AG stockholders	-825	3.717
from continuing operations	1.944	4.467
from discontinued operations	-2.759	-718
Basic weighted number of outstanding shares **('000)**	6.162	6.194
Earnings per share (€)	**-0,13**	**0,60**
from continuing operations	0,32	0,72
from discontinued operations	-0,45	-0,12

As a result of the purchase of treasury shares, the number of shares in issue fell by 60,656, declining from 6,193,912 as at 31 December 2012 to 6,134,302 as at 31 December 2012.

4. Disclosures for individual items on the balance sheet
4.1 Intangible assets and property, plant and equipment

For information on the change in intangible assets and property, plant and equipment in the year under review, please see the consolidated statement of changes in non-current assets on the final page of these notes.

The additions to internally generated financial marketplaces include €69 thousand (2011: €26 thousand) in borrowing costs at an average funding rate of 3.45 per cent (2011: 5.49 per cent). Most of the intangible assets – with a carrying amount of €11.8 million (2011: €11.9 million) – related to internally generated financial marketplaces. Their remaining useful lives amounted to between one and eight years.

The carrying amounts for goodwill as at 31 December 2012 once again related to goodwill arising on the first-time consolidation of subsidiaries. For the purposes of impairment testing, the goodwill has been assigned to the following cash-generating units, which reflect the segments in the Group:

	Institutional Clients	Private Clients	Financial Service Providers	Total
Cost of acquisitions as at 1 January 2012	6,943	7,653	230	14,826
Additions	0	0	0	0
Cost of acquisitions as at 31 December 2012	6,943	7,653	230	14,826

The revenue growth rates used in the discounted cash flow calculations were between 2.0 per cent and 13.2 per cent for the Corporate Real Estate Clients segment (2011: between 4.3 per cent and 11.4 per cent), between 14.2 per cent and 40.1 per cent for the Private Clients segment (2011: between 11.5 per cent and 37.6 per cent), between 6.4 per cent and 10.3 per cent for the Financial Service Providers segment (2011: between 2.5 per cent and 9.1 per cent).

The discount rate used to reflect the risks specific to the asset in 2012 was 6.79 per cent (2011: 7.43 per cent).

The sensitivity analysis we conducted revealed that there was no need for any impairment charges on goodwill even if our key underlying assumptions varied within a realistic range. This sensitivity analysis assumed a 10 per cent reduction in future cash flows and a 10 per cent increase in the weighted cost of capital, as variances of this magnitude are realistically possible. In our experience, greater variances than this are unlikely.

The impairment tests carried out gave no indication of any impairment.

4.2 Financial assets

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

	2012 €'000	2011 €'000
Loans to employees	84	140
Loans to third parties	22	23
Other shareholdings	9	9
Loans joint venture	0	813
	115	985

Because the above parties have been granted the option of making unscheduled repayments at any time, the carrying amounts of these loans at the balance sheet date do not differ significantly from their fair values. Other long-term equity investments comprise shares in GMG Hypoport Ltd. No specific write-downs have been recognised (2011: €20 thousand). There are no material overdue receivables.

4.3 Trade receivables

	2012 €'000	2011 €'000
Trade receivables from		
third parties	25,666	27,364
joint ventures	56	139
work in progress	0	110
	25,722	27,613

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

The table below shows impairment losses on receivables.

	2012 €'000	2011 €'000
Balance as at 1 January	139	138
Addition to impairment of receivables	10	22
Irrecoverable receivables written off	87	21
Balance as at 31 December	**62**	**139**

Impairment charges of €147 thousand (2011: €225 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.

	2012 €'000	2011 €'000
1 to 90 days	144	259
90 to 180 days	89	18
180 to 360 days	79	1
More than 360 days	78	115
Total	**390**	**393**

4.4 Current income tax assets and other assets

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

	2012 €'000	2011 €'000
Financial assets		
Overpayments to suppliers	0	38
	0	**38**
Non-financial assets		
Advance payment of commissions	3,881	3,128
Advances	92	207
Prepaid expenses	442	335
Current income tax assets	959	595
VAT credits	222	96
Other	50	58
	5,646	4,419
	5,646	**4,457**

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

	2012 €'000	2011 €'000
Rent deposits	22	26
	22	**26**

Specific write-downs of €1.843 million (2011: €462 thousand) were recognised. An additional €1.381 million was recognised in 2012 (2011: €156 thousand). There are no material overdue receivables.

4.5 Deferred tax assets and deferred tax liabilities

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

Deferred tax assets	2012 €'000	2011 €'000
In respect of tax carryforwards	772	689
Provisions	100	98
Other temporary differences	0	49
Consolidation	376	529
Offsetting	864	147
	384	**1,218**

Deferred tax liabilities	2012 €'000	2011 €'000
Intangible assets	1,178	673
Property, plant and equipment	27	30
Receivables	1,269	1,661
Other temporary differences	28	0
Provisions	1	2
Offsetting	864	147
	1,639	**2,219**

4.6 Cash and cash equivalents

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

	2012 €'000	2011 €'000
Cash at banks	8,553	7,516
Cash on hand	2	2
	8,555	**7,518**

4.7 Subscribed capital

The Company's subscribed capital remains unchanged at €6,194,958.00 (31 December 2011: €6,194,958.00) and is divided into 6,194,958 (31 December 2011: 6,194,958) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 1 June 2012 voted to carry forward Hypoport AG's distributable profit of €22,059,892.70 to the next accounting period.

4.8 Authorised capital

The Annual Shareholders' Meeting held on 1 June 2012 voted to set aside the unused authorisation granted on 1 June 2007 and to issue a new authorisation. The Management Board was authorised, subject to the consent of the Supervisory Board, to increase the subscribed capital of the Company up to a total of €3,097.479.00 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 2017. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

4.9 Conditional capital

The conditional capital created by an Annual Shareholders Meeting resolution adopted on 26 August 2002 no longer exists.

4.10 Treasury shares

Hypoport held 60,656 treasury shares as at 31 December 2012 (equivalent to €60,656.00, or 0.98 per cent, of the subscribed capital of Hypoport AG), which are intended to be issued to employees. The change in the balance of treasury shares and the main data relating to transactions in 2012 are shown in the following table:

Change in the balance of treasury shares in 2012	Number of shares	Proportion of subscribed capital %	Cost of purchase €'000	Sale price €'000	Gain or loss on sale €'000
Opening balance as at 1 January 2012	1,046	0.017	1,307.00	–	–
Sold in January 2012	5	0.000	6.25	0.00	-6.25
Purchased in May 2012	17,990	0.290	192,810.80	–	–
Purchased in June 2012	19,500	0.315	205,819.00	–	–
Purchased in July 2012	20,000	0.323	189,977.70	–	–
Purchased in August 2012	2,510	0.041	22,395.60	–	–
Sold in Dezember 2012	385	0.006	481.25	0.00	-481.25
Balance as at 31 December 2012	60,656	0.979	–	–	–

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

4.11 Reserves

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

Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.187 million), an amount equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand) and amounts from the issuance of shares to employees (€120 thousand, of which €0 thousand related to 2012).

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 (2011: €7 thousand), are also reported under this item.

4.12 Non-controlling interest

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

4.13 Financial liabilities

The breakdown of financial liabilities is as follows:

	2012 €'000	2011 €'000
Non-current		
Liabilities to banks		
Loans	12,517	6,708
Other liabilities		
Rental and lease obligations	418	248
Loans from joint ventures	0	813
	12,935	**7,769**
Current		
Liabilities to banks		
Loans	5,291	10,793
Other liabilities		
Rental and lease obligations	74	60
Loans from joint ventures	0	37
	5,365	10,890
	18,300	**18,659**

591,213 no-par-value bearer shares in Dr. Klein & Co. AG have been pledged as collateral for liabilities to banks amounting to €2.358 million. Reported loan liabilities amounting to €1.500 million were subordinated (2011: €2.500 million).

Some of the financial liabilities are subject to fixed interest rates. Others are subject to variable interest linked to the Euribor rate plus a bank margin. The interest rates varied between 3.45 per cent and 5.95 per cent (2011: between 4.2 per cent and 6.5 per cent). These interest rates are the normal market rates for the financial liabilities and the companies concerned.

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

	2012 €'000	2011 €'000
Credit line	2,000	2,500
Amount utilised	0	0
Credit line available	**2,000**	**2,500**

The average interest rate on credit lines utilised was 4.84 per cent (2011: 5.59 per cent).

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

	2012 €'000	2011 €'000
6 months or less	3,407	1,653
6 to 12 months	1,884	9,089
1 to 5 years	12,517	6,708
More than 5 years	0	0
	17,808	**17,450**

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

	2012 €'000	2011 €'000
Between 1 and 2 years	4,774	5,345
Between 2 ans 5 years	8,058	2,339
More than 5 years	103	85
	12,935	**7,769**

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

	Carrying amount		Fair value	
€'000	2012	2011	2012	2011
Liabilities to banks	12,517	6,708	12,924	8,292
Loans from joint ventures	0	813	0	813
Rental and lease obligations	418	248	418	148
	12,935	7,769	13,342	9,353

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

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

4.14 Other liabilities

The breakdown of other liabilities is as follows:

	2012 €'000	2011 €'000
Tax liabilities		
Value-added tax	158	302
Wage tax and church tax	395	325
	553	**627**
Personnel		
Financial assets		
Bonuses	1,888	2,394
Outstanding holiday entitlements	556	368
Wages and salaries	288	279
Severance payments	0	30
Non-financial assets		
Employers' liability insurance association	100	82
Disabled persons levy	33	35
Social security contributions	100	20
Partial retirement	33	19
	2,998	**3,227**
Other		
Financial assets		
Outstanding invoices	492	249
commissions to be passed on	88	6
Year-end costs	126	129
Non-financial assets		
Advance payment of commissions	1,818	1,655
Deferred income	327	411
Sundry	47	14
	2,898	**2,464**
	6,449	**6,318**

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

	2012 €'000	2011 €'000
Rent deposits	10	10
	10	**10**

4.15 Provisions

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

€'000	1 Jan 2012	Utilisation	Reversals	Additions	31 Dec 2012
Non-current provisions					
rental and lease obligations	237	73	0	0	164
Cancellations	62	62	0	77	77
	299	135	0	77	241
Current provisions					
Commissions	252	252	0	0	0
Cancellations	29	29	0	78	78
	281	281	0	78	78

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

5. Cash flow statement disclosures

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

Apart from income tax payments, interest receipts and payments are also assigned to the cash flows from operating activities because they are primarily used to finance operating activities.

Investing activities include additions to property, plant and equipment, financial assets and intangible assets, as well as additions in respect of the capitalisation of development costs.

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

The composition and reconciliation of cash and cash equivalents with the balance sheet is explained in section 4.6.

6. Segment reporting

The Hypoport Group prepares its segment reporting by business unit in line with its internal organisational and reporting structure. This organisational structure breaks the Group down into three target-group-oriented business units (Financial Product Sales – Institutional Clients, Financial Product Sales – Private Clients and B2B Financial Marketplaces – Financial Service Providers) 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 Hypoport Group merged its Corporate Real Estate Clients business unit with its Institutional Clients unit to form the new Institutional Clients business unit with effect from 1 January 2012. The objectives of this merger are to create three business units of similar size and to simplify internal processes.

The Financial Product Sales – Institutional 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. This unit also supports issuers with the provision of information technology and a range of services.

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

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

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.

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

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

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

The reported revenue of €87.8 million (2011: €84.4 million) included €3.6 million (2011: €3.7 million) generated by customers domiciled in Europe excluding Germany, and the remaining revenue was generated by customers in Germany.

The segment breakdown of business performance in 2012 is as follows:

2012 (€'000)	Institutional Clients	Private Clients	Financial Service Providers	Reconciliation	Group
Segment revenue in respect of third parties	**11,632**	**50,461**	**25,579**	**131**	**87,803**
2011	12,238	51,686	20,395	67	84,386
from continuing operations	**11,632**	**50,461**	**25,529**	**131**	**87,753**
2011	12,238	51,686	20,369	67	84,360
from discontinued operations	**0**	**0**	**50**	**0**	**50**
2011	0	0	26	0	26
Segment revenue in respect of other segments	**0**	**88**	**956**	**-1,044**	**0**
2011	53	108	989	-1,150	0
from continuing operations	**0**	**0**	**0**	**0**	**0**
2011	0	0	0	0	0
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2011	0	0	0	0	0
Total segment revenue	**11,632**	**50,549**	**26,535**	**-913**	**87,803**
2011	12,291	51,794	21,384	-1,083	84,386
from continuing operations	**11,632**	**50,549**	**26,485**	**-913**	**87,753**
2011	12,291	51,794	21,358	-1,083	84,360
from discontinued operations	**0**	**0**	**50**	**0**	**50**
2011	0	0	26	0	26

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2012 (€'000)	Institutional Clients	Private Clients	Financial Service Providers	Reconciliation	Group
Gross profit	**11,291**	**15,548**	**17,820**	**110**	**44,769**
2011	11,782	18,244	14,409	48	44,483
from continuing operations	**11,291**	**15,548**	**17,770**	**110**	**44,719**
2011	11,782	18,244	14,383	48	44,457
from discontinued operations	**0**	**0**	**50**	**0**	**50**
2011	0	0	26	0	26
Segment earning before interest, tax, depreciation amortisation (EBITDA)	**4,321**	**-955**	**6,935**	**-2,522**	**7,779**
2011	5,259	3,693	5,568	-3,425	11,095
from continuing operations	**4,321**	**-955**	**7,287**	**-2,522**	**8,131**
2011	5,259	3,693	5,946	-3,425	11,473
from discontinued operations	**0**	**0**	**-352**	**0**	**-352**
2011	0	0	-378	0	-378
Segment earnings before interest and tax (EBIT)	**3,798**	**-1,053**	**1,919**	**-3,418**	**1,246**
2011	4,709	3,665	1,793	-4,252	5,915
from continuing operations	**3,798**	**-1,053**	**3,870**	**-3,418**	**3,197**
2011	4,709	3,665	2,630	-4,252	6,752
from discontinued operations	**0**	**0**	**-1,951**	**0**	**-1,951**
2011	0	0	-837	0	-837
Segment assets	**22,276**	**20,053**	**25,434**	**2,984**	**70,747**
2011	23,365	20,990	24,311	3,470	72,136
Segment liabilities	**2,043**	**7,135**	**10,602**	**21,123**	**40,903**
2011	2,981	7,547	8,009	22,330	40,867
Segment capital expenditure	**869**	**1,351**	**3,537**	**760**	**6,517**
2011	562	627	3,386	694	5,269
Segment depreciation/ amortisation expense	**523**	**98**	**5,016**	**896**	**6,533**
2011	550	28	3,775	827	5,180
from continuing operations	**523**	**98**	**3,417**	**896**	**4,934**
2011	550	28	3,316	827	4,721
from discontinued operations	**0**	**0**	**1,599**	**0**	**1,599**
therof extraordinary on development work	0	0	1,068	0	1,068
2011	0	0	459	0	459
Significant non-cash expenses	**955**	**2,065**	**7,022**	**69**	**10,111**
2011	1,004	2,015	6,038	39	9,096

The improvement under the heading ‚Reconciliation' is the result of a more accurate allocation of the internal cost-charging system for the Central Functions and IT units. Of the total non-current assets of €35.464 million (31 December 2011: €30.319 million), €8.878 million (31 December 2011: €10.421 million) was located in Europe excluding Germany, €8.285 million (31 December 2011: €8.624 million) of which was located in Ireland. Non-current assets located in Germany totalled €26.586 million (31 December 2011: €19.898 million).

7. Other Disclosures

7.1 Other financial commitments

At the balance sheet date there were total other financial commitments of €13.974 million (31 December 2011: €9.197 million) related to non-cancellable rentals, leases and maintenance agreements covering a number of years. Included in the other financial commitments are commitments of €3.476 million (31 December 2011: €3.153 million) due within one year, €7.771 million (31 December 2011: €5.941 million) due in one to five years, and €2.727 thousand (31 December 2011: €103 thousand) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €2.794 million in 2012 (2011: €2.558 million).

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

7.2 Related parties

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

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

The parties covered by the requirements also include key management personnel, their close family members and other entities via which a named person exercises control or significant influence over Hypoport AG. The parties covered by this requirement during the reporting period were the members of the Group Management Board and Supervisory Board of Hypoport AG and their close family members.

Related party transactions are conducted on an arm's-length basis.

The total remuneration paid to the members of the Group Management Board in 2012 amounted to €895 thousand (2011: €1.127 million); the total remuneration paid to the members of the Supervisory Board came to €64 thousand (2011: €80 thousand). In all cases, all the benefits were due for payment within one year.

The table below shows the number of shares in Hypoport AG directly or indirectly held by the members of the Group Management Board and Supervisory Board as at 31 December 2012.

	Shares (Number) 31 Dec 2012	Shares (Number) 31 Dec 2011
Group Management Board		
Ronald Slabke	2,245,831	2,241,831
Thilo Wiegand	28,000	24,000
Stephan Gawarecki	187,800	187,800
Hans Peter Trampe	174,990	174,990
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	14,000	14,000
Prof. Dr. Thomas Kretschmar	814,286	814,286
Christian Schröder	23,500	24,000

Ronald Slabke, Berlin, holds 36.25 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). All the shares in Revenia GmbH are held by Ronald Slabke, the Chief Executive Officer of Hypoport AG.

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.23 per cent of Hypoport's shares. Of these, the 0.23 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

Peter Trampe, Stahnsdorf, holds 2.82 per cent of Hypoport's shares.

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

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

Revenue of €566 thousand was generated by joint ventures in 2012 (2011: €573 thousand). As at 31 December 2012, receivables from joint ventures amounted to €56 thousand (31 December 2011: €948 thousand) and liabilities to such companies amounted to €0 thousand (31 December 2011: €813 thousand).

7.3 Management Board

The members of the Management Board were as follows:

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

The total remuneration paid to the members of the Management Board in 2012 amounted to €895 thousand (2011: €1.127 million); 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 2012:

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

The total remuneration paid to the members of the Supervisory Board in 2012 amounted to €64 thousand (2011: €80 thousand); for further information please refer to the remuneration report in the group management report (I.10).

7.5 Investment pursuant to section 21 (1) WpHG

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

Sparta AG, Hamburg has informed us that its voting rights in Hypoport AG exceeded the 5 per cent threshold on 2 April 2012. Sparta AG holds 5.80 per cent of the shares in Hypoport AG.

7.6 Share-based payment

The Company's employees receive a certain number of shares in Hypoport AG that is determined by their period of service as well as shares amounting to €360.00 if the Company achieves certain targets. The total related expense recognised in 2012 was €1 thousand (2011: €130 thousand). Total liabilities incurred by share-based payments amounted to €15 thousand (2011: €15 thousand).

7.7 Auditor's fees and services

The fees of €91 thousand incurred for services rendered by the auditors BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in 2012 related exclusively to audits of financial statements (2011: fees of €93 thousand).

7.8 Average number of persons employed during the financial year

In 2012, the Company employed an average of 524 (2011: 478) people in addition to the members of the Management Board.
The table below gives a breakdown of the average numbers of employees by business unit.

	31 Dec 2012		31 Dec 2011		Change	
	Number	%	Number	%	Number	%
Financial Product Sales Private Clients	175	33	141	29	34	24
Financial Product Sales Institutional Clients	55	10	53	11	2	4
B2B Financial Marketplaces Financial Service Providers	112	21	105	22	7	7
Information Technology	100	19	98	21	2	2
Administration	82	17	81	18	1	1
	524		478		46	10

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 four people (2011: ten) were employed at such companies.

7.9 Discontinued operations

Because the Company decided in 2012 to close down the operating activities of Hypoport Stater B.V. and consequently to discontinue the ‚transaction platform for the Dutch market' business unit, which are required by IFRS 5 to be presented as discontinued operations, the income and expense from these operations, which essentially relate to Hypoport Stater B.V., have 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.

Because it is no longer usable, an impairment loss of €1.068 million was recognised on the cost of developing the transaction platform for the Dutch market and an impairment charge of €701 thousand was recognised on deferred tax assets.

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

€'000	2012 Financial Service	2012 Group	2011 Financial Service	2011 Group
Revenue	50	50	26	26
Selling expenses	0	0	0	0
Gross profit	**50**	**50**	**26**	**26**
Own work capitalised	268	268	451	451
Other operating income	0	0	0	0
Personnel expenses	-182	-182	-161	-161
Other operating expenses	-488	-488	-694	-694
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**-352**	**-352**	**-378**	**-378**
Depreciation, amortisation expense and impairment losses	-1,599	-1,599	-459	-459
thereof extraordinary on development work	-1,068	-1,068	0	0
Earnings before interest and tax (EBIT)	**-1,951**	**-1,951**	**-837**	**-837**
Financial income	0	0	0	0
Finance costs	-98	-98	-74	-74
Earnings before tax (EBT)	**-2,049**	**-2,049**	**-911**	**-911**
Income taxes and deferred taxes	-701	-701	193	193
Profit (loss) on deconsolidation	-9	-9	0	0
Profit (loss) from discontinued operations, net of tax	**-2,759**	**-2,759**	**-718**	**-718**
Earnings (loss) per share from discontinued operations (€)	-0.45	-0.45	-0.12	-0.12

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 2012, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (2011: €0 thousand) higher or lower.

If the exchange rate of the euro to the pound sterling had been 10 per cent higher or lower on 31 December 2012, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (31 December 2011: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2012 it recognised impairment losses of €976 thousand (2011: €403 thousand) to cover the probability of irrecoverable receivables. Such receivables are estimated by the management of the Hypoport Group on the basis of past experience and current economic conditions. The credit risk relating to cash and cash equivalents is limited because these are all held at investment-grade banks. There is no significant concentration of credit risk in the Group because this risk is spread across a large number of counterparties and clients.

The maximum credit risk is shown by the carrying amount of each financial asset reported on the face of the balance sheet. The main source of liquidity risk lies in the rapid expansion of the Group. The risks associated with the expansion of the Group are monitored by the Management Board and currently are not material given the high level of liquidity and excellent equity ratio in the Group.

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

	Maturities					
€'000	Less than 1 month	1 to 3 months	3 months to 1 year	1to 5 year	More than 5 years	Total
Fixed-rate financial liabilities	2,438	997	2,426	13,206	0	19,067
2011	380	3,629	7,533	7,001	0	18,543
Rental and lease obligations	6	13	56	261	68	404
2011	6	17	37	163	85	308
2012	2,444	1,010	2,482	13,467	68	19,471
2011	386	3,646	7,570	7,164	85	18,851

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. In 2011 and 2012, only its unutilised credit lines were subject to floating interest rates.

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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 31 Dec 2012	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	25,722	–	–	–	25,722
Loans and receivables	25,722	25,722	–	–	25,722
Financial assets	115	–	–	–	115
Loans and receivables	115	115	–	–	115
Other assets	0	–	–	4,687	4,687
Loans and receivables	0	0	–	–	0
Non-financial assets	–	–	–	4,687	4,687
Cash and cash equivalents	8,555	–	–	–	8,555
Loans and receivables	8,555	8,555	–	–	8,555
Total financial assets	–	–	–	–	**39,079**
Thereof: loans and receivables	–	–	–	–	34,392
Financial liabilities	18,300	–	–	–	18,300
Measured at amortised cost	18,300	18,707	–	–	18,300
Trade payables	14,070	–	–	–	14,070
Measured at amortised cost	14,070	14,070	–	–	14,070
Other liabilities	3,438	–	–	3,011	6,449
Measured at amortised cost	3,438	3,438	–	–	3,438
Non-financial liabilities	–	–	–	3,011	3,011
Total financial liabilities	–	–	–	–	**38,819**
Thereof: measured at amortised cost	–	–	–	–	35,808

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€'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount 31 Dec 2011	Pro forma: Fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	27,613	–	–	–	27,613
Loans and receivables	27,613	27,613	–	–	27,613
Financial assets	985	–	–	–	985
Loans and receivables	985	985	–	–	985
Other assets	38	–	–	3,824	3,862
Loans and receivables	38	38	–	–	38
Non-financial assets	–	–	–	3,824	3,824
Cash and cash equivalents	7,518	–	–	–	7,518
Loans and receivables	7,518	7,518	–	–	7,518
Total financial assets	–	–	–	–	**39,978**
Thereof: Loans and receivables	–	–	–	–	36,154
Financial liabilities	18,659		–	–	18,659
Measured at amortised cost	18,659	20,227	–	–	18,659
Trade payables	12,176	–	–	–	12,176
Measured at amortised cost	12,176	12,176	–	–	12,176
Other liabilities	3,455	–	–	2,863	6,318
Measured at amortised cost	3,455	3,455	–	–	3,455
Non-financial liabilities	–	–	–	2,863	2,863
Total financial liabilities	–	–	–	–	**37,153**
Thereof: measured at amortised cost	–	–	–	–	34,290

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	2012
Interest and similar income	176	–	–	–	176
Interest expense and similar charges	–	–	–	-1,038	-1,038
Impairment losses	-976	–	–	–	-976
Net result	**-800**	**0**	**0**	**-1,038**	**-1,838**

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

7.12 Capital risk management

Hypoport AG's statutes do not specify any capital requirements. The Hypoport Group pursues two main objectives in terms of its capital management: firstly, to ensure that the Company continues to operate as a going concern so that it can continue to generate returns for its shareholders and provide its other stakeholders with the services they require; and secondly, to maintain the optimum capital structure so that it can lower its cost of capital and meet the minimum capital requirements resulting from its borrowings. The financial covenants agreed for a loan were complied with.

The Hypoport Group monitors its capital in terms of its level of gearing, which is the ratio of net debt to equity. Net debt consists of total financial liabilities minus cash and cash equivalents. Equity comprises the total shares in issue plus reserves.

The table below shows the Company's gearing as at 31 December 2012 and 31 December 2011.

€'000	2012	2011
Financial liabilities	18,300	18,659
Minus cash and cash equivalents	8,555	7,518
Net debt	9,745	11,141
Equity	29,844	31,269
Gearing	33 %	36 %

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

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

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

7.14 Declaration of compliance with the German Corporate Governance Code

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

7.15 Events after the balance sheet date

No material events have occurred since the balance sheet date.

Berlin, 8 March 2013

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

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IFRS consolidated financial statements for the year ended 31 December 2012

	Cost				
	Balance 1 Jan 2012 €'000	Additions €'000	Disposals €'000	Reclassification €'000	Balance 31 Dec 2012 €'000
I. Intangible assets					
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets					
1.1 Software	3,353	303	0	0	3,656
1.2 Development costs	27,641	3,757	0	1,862	33,260
thereof extraordinary	0	0	0	0	0
2. Goodwill	14,826	0	0		14,826
3. Advance payments and development costs in progress	573	1,344	0	-1,862	55
	46,393	5,404	0	0	51,797
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	25	0	0	0	25
2. Office furniture and equipment	6,759	1,113	136	0	7,736
	6,784	1,113	136	0	7,761
	53,177	6,517	136	0	59,558

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Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 1 Jan 2012 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2012 €'000	Balance 31 Dec 2012 €'000	31 Dec 2011 €'000
2,306	375	0	2,681	975	1,047
16,220	5,212	0	21,432	11,828	11,421
0	1,068	0	0	0	0
0	0	0	0	14,826	14,826
0	0	0	0	55	573
18,526	5,587	0	24,113	27,684	27,867
22	1	0	23	2	3
4,310	945	135	5,120	2,616	2,449
4,332	946	135	5,143	2,618	2,452
22,858	6,533	135	29,256	30,302	30,319

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IFRS consolidated financial statements for the year ended 31 December 2011

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

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

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8. Responsibility statement

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

Berlin, 8 March 2013

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

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9. Auditor's Opinion

Audit opinion of the auditor:

We have audited the consolidated financial statements prepared by the Hypoport AG, Berlin, comprising the balance sheet, the income statement, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2012 to 31 December 2012. 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, 13 March 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

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

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10. Single-entity financial statements of Hypoport AG 2012 (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 2012

	2012 €'000	2011 €'000
Revenue	9,037	9,318
Changes in inventories of finished goods and work in progress	-70	70
Own work capitalised	686	613
Other operating income	2,184	2,172
Personnel expenses	-14,094	-13,094
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-245	-133
Other operating expenses	-6,077	-5,405
Income from long-term equity investments	1,978	1,534
Income from profit transfer agreements	9,799	15,616
Income from other securities and lending of financial assets	1	8
Other interest and smiliar income	450	522
Impairments losses of financial assets	-5.440	0
Expense in respect of loss transfers	-787	-190
Interest expense and similar charges	-823	-879
Profit from ordinary activities	**-3,401**	**10,152**
Income taxes	481	-1,623
Other taxes	-4	7
Net profit (loss) for the year	**-2,924**	**8,536**
Profit brought forward	22,060	13,524
Distributable profit	**19,136**	**22,060**

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Balance sheet as at 31 December 2012

Aktiva	31 Dec 2012 €'000	31 Dec 2011 €'000
Fixed assets		
Intangible assets	1,346	847
Property, plant and equipment	131	97
Financial assets	27,603	35,991
	29,080	**36,935**
Current assets		
Total inventories	0	69
Trade receivables	3,346	2,357
Receivables from affiliated companies	21,444	13,679
Receivables from other long-term investees and investors	110	265
Other assets	1,051	244
Cash and cash equivalents	2,141	302
	28,093	**16,916**
Prepaid expenses	**50**	**40**
Deferred tax assets	**462**	**0**
	57,684	**53,891**
Equity and liabilities		
Equity		
Subscribed capital	6,195	6,195
Treasury shares	-61	-1
Capital reserves	2,053	2,053
Retained earnings	7,314	7,865
Distributable profit	19,135	22,059
	34,636	38,171
Provisions	**1,388**	**2,024**
Liabilities		
Liabilities to banks	17,808	11,950
Trade payables	621	600
Liabilities to affiliated companies	2,755	771
Liabilities from other long-term investees and investors	0	11
Other liabilities	466	300
	21,650	13,632
Deferred income	**10**	**11**
Deferred tax liabilities	**0**	**53**
	57,684	53,891

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