HYPOPORT

Interim report of Hypoport AG first half-year 2019

Berlin, 5 Aug 2019

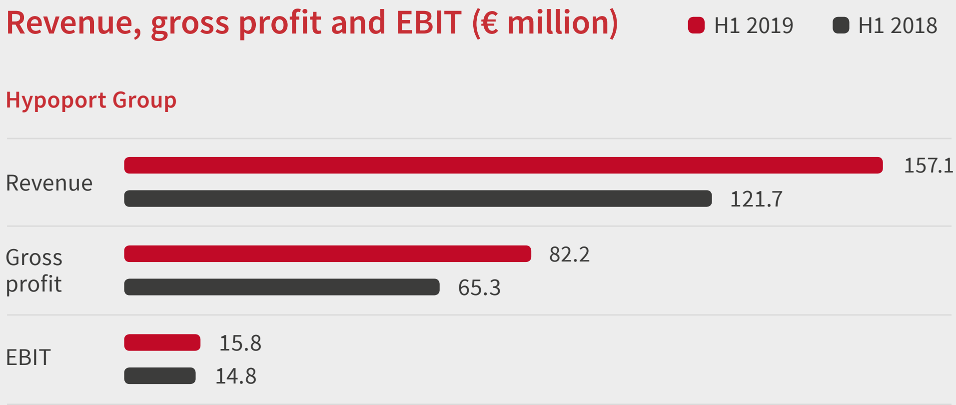
Key performance indicators

Revenue and earnings (€'000)	H1 2019	H1 2018	Change
Revenue	157,068	121,745	29%
Gross profit	82,155	65,282	26%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	24,725	19,005	30%
Earnings before interest and tax (EBIT)	15,813	14,787	7%
EBIT margin (%, EBIT as a percentage of gross profit)	19.2	22.7	–15%
Net profit for the year	12,013	11,366	6%
attributable to Hypoport AG shareholders	11,993	11,343	6%
Earnings per share (€)	1.92	1.88	2%

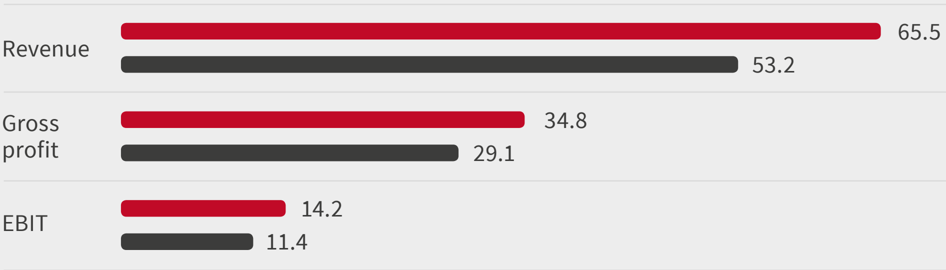
	Q2 2019	Q2 2018	Change
Revenue	78,613	61,640	28%
Gross profit	41,965	33,756	24%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12,354	9,498	30%
Earnings before interest and tax (EBIT)	7,791	7,250	7%
EBIT margin (%, EBIT as a percentage of gross profit)	18.6	21.5	–14%
Net profit for the year	5,848	5,489	7%
attributable to Hypoport AG shareholders	5,836	5,479	7%
Earnings per share (€)	0.93	0.90	3%

Financial position (€'000)	30 Jun 2019	31 Dec 2018	Change
Current assets	99,854	84,645	18%
Non-current assets	254,927	220,973	15%
Equity	165,901	153,484	8%
attributable to Hypoport AG shareholders	165,557	153,170	8%
Equity ratio (%)	46.8	50.2	–7%
Total assets	354,781	305,618	16%

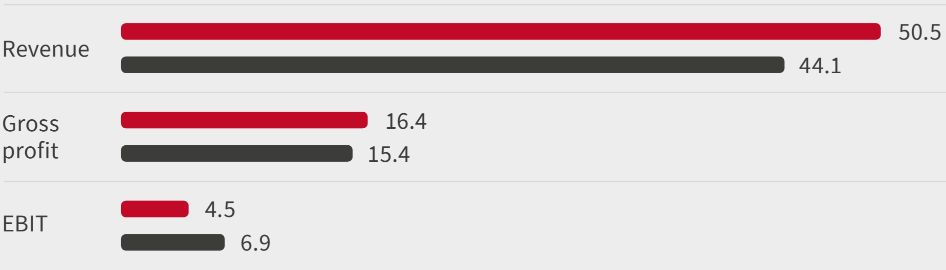
Revenue, gross profit and EBIT (€ million)



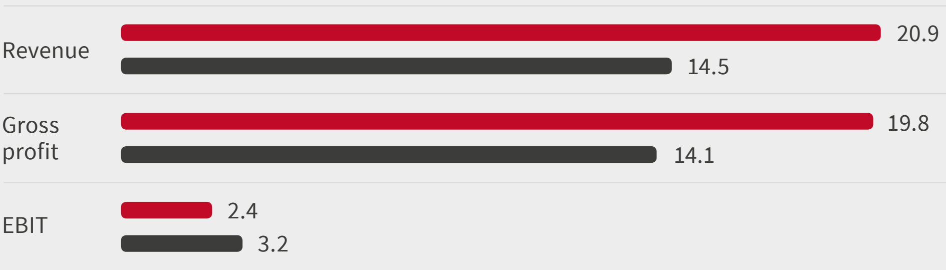
Credit platform segment



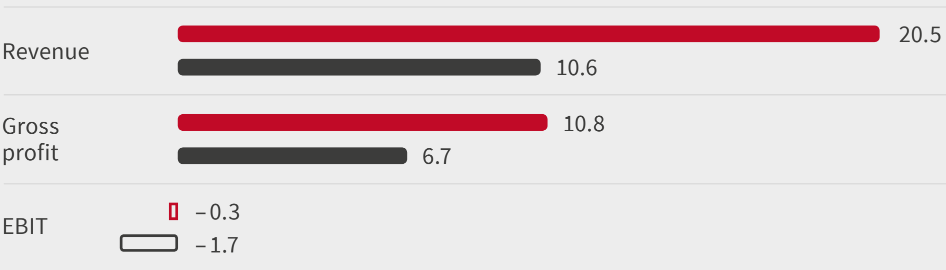
Private clients segment



Real Estate platform segment



Insurance platform segment



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Letter to shareholders

Dear shareholder,

Our Hypoport Group generated revenue of €157.1 million in the first half of 2019. This very good result equates to a rise of 29 per cent compared with the first half of 2018 and is the first time that we have earned revenue of more than €150 million in the first six months of a year. The reasons for this achievement were healthy organic growth across almost all existing Hypoport companies and the successful integration of the new companies acquired in 2018. We are making ever better progress with the operational, cultural and technical integration of these new companies, which of course necessitates investment and expenditure on technology, the expansion of sales capacity and the connection of new product partners. After deduction of these expenses, our EBIT nonetheless rose by 7 per cent to €15.8 million. We therefore again achieved a good balance between growth-driven capital expenditure and profitability.

In the first half of 2019, our four Hypoport segments (Credit Platform, Private Clients, Real Estate Platform and Insurance Platform) performed well overall, albeit with slight differences between the individual segments.

Our **Credit Platform segment,** which operates the online B2B lending marketplace EUROPACE, the largest German platform for mortgage finance, building finance products and personal loans, delivered an excellent performance. In the first half of 2019, EUROPACE increased its transaction volume by 14 per cent to €31.9 billion. The outstanding performance of GENOPACE, the sub-marketplace for cooperative financial institutions, deserves special mention. Its growth rate began accelerating back in spring 2018 and, in the first half of 2019, its transaction volume grew by 120 per cent year on year to reach €1.7 billion. Looking at the second quarter of 2019 alone, the year-on-year increase was even higher at 154 per cent. FINMAS, the sub-marketplace for savings banks, generated a transaction volume of €2.8 billion in the first half of the year. This constituted a strong 57 per cent rise compared with the first six months of 2018. Overall, our offerings in the Credit Platform segment continued to rapidly establish themselves in Germany's two regional banking associations. Revenue in the Credit Platform segment therefore went up by 23 per cent to €65.5 million in the first half of 2019 (H1 2018: €53.2 million). As a result of this strong revenue growth, the segment's EBIT advanced by 25 per cent to €14.2 million (H1 2018: €11.4 million).

The sales volume in the **Private Clients segment** with its core B2C brand Dr. Klein expanded by 11 per cent to around €3.5 billion thanks to the use of EUROPACE. Revenue in the Private Clients segment rose by 14 per cent to €50.5 million (H1 2018: €44.1 million) on the back of the larger sales volume. Despite the revenue growth, EBIT fell by 34 per cent to €4.5 million (H1 2018: €6.9 million). This was due to expenses in connection with the contractual integration of new product partners, capital expenditure on process digitalisation and the building up of personnel capacity.

The **Real Estate Platform segment** brings together all of the Hypoport Group's activities relating to property. Against the backdrop of a relative lack of stimulus from interest rates and the politically motivated debate about capping rents, the property financing platform for the housing industry nonetheless managed to generate a small 7 per cent increase in the transaction volume to €1.0 billion. However, slightly lower average commission levels meant that revenue fell slightly, by 4 per cent, to €7.4 million. Revenue from the property management platform and property sales platform (FIO and PRoMMiSe) amounted to €7.5 million (H1 2018: €3.9 million), a rise of 91 per cent. The property valuation platform (Value AG) delivered a sound operating performance, increasing the number of bank partners and stepping up cooperation with existing clients. As a result, revenue from the property valuation platform was more than double the figure for the first half of 2018 at €6.0 million. The Real Estate Platform segment's overall revenue thus advanced by 44 per cent to €20.9 million (H1 2018: €14.5 million). The segment's EBIT dropped by 23 per cent to €2.4 million (H1 2018: €3.2 million). This was due to the much smaller contribution to EBIT from the property financing platform, initial capital expenditure on the property valuation platform and further capital expenditure to utilise synergies between the Real Estate Platform and Credit Platform segments.

The **Insurance Platform segment** brings together all of the Hypoport Group's activities relating to insurance technology. To this end, the segment is centred on the fully integrated SMART INSUR platform for the sale and administration of insurance products. The expansion of business relationships with existing clients, the securing of new clients and the growth as a result of acquiring ASC in summer 2018 caused the segment's revenue to almost double (94 per cent increase) to €20.5 million (H1 2018: €10.6 million). As a result, EBIT improved significantly from a loss of €1.7 million to a loss of €0.3 million.

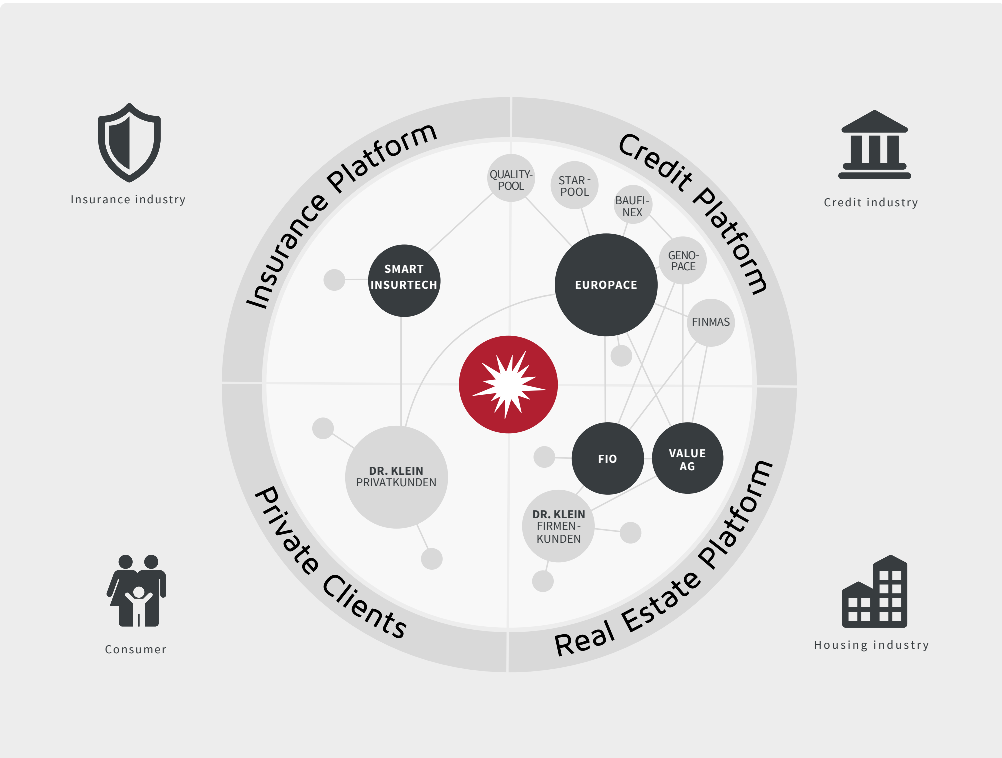
Building on the excellent first quarter of 2019, we maintained a very high growth rate and were therefore able to capture additional market share. The increase in revenue of almost 30 per cent in the first half of 2019 represents another big step towards a successful year as a whole. But we also have a lot of plans for 2020 and beyond. This does not stop at the continued technical, organisational and cultural integration of the companies acquired in 2016 to 2018 in order to capitalise on synergies within our Hypoport network. At the start of July, we also acquired REM CAPITAL AG – a management consultancy specialising in funding based on public-sector development loans and subsidies – for the Hypoport Group. REM CAPITAL's development lending expertise will strengthen DR. KLEIN Firmenkunden AG's corporate finance team, which was established in 2017. In 2020, we plan to launch a B2B platform for handling corporate finance for loans with a volume of over €5 million.

This latest acquisition is therefore fully aligned with our long-term objective of digitalising the German credit, real estate and insurance industries.

I hope you enjoy reading this report and have a great summer.

Kind regards,

Ronald Slabke



Management report

Business and economic conditions

Macroeconomic environment

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

Germany's GDP was stagnant in the fourth quarter of 2018 and grew by just 0.4 per cent in the first quarter of 2019, prompting the leading economic research institutions to lower their forecasts for 2019 to 0.8 per cent in their 2019 spring report. In their 2018 autumn report, the institutions had predicted growth of 1.9 per cent in Germany. The reasons for the downgrade are the expected impact of trade disputes on German exports.

The rate of inflation for Germany remained below the target set by the European Central Bank (ECB) of "below, but close to, 2.0 per cent" in the first six months of 2019. Moreover, senior figures at the ECB have reiterated several times that they intend to maintain the benchmark rate at its current level until 2020. The key interest rate is therefore unlikely to go up any time soon. The termination of the ECB's bond-buying programme in December 2018 did not have a major immediate impact on the low-interest-rate environment either, as it is being implemented gradually and any incoming repayments of principal are being reinvested.

Sectoral performance

The subsidiaries of the Hypoport Group that are involved in operating activities are assigned to its four segments: Credit Platform, Private Clients, Real Estate Platform (until summer 2018: Institutional Clients) and Insurance Platform. The companies within the first two segments (Credit Platform and Private Clients) are primarily involved in the brokerage of financial products for private residential mortgage finance and related services. The key target sector for these segments is therefore the credit industry for residential property in Germany. The Real Estate Platform segment is involved in the financing, management, sale and valuation of properties. The volume of housing market transactions in Germany is this segment's best possible market benchmark, because it encompasses the sale, valuation and financing of residential property in Germany. The fourth segment – Insurance Platform – provides software solutions for traditional distribution organisations and B2C insurtech start-ups. The German insurance industry therefore constitutes the key market environment for this segment's operations.

Sectoral conditions in the credit industry for residential property and in the insurance industry have not changed materially since we reported on them in the 2018 annual report. The market environment for the Real Estate Platform segment was redefined in the first half of 2019.

Market for residential mortgage finance

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

- Developments in the housing market,
- Regulatory requirements for brokers and suppliers of residential mortgages,
- Level of interest rates for mortgage finance.

The first factor, operational developments in the housing market, did not change significantly during the first few months of this year. Demand for housing remains high, driven by Germany's net inward migration, the wish to live independently for longer in later life and the growing number of one-person households. Despite small improvements as a result of new construction, supply in the housing market cannot keep up with the excess demand that has arisen in recent years. Regarding the second factor, regulations, it is evident that European and domestic regulation – which has been mounting for years – is adversely affecting the financial services market in Germany. For years, banks and insurance companies in particular have been required to use significant resources to implement laws and directives (e.g. the EU's Mortgage Credit Directive, Basel III, Solvency II, MiFID 2 and IDD 2). As these resources could otherwise have been used to strengthen operations, the overall impact of the regulations has been to inhibit market performance. The third factor, the level of interest rates, plays a subordinate role when consumers are deciding whether to buy property. For this group, being able to secure the right property at the right time for an affordable price is more important than the current mortgage rate.

The interaction of these factors caused the volume of new mortgage finance business, based on Deutsche Bundesbank statistics (Bundesbank time series BBK01.SUD231), to rise to €127.5 billion in the first half of 2019, a year-on-year increase of 5.0 per cent (H1 2018: €121.4 billion).

Housing market in Germany

The German housing market has been very buoyant for years. It is influenced by various long-term factors (see the section 'Credit industry for private residential property'). Germany's net inward migration, higher life expectancy, the growing number of one-person households and the wish to be unaffected by possible rent increases have been pushing up demand for residential property for many years. On the supply side, the regulation of residential construction and a shortage of building resources mean that new construction is rising only slightly. The result is a gap between supply and demand, which the different experts estimate at between one and two million homes. Given this surplus demand, the Hypoport Group believes that the volume of private housing market transactions in Germany will increase going forward. Based on the market volume of new mortgage finance business (see the section 'Credit industry for private residential property') and the data obtained from EUROPACE, the Hypoport Group estimates that this volume of housing market transactions in Germany (i.e. the market environment for the Real Estate Platform segment) was around €200 billion in 2018.

As well as the general trend in the volume of housing market transactions, small interest-rate rises also have a significant effect on the property financing platform for the housing industry in the Real Estate Platform segment. The average Dr. Klein interest rate remained within a very narrow range of 1.41 per cent to 1.68 per cent in the first five months of 2019 and fell to 1.23 per cent in June.

Changes in interest rates therefore created challenging market conditions for the property financing platform in the Real Estate Platform segment during the first half of 2019. In view of the large market volume and the positive outlook, the individual business models within the Real Estate Platform segment have huge potential for growth.

Insurance market

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

Business performance

In the first half of 2019, the Hypoport Group increased its revenue by 29 per cent to €157.1 million (H1 2018: €121.7 million). Excluding selling expenses of €74.9 million (H1 2018: €56.5 million), the full Hypoport network's gross profit increased by 26 per cent to reach €82.2 million (H1 2018: €65.3 million). At the same time, there was major capital expenditure on the ongoing development of individual platforms and on leveraging synergies between the platforms' business models. Key account manager capacity was also increased, particularly for the regional banks. Earnings before interest and tax (EBIT) in the first half of 2019 came to €15.8 million (H1 2018: €14.8 million), a year-on-year rise of approximately 7 per cent.

Credit Platform

The Credit Platform segment includes the web-based B2B credit platform EUROPACE, which is the largest German marketplace for the sale of mortgage finance, building finance products and personal loans, plus sub-marketplaces and distribution companies that are tailored to individual target groups.

EUROPACE brings together two groups: distribution organisations (non-captive distribution organisations, private commercial banks, savings banks, cooperative banks) and product suppliers (private commercial banks and insurance companies, savings banks and cooperative banks). The volume of transactions processed on EUROPACE in the first half of 2019 went up by 14 per cent to €31.9 billion, compared with €27.9 billion in the prior-year period. This figure reflects the performance of the three product groups (mortgage finance, building finance and personal loans). As a result, the volume of mortgage finance rose by 16 per cent to €25.0 billion in the first half of 2019 (H1 2018: €21.5 billion) and also by 16 per cent to €12.9 billion in the second quarter of 2019 (Q2 2018: €11.1 billion). In the building finance product group, the transaction volume advanced by 14 per cent to €5.2 billion in the first half of 2019 (H1 2018: €4.5 billion) and by 12 per cent to €2.7 billion in the second quarter of 2019 (Q2 2018: €2.4 billion). The volume in the smallest product group, personal loans, contracted slightly compared with the exceptionally high volume achieved in the prior-year period, falling by 7 per cent to €1.7 billion in the first half of 2019 (H1 2018: €1.8 billion) and by 4 per cent to €0.8 billion in the second quarter of 2019 (Q2 2018: €0.9 billion). The mortgage finance and building finance product groups, which together account for around 95 per cent of the volume of transactions on EUROPACE, thus again considerably exceeded the growth rates of their respective markets.

By using FINMAS, the sub-marketplace for institutions in the Savings Banks Finance Group, the savings banks generated a transaction volume of €2.8 billion in the first half of the year (H1 2018: €1.8 billion), an increase of 57 per cent. In the second quarter, the volume rose by 58 per cent to €1.5 billion (Q2 2018: €0.9 billion). In the cooperative banking sector, institutions used the GENOPACE sub-marketplace to achieve a volume of €1.7 billion in the first half of the year and €1.0 billion in the second quarter of 2019. The volume in the first six months was thus up by around 120 per cent (H1 2018: €0.8 billion). The rate of volume growth on GENOPACE in the second quarter was an impressive 154 per cent (Q2 2018: €0.4 billion). Alongside these encouraging trends at the savings banks and cooperative banks, the volumes generated by the non-captive financial distributors and private commercial banks that use EUROPACE also expanded at a faster rate than the market.

Product suppliers on the financial marketplace are divided into three groups: private commercial banks and insurance companies, savings banks and cooperative banks. Traditionally the largest group, private commercial banks and insurance companies generated a volume of €23.4 billion as product suppliers (H1 2018: €21.9 billion). The savings banks, as product suppliers, generated a volume of €4.9 billion in the first half of 2019 (H1 2018: €3.8 billion) and the cooperative banks €3.6 billion (H1 2018: €2.2 billion). The savings banks and cooperative banks, which still lag behind the private commercial banks and insurance companies in terms of digitalising their businesses, again slightly increased their new lending business relative to the latter through the use of our marketplace.

The increasing use of EUROPACE, FINMAS and GENOPACE within their respective sectors can also be seen from the continued growth in the number of contractual partners (product suppliers and distributors). Because EUROPACE is already well established in non-captive distribution organisations, the distribution organisations of private commercial banks and the product supplier group represented by private commercial banks and insurance companies, the bulk of the credit platform's growth stems from the savings banks and cooperative banks. FINMAS increased its number of contractual partners by 21 per cent to 255 (30 June 2018: 210). The increase for GENOPACE was even bigger, with the number rising by 26 per cent to 331 (30 June 2018: 264).

Financial figures – Credit Platform	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Transaction volume (€ billion)*					
Total	31.9	27.9	16.4	14.4	14%
thereof mortgage finance	25.0	21.5	12.9	11.1	16%
thereof building finance ("Bausparen")	5.2	4.5	2.7	2.4	14%
thereof personal loans	1.7	1.8	0.8	0.9	–7%
Partners (number)					
Europace (incl. Genopace and Finmas)	674	565			19%
Genopace	331	264			25%
Finmas	255	210			21%
Revenue and earnings (€ million)					
Revenue	65.5	53.2	34.7	27.3	23%
Gross profit	34.8	29.1	18.5	15.1	20%
EBIT	14.2	11.4	7.7	6.2	25%

* Recognition method adjusted in 2019 as a result of improvements in the allocation to specific periods. The adjustment will have a detrimental impact on the transaction volume figures for 2019.

In the first half of 2019, total revenue in the Credit Platform segment was up substantially compared with the first half of 2018 as a result of the greater volume of transactions on EUROPACE in the mortgage finance and building finance product groups and the increase in revenue from the two brokerage pools for independent loan brokerage advisors, Qualitypool and Starpool. Only white-label personal loans business registered a decline, with revenue falling slightly compared with the good level in the prior-year period. Revenue in the Credit Platform segment totalled approximately €65.5 million in the first half of 2019. This represented a significant jump of 23 per cent compared with the figure of €53.2 million in the first six months of last year. After deduction of selling expenses, the segment's gross profit was up by 20 cent to €34.8 million (H1 2018: €29.1 million). EBIT rose by 25 per cent to €14.2 million in the first half of 2019 (H1 2018: €11.4 million) despite high levels of capital expenditure on the next generation of EUROPACE and on expansion of key account resources, particularly for regional banks.

Private Clients segment

The Private Clients segment, made up of the web-based, non-captive financial product distributor Dr. Klein Privatkunden AG and the consumer comparison portal Vergleich.de, brings together all business models aimed at directly advising consumers on mortgage finance, insurance and pension products (B2C business model, or B2B2C including franchisees).

Dr. Klein offers advice on mortgage finance, building finance products and personal loans at more than 200 locations. At these locations, the advice is mainly provided through a franchise system. Dr. Klein also has seven Hypoport flagship stores located in large metropolitan areas in Germany. The network of sites has already been optimised in terms of coverage, which means the opening of new locations will not be the main source of growth in future. Instead, further expansion will largely be determined by the number and performance of the advisors[1] at the existing locations. As at 30 June 2019, the number of advisors had grown by 9 per cent year on year, taking the total to 626.

In the first half of 2019, the volume of mortgage finance, building finance and personal loan products brokered by Dr. Klein ('volume of new loans brokered') amounted to approximately €3.5 billion (H1 2018: €3.2 billion). This equates to an increase of 11 per cent. In the second quarter of 2019, the volume of new loans brokered rose by 12 per cent to €1.8 billion (Q2 2018: €1.6 billion).

Financial figures – Private Clients	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Transaction volume (€ billion)*	3.5	3.2	1.8	1.6	11%
Number of branch advisors (loan brokerage)	626	575			9%
Revenue and earnings (€ million)	**H1 2019**	**H1 2018**	**Q2 2019**	**Q2 2018**	**H1 Change**
Revenue	50.5	44.1	25.2	21.8	14%
Gross profit	16.4	15.4	8.0	7.7	6%
EBIT	4.5	6.9	2.3	3.4	–34%

* Recognition method adjusted in 2019 as a result of improvements in the allocation to specific periods. The adjustment will have a detrimental impact on the transaction volume figures for 2019.

Revenue in the Private Clients segment as a whole advanced by 14 per cent to around €50.5 million in the first six months of the year (H1 2018: €44.1 million). Commission is paid to franchisees and lead acquisition fees are paid to third parties and recognised as selling expenses. The gross profit remaining after deduction of selling expenses went up by 6 per cent to €16.4 million (H1 2018: €15.4 million). Despite the revenue growth, EBIT in the Private Clients segment fell by 34 per cent to €4.5 million (H1 2018: €6.9 million). This was due to expenses in connection with improving the contractual integration of the many new regional product partners, capital expenditure on process digitalisation and the building up of personnel capacity.

Real Estate Platform segment

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the financing, management, sale and valuation of properties. The target groups are the housing and property industries, estate agents and mortgage lenders. The segment includes four platforms that have a lot of potential synergies with each other and with the Credit Platform segment: a property financing platform for the housing industry (DR. KLEIN Firmenkunden AG), a property management platform (FIO SYSTEMS AG and Hypoport B.V. with its PRoMMiSe product), a property sales platform (FIO SYSTEMS AG) and a property valuation platform (Value AG).

[1] Dr. Klein advisors are defined as: franchisees, persons employed by franchisees, and managers and advisors at flagship stores who have brokered at least one product at a location during the past twelve months.

The volume of new loans brokered on the property financing platform for the housing industry amounted to €1.0 billion, a small increase of 7 per cent (H1 2018: €0.9 billion). Market conditions currently remain challenging owing to the relative lack of stimulus from interest rates and the politically motivated debate about rent increases, which have made the housing and property industries reluctant to invest. The focus for both the property management platform (ERP solution from FIO SYSTEMS for the housing industry) and the property sales platform was again on acquiring new clients. The marketing solution from FIO SYSTEMS within the Savings Banks Finance Group secured six new institutions as users between the end of 2018 and 30 June 2019, taking the total to 317 institutions. The number of users within the cooperative banking group rose by five over the period, giving a total of 63 institutions. The number of banking partners using Value AG's valuation service on the property valuation platform increased from approximately 120 as at 30 June 2018 to around 220 as at 30 June 2019.

Financial figures – Real Estate Platform	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Transaction volume of Property financing platform (€ million)	962	902	634	660	7%
Revenue and earnings (€ million)					
Revenue	20.9	14.5	11.1	7.8	44%
thereof Property financing platform	7.4	7.7	3.9	3.1	–4%
thereof Property management platform (ERP) & Property sales platform	7.5	3.9	3.9	2.6	91%
thereof Property valuation platform	6.0	2.9	3.4	2.2	111%
Gross profit	19.8	14.1	10.5	7.6	41%
EBIT	2.4	3.2	1.6	1.0	−23%

The lack of stimulus from the market and a slight drop in commission caused revenue from the property financing platform for the housing industry to decrease by 4 per cent to €7.4 million (H1 2018: €7.7 million). Revenue from the property management platform and property sales platform amounted to €7.5 million (H1 2018: €3.9 million), a rise of 91 per cent. The property valuation platform's revenue more than doubled, jumping by 111 per cent to €6.0 million in the first half of 2019 (H1 2018: €2.9 million). The Real Estate Platform segment's overall revenue thus advanced by 44 per cent to roughly €20.9 million (H1 2018: €14.5 million).

Total gross profit for the segment rose at a similar rate (41 per cent) to reach €19.8 million, up from €14.1 million in the prior-year period. The segment's EBIT declined by 23 per cent to €2.4 million (H1 2018: €3.2 million). The decrease in EBIT can be explained by the much smaller contribution to EBIT from the property financing platform, initial capital expenditure on the property valuation platform and further capital expenditure to utilise synergies between the Real Estate Platform and Credit Platform segments.

Insurance Platform segment

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

Financial figures – Insurance Platform	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Revenue and earnings (€ million)					
Revenue	20.5	10.6	7.9	5.0	94%
Gross profit	10.8	6.7	4.7	3.5	61%
EBIT	–0.3	–1.7	–0.8	–0.9	–84%

The expansion of business relationships with existing clients, the securing of new clients and the growth as a result of acquiring ASC in 2018 (which has since been merged into Qualitypool) caused the segment's revenue to almost double (94 per cent) to €20.5 million (H1 2018: €10.6 million). The segment's gross profit climbed by 61 per cent to €10.8 million (H1 2018: €6.7 million). EBIT improved significantly year on year, from a loss of €1.7 million in the first half of 2018 to a loss of €0.3 million in the reporting period.

Earnings

Against the backdrop of the operating performance described above, EBITDA rose from €19.0 million to €24.7 million and EBIT from €14.8 million to €15.8 million in the first half of 2019. In the second quarter of 2019, the Company generated EBITDA of €12.4 million (Q2 2018: €9.5 million) and EBIT of €7.8 million (Q2 2018: €7.3 million).

The significant investment in the expansion of future-oriented business activities caused the EBIT margin (EBIT as a percentage of gross profit) to fall from 22.7 per cent to 19.2 per cent in the first half of 2019.

Revenue and earnings (€ million)	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Revenue	157.1	121.7	78.6	61.6	29%
Gross profit	82.2	65.3	42.0	33.8	26%
EBITDA	24.7	19.0	12.4	9.5	30%
EBIT	15.8	14.8	7.8	7.3	7%
EBIT margin (EBIT as percentage of Gross profit)	19.2%	22.7%	18.6%	21.5%	–15%

Own work capitalised

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

The Company invested a total of €14.7 million in expansion in the first half of 2019 (H1 2018: €9.6 million) and €7.6 million in the second quarter of the year (Q2 2018: €5.2 million). Of these totals, €7.8 million was capitalised in the second half of 2019 (H1 2018: €4.5 million) and €4.1 million in the second quarter of this year (Q2 2018: €2.3 million), while amounts of €6.9 million for the first half of 2019 (H1 2018: €5.1 million) and €3.5 million for the second quarter of this year (Q2 2018: €2.9 million) were expensed as incurred. These amounts represent the personnel expenses and operating costs attributable to software development. The rise in development costs was primarily attributable to the newly acquired software companies.

Other income and expenses

Other operating income mainly comprised income of €0.6 million from employee contributions to vehicle purchases (H1 2018: €0.5 million) and income of €0.5 million from other accounting periods (H1 2018: €0.5 million).

In the first half of 2019, personnel expenses went up because of salary increases and because the average number of employees in the period rose from 1,266 to 1,601. The breakdown of other operating expenses is shown in the table below.

Other operating expenses (€ million)	H1 2019	H1 2018	Q2 2019	Q2 2018	H1 Change
Operating expenses	3.7	4.7	1.9	2.4	–21%
Other selling expenses	3.4	2.7	1.7	1.5	26%
Administrative expenses	7.6	5.6	4.2	3.1	36%
Other personnel expenses	0.9	0.8	0.4	0.4	13%
Other expenses	2.2	1.6	1.2	0.6	38%
	17.8	**15.4**	**9.4**	**8.0**	13%

The operating expenses consisted mainly of building rentals of €0.2 million (H1 2018: €1.4 million) and vehicle-related costs of €1.1 million (H1 2018: €1.4 million). The reduction in rental expenses and vehicle costs was attributable to application of the new accounting standard for leases (IFRS 16) with effect from 1 January 2019. The other selling expenses related to advertising costs and travel expenses. The administrative expenses largely comprised IT-related costs of €3.8 million (H1 2018: €2.5 million) and legal and consultancy expenses of €1.4 million (H1 2018: €1.5 million). The other personnel expenses mainly consisted of training costs of €0.7 million (H1 2018: €0.5 million).

Depreciation, amortisation expense and impairment losses

Depreciation, amortisation expense and impairment losses rose by €4.7 million to €8.9 million (H1 2018: €4.2 million), the largest item of which (€2.6 million) consisted of depreciation and impairment recognised on leasing-related right-of-use assets for the first time as a result of application of the new accounting standard for leases (IFRS 16) with effect from 1 January 2019.

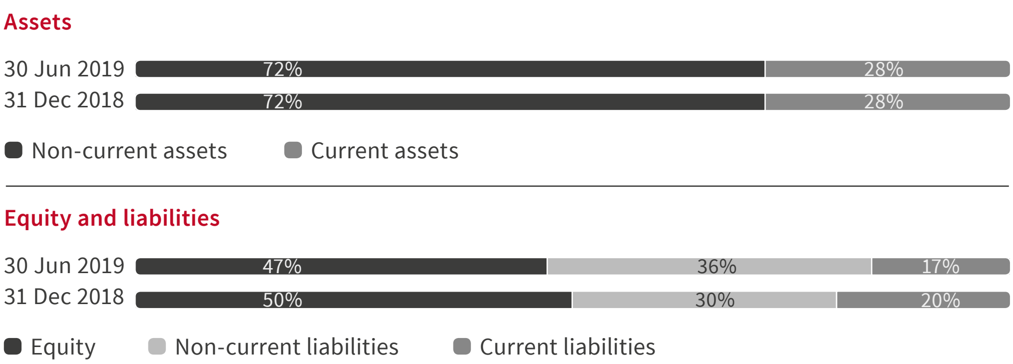
Net financial income/finance costs

The net finance costs primarily included interest expense and similar charges of €0.7 million incurred by the drawdown of loans and the use of credit lines (H1 2018: €0.4 million).

Balance sheet

The Hypoport Group's consolidated total assets as at 30 June 2019 amounted to €354.8 million, which was a 16 per cent increase on the total as at 31 December 2018 (€305.6 million).

Balance sheet structure



Non-current assets totalled €254.9 million (31 December 2018: €221.0 million). They largely consisted of goodwill of €140.6 million (31 December 2018: €140.5 million) and development costs for the financial marketplaces of €40.7 million (31 December 2018: €36.0 million). The €28.5 million rise in property, plant and equipment to €34.3 million is mainly attributable to the recognition of leasing-related right-of-use assets amounting to €27.3 million for the first time following application of the new accounting standard for leases (IFRS 16) with effect from 1 January 2019.

Other current assets essentially comprised the prepayment of the purchase consideration for REM CAPITAL AG amounting to €23.8 million, plus prepaid expenses of €1.4 million (31 December 2018: €1.1 million) and commission of €0.5 million paid in advance to distribution partners (31 December 2018: €0.8 million).

The equity attributable to Hypoport AG shareholders as at 30 June 2019 had increased by €12.4 million, or 8.1 per cent, to €165.6 million. The equity ratio decreased, from 50.2 per cent to 46.8 per cent, owing to the growth of total assets.

The €37.1 million increase in non-current liabilities to €110.2 million stemmed primarily from the €39.2 million rise in non-current financial liabilities.
Total financial liabilities comprised bank loans of €98.9 million (31 December 2018: €80.6 million) and leases of €27.4 million (31 December 2018: €0.2 million). The increase in financial liabilities arising from leases was the result of application of IFRS 16 with effect from 1 January 2019 and the recognition of new lease liabilities this year. Financial liabilities arising from bank loans went up because scheduled repayments of loans amounting to €5.2 million were outweighed by new borrowing of €23.5 million.

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

Other current liabilities mainly comprised tax liabilities of €2.6 million (31 December 2018: €2.2 million) and bonus commitments of €2.4 million (31 December 2018: €4.7 million).

Cash flow

Cash flow grew by €1.9 million to €18.8 million during the reporting period. The total net cash generated by operating activities in the first six months of 2019 amounted to €13.3 million (H1 2018: €18.1 million). The cash used for working capital fell by €6.8 million to minus €5.5 million (H1 2018: €1.3 million).

The net cash outflow of €39.0 million for investing activities (H1 2018: €73.3 million) consisted primarily of an amount of €23.8 million for the purchase of REM CAPITAL AG, capital expenditure of €9.7 million on non-current intangible assets (H1 2018: €6.4 million) and the first earn-out payment of €2.6 million resulting from the acquisition of ASC Assekuranz-Service Center GmbH in 2018.

The net cash of €15.8 million provided by financing activities (H1 2018: €67.3 million) consisted of new borrowing of €23.5 million (H1 2018: €70.4 million), scheduled loan repayments of €5.2 million (H1 2018: €3.1 million) and the repayment of lease liabilities in an amount of €2.5 million (H1 2018: €0.0 million).

Cash and cash equivalents as at 30 June 2019 totalled €21.9 million, which was €9.9 million lower than at the beginning of the year.

Capital expenditure

Most of the capital investment was spent on the purchase of REM CAPITAL AG and the refinement of the platforms. There was also further capital expenditure on new advisory systems for consumers and distributors.

Employees

The number of employees in the Hypoport Group rose by 9 per cent compared with the end of 2018 to 1,632 (31 December 2018: 1,500 employees). The average headcount during the first half of 2019 was 1,601 (H1 2018: 1,266 employees).

Outlook

Our assessment of the sector-specific market environment has changed only slightly since we presented it in the 2018 annual report.

As explained in the section ‘Macroeconomic environment’, trends in the broad macroeconomic environment have only a subordinate and indirect influence on the performance of the Hypoport Group. The only macroeconomic variables that, along with industry-specific factors, have a degree of influence on consumers’ and the housing industry’s willingness to borrow are GDP, interest rates and inflation.

In their 2019 spring report, the leading economic research institutions are predicting GDP growth of 0.8 per cent in 2019 and 1.8 per cent in 2020. Interest rates are likely to remain low until the end of 2020 in view of the recent cooling of the economy and the signals being sent out by the ECB.

The industry-specific parameters in the market for residential mortgage finance and in the insurance industry improved slightly in the first half of 2019 (see the section ‘Sectoral performance’). For 2019, the Hypoport Group continues to predict a moderate increase in the volume of premiums in the insurance industry. Based on the encouraging performance in the first half of the year, the Hypoport Group now anticipates that the market volume of new mortgage finance business will grow slightly over 2019 as a whole (previous assumption: volume on a par with the level in 2018).

The forecast has changed slightly for the four segments of the Hypoport Group:

The Credit Platform segment is focusing on further increasing its market share through quantitative and qualitative expansion of its base of contractual partners. Besides the expected positive performance of the overall EUROPACE marketplace, the sub-marketplaces for the savings bank sector (FINMAS) and the cooperative banking sector (GENOPACE) will play a particularly crucial role. GENOPACE’s growth rate has accelerated rapidly over the past four quarters. We anticipate that this expansion will continue at a fast pace in the short term. The volume of transactions attributable to non-captive brokers using EUROPACE is also expected to increase in 2019, having reached a good level in the first half of the year. Furthermore, as a result of the leveraging of potential synergies with the Real Estate Platform segment, new products and additional services should increase the depth of services provided to individual customers and thus strengthen customer loyalty. As a result, the Credit Platform segment is still predicted to generate sharp rises in revenue and earnings (EBIT) in 2019.

The Private Clients segment is concentrating on signing up customers for financial products. Client demand for loan brokerage from non-captive advisors, not tied to a particular product supplier, has been rising for years, and this trend is set to continue in 2019. The advantage of being able to compare multiple products is obvious, and increasing numbers of consumers are exploiting this advantage. Recruiting and training new advisors will be key to the further expansion of the segment, because it will enable this growing demand from consumers to be met. The Private Clients segment is still predicted to generate a rise in revenue in 2019. Given the integration of additional product partners, capital expenditure on process digitalisation and the building up of personnel capacity in the organisation, earnings (EBIT) for 2019 as a whole are expected to decline slightly.

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the financing, management, sale and valuation of properties. The property financing platform business (DR. KLEIN Firmenkunden AG) is the most difficult business to make forecasts about in the Hypoport Group, because its revenue tends to fluctuate significantly. This fluctuation is attributable to the fact that individual loan brokerage transactions for housing companies are traditionally very large and difficult to control, combined with a high level of dependence on interest-rate trends. Hypoport expects the other three platforms (property sales platform, property management platform and property valuation platform) to perform well. The significant synergies between the Real Estate Platform segment and Credit Platform segment create good potential for the growth of revenue and earnings (EBIT) over the long term, and this is likely to become more apparent in the quarters ahead.

The Insurance Platform segment is striving to become the market standard for the insurance industry, similar to EUROPACE’s role in the credit industry. A substantial increase in revenue and a marked improvement in earnings (EBIT) compared with the previous year continues to be anticipated in 2019.

Assuming that there is no significant turmoil in the credit, property or insurance industries (i.e. in the markets in which the Hypoport Group operates), we still expect the Hypoport Group as a whole to achieve a double-digit growth rate with consolidated revenue of between €310 million and €340 million and EBIT of €32 million to €40 million.

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

Shares and investor relations

Share price performance

Hypoport shares started the 2019 trading year at €149.00 (XETRA closing price on 2 January 2019), which is also the lowest price in the year to date. In the weeks that followed, the shares climbed to around €180 as a counter-reaction to the weak performance of the stock market at the end of 2018 and remained within a range of roughly €170 million to €190 million until the end of May. They rose sharply from the start of May onwards and stood at €240.50 on 30 June 2019. On Xetra, Hypoport shares thus gained in value by more than 62 per cent over the first six months of 2019, thereby comfortably outperforming the robust rises in the capital markets (DAX up by 17 per cent, SDAX up by 20 per cent). The daily volume of Hypoport shares traded on all German stock exchanges averaged €1.7 million.

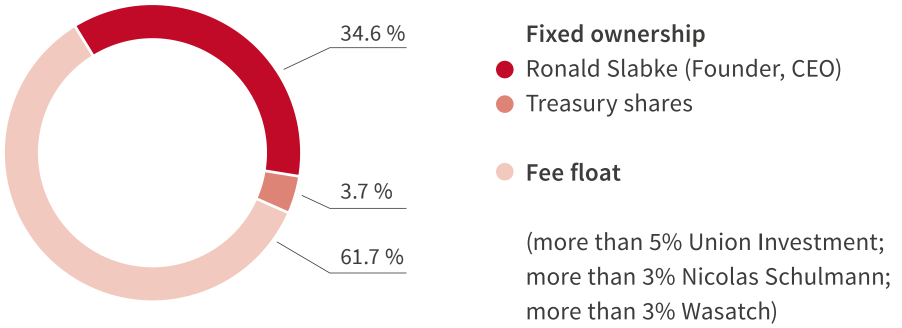
At the end of the reporting period, Hypoport shares occupied the midfield in the SDAX index in terms of free-float trading volume. In terms of market capitalisation, Hypoport shares are now in the top third owing to their rise over recent months.

Performance of Hypoport's share price (daily closing prices on Frankfurt Stock Exchange, Euro)

Shareholder structure

There were no notifiable changes during the first six months of 2019 that would have necessitated a voting right notification. The slight reduction in the treasury shares held by the Company compared with 31 March 2019 was due to the distribution of shares in connection with the employee share ownership programme.

Hypoport AG shareholder structure as at 30 June 2019:



Research

Hypoport shares were covered by six professional banking institutions (Bankhaus Metzler, Berenberg, Commerzbank, KBW – A Stifel Company, Pareto Securities and Warburg Research) in the second quarter of 2019. As at 30 June 2019, three of these analysts recommended the shares as a 'buy' and three as a 'hold', with the target prices ranging from €200.00 to €255.00 depending on each analyst's assessment.

Designated sponsors

Designated sponsors enhance a share's liquidity by quoting binding prices at which they will buy and sell the share. As at 30 June 2019, the designated sponsor for Hypoport AG was ODDO SEYDLER BANK AG, Frankfurt am Main.

Interim consolidated financial statements

Consolidated income statement for the period 1 January to 30 June 2019

	H1 2019 €'000	H1 2018 €'000	Q2 2019 €'000	Q2 2018 €'000
Revenue	**157,068**	**121,745**	**78,613**	**61,640**
Commissions and lead costs	–74,913	–56,463	–36,648	–27,884
Gross profit	**82,155**	**65,282**	**41,965**	**33,756**
Own work capitalised	7,837	4,856	4,146	2,599
Other operating income	1,627	1,520	807	664
Personnel expenses	–48,615	–37,303	–24,980	–19,524
Other operating expenses	–17,816	–15,363	–9,424	–8,000
Income from companies accounted for using the equity method	–463	13	–160	3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**24,725**	**19,005**	**12,354**	**9,498**
Depreciation, amortisation expense and impairment losses	–8,912	–4,218	–4,563	–2,248
Earnings before interest and tax (EBIT)	**15,813**	**14,787**	**7,791**	**7,250**
Financial income	127	14	53	1
Finance costs	–937	–468	–475	–272
Earnings before tax (EBT)	**15,003**	**14,333**	**7,369**	**6,979**
Income taxes and deferred taxes	–2,990	–2,967	–1,521	–1,490
Net profit for the period	**12,013**	**11,366**	**5,848**	**5,489**
attributable to non-controlling interest	20	23	12	10
attributable to Hypoport AG shareholders	**11,993**	**11,343**	**5,836**	**5,479**
Earnings per share (€)	**1.92**	**1.88**	**0.93**	**0.90**

Consolidated statement of comprehensive income for the period 1 January to 30 June 2019

	H1 2019 €'000	H1 2018 €'000	Q2 2019 €'000	Q2 2018 €'000
Net profit for the period	**12,013**	**11,366**	**5,848**	**5,489**
Total income and expenses recognised in equity*)	0	0	0	0
Total comprehensive income	**12,013**	**11,366**	**5,848**	**5,489**
attributable to non-controlling interests	20	23	12	10
attributable to Hypoport AG shareholders	**11,993**	**11,343**	**5,836**	**5,479**

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

Consolidated balance sheet as at 30 June 2019

Assets	30 June 2019 €'000	31 Dec 2018 €'000
Non-current assets		
Intangible assets	195,827	190,636
Property, plant and equipment	38,869	10,332
Long-term investments accounted for using the equity method	6,126	6,500
Financial assets	174	290
Trade receivables	7,093	7,562
Other assets	1,002	1,065
Deferred tax assets	5,836	4,588
	254,927	**220,973**
Current assets		
Inventories	880	780
Trade receivables	48,931	47,974
Other assets	27,679	3,521
Current income tax assets	499	609
Cash and cash equivalents	21,865	31,761
	99,854	**84,645**
	354,781	**305,618**

Equity and liabilities	30 June 2019 €'000	31 Dec 2018 €'000
Equity		
Subscribed capital	6,493	6,493
Treasury shares	– 241	– 246
Reserves	159,305	146,923
	165,557	**153,170**
Non-controlling interest	344	314
	165,901	**153,484**
Non-current liabilities		
Financial liabilities	110,193	70,956
Provisions	34	34
Other liabilities	4,766	7,400
Deferred tax liabilities	12,230	11,770
	127,223	**90,160**
Current liabilities		
Provisions	306	250
Financial liabilities	16,263	9,780
Trade payables	26,653	32,543
Current income tax liabilities	1,446	3,778
Other liabilities	16,989	15,623
	61,657	**61,974**
	354,781	**305,618**

Abridged consolidated statement of changes in equity for the six months ended 30 June 2019

2018 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Balance as at 1 January 2018	5,946	2,905	73,749	82,600	306	82,906
Capital increase	298	0	0	298	0	298
Release of treasury shares	2	47,347	18	47,367	0	47,367
Changes to the basis of consolidation	0	0	0	0	8	8
Total comprehensive income	0	0	11,343	11,343	23	11,366
Balance as at 30 June 2018	**6,246**	**50,252**	**85,110**	**141,608**	**337**	**141,945**

2019 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Balance as at 1 January 2019	6,247	50,678	96,245	153,170	314	153,484
Release of treasury shares	4	351	39	394	0	394
Changes to the basis of consolidation	0	0	0	0	10	10
Total comprehensive income	0	0	11,993	11,993	20	12,013
Balance as at 30 June 2019	**6,251**	**51,029**	**108,277**	**165,557**	**344**	**165,901**

Consolidated cash flow statement for the period 1 January to 30 June 2019

	H1 2019 €'000	H1 2018 €'000
Earnings before interest and tax (EBIT)	15,813	14,787
Non-cash income / expense	– 1,279	986
Interest received	62	14
Interest paid	– 831	– 468
Income taxes paid	– 3,415	– 2,140
Current income taxes	– 275	– 702
Change in deferred taxes	– 700	127
Profit (loss) from equity-accounted long-term equity investments	479	– 13
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	8,912	4,218
Income/expense from disponal of intangible assets and property, plant and equipment and financial assets	– 5	18
Cashflow	**18,761**	**16,827**
Increase / decrease in current provisions	56	48
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	– 552	9,136
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	– 4,987	– 7,891
Change in working capital	**– 5,483**	**1,293**
Cash flows from operating activities	**13,278**	**18,120**
Payments to acquire property, plant and equipment / intangible assets	– 12,673	– 7,946
Cash outflows for acquisitions less acquired cash	– 26,287	– 63,348
Proceeds from the disposal of financial assets	84	12
Purchase of financial assets	– 114	– 2,012
Cash flows from investing activities	**– 38,990**	**– 73,294**
Repayments of lease liabilities	– 2,526	0
Proceeds from the drawdown of financial loans	23,500	70,439
Redemption of financial loans	– 5,158	– 3,142
Cash flows from financing activities	**15,816**	**67,297**
Net change in cash and cash equivalents	– 9,896	12,123
Cash and cash equivalents at the beginning of the period	31,761	14,333

Abridged segment reporting for the period 1 January to 30 June 2019

€'000	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Reconci-liation	Group
Segment revenue in respect of third parties						
H1 2019	65,108	50,397	20,873	20,310	380	157,068
H1 2018	52,716	44,006	14,501	10,318	204	121,745
Q2 2019	34,417	25,158	11,141	7,704	193	78,613
Q2 2018	27,044	21,728	7,839	4,900	129	61,640
Segment revenue in respect of other segments						
H1 2019	394	85	0	217	-696	0
H1 2018	494	100	0	247	-841	0
Q2 2019	240	41	0	217	-498	0
Q2 2018	237	44	0	108	-389	0
Total segment revenue						
H1 2019	65,502	50,482	20,873	20,527	-316	157,068
H1 2018	53,210	44,106	14,501	10,565	-637	121,745
Q2 2019	34,657	25,199	11,141	7,921	-305	78,613
Q2 2018	27,281	21,772	7,839	5,008	-260	61,640
Gross profit						
H1 2019	34,797	16,379	19,815	10,812	352	82,155
H1 2018	29,055	15,445	14,051	6,731	0	65,282
Q2 2019	18,486	8,024	10,546	4,744	165	41,965
Q2 2018	15,076	7,692	7,568	3,495	-75	33,756
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)						
H1 2019	16,570	5,015	4,382	1,052	-2,294	24,725
H1 2018	13,071	7,125	3,846	-962	-4,075	19,005
Q2 2019	8,942	2,508	2,553	-171	-1,478	12,354
Q2 2018	7,047	3,520	1,550	-509	-2,110	9,498
Segment earnings before interest and tax (EBIT)						
H1 2019	14,223	4,523	2,445	-268	-5,110	15,813
H1 2018	11,385	6,866	3,163	-1,689	-4,938	14,787
Q2 2019	7,743	2,287	1,575	-831	-2,983	7,791
Q2 2018	6,219	3,407	1,016	-873	-2,519	7,250
Segment assets						
1 Jan – 30 Jun 2019	101,073	29,269	133,948	79,253	11,238	354,781
1 Jan – 31 Dec 2018	69,930	22,852	129,926	73,932	8,978	305,618

Notes to the interim consolidated financial statements

Information about the Company

The companies in the Hypoport Group develop technology platforms for the credit, property and insurance industries (fintech, proptech, insurtech). The Hypoport companies are divided into four mutually supporting segments: Credit Platform, Private Clients, Real Estate Platform (until 30 June 2018: Institutional Clients) and Insurance Platform.

The Credit Platform segment includes the web-based B2B credit platform EUROPACE, which is the largest German marketplace for the sale of mortgage finance, building finance products and personal loans. Sub-marketplaces and distribution companies that are tailored to individual target groups also belong to the Credit Platform segment.

The companies within the Private Clients segment primarily focus on the brokerage of residential mortgage finance products for consumers. The Hypoport Group is represented in this market by its subsidiaries Dr. Klein Privatkunden AG and Vergleich.de Gesellschaft für Verbraucherinformation mbH. As well as selling mortgage finance to consumers, the companies in this segment offer their clients various financial products in the categories of consumer loans, insurance and basic banking products (e.g. instant-access accounts).

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

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

The parent company is Hypoport AG, which is headquartered in Lübeck, Germany. Hypoport AG is entered in the commercial register of the Lübeck local court under HRB 19026 HL. The Company’s business address is Hansestrasse 14, 23558 Lübeck, Germany.

Basis of presentation

The condensed interim consolidated financial statements of Hypoport AG for the six months ended 30 June 2019 have been prepared in accordance with the provisions of IAS 34 (Interim Financial Reporting). They are based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the European Union and take into account the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). The report has been condensed in accordance with IAS 34 compared with the scope of the consolidated financial statements for the year ended 31 December 2018. These condensed interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 and the disclosures contained in the notes thereto. These condensed interim consolidated financial statements and the interim group management report have not been audited or reviewed by an auditor.

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

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

All disclosures on the number and volume of financial products processed are calculated at a cut-off point in the product transaction process that is appropriate for the accrual method of accounting used. The growth of the subsidiaries in the Credit Platform and Private Clients segments can be seen from the volume of transactions on the EUROPACE transaction platform. The volume of transactions is the indicator used by the management to measure the current intensity with which the EUROPACE marketplace is being used. Transactions are initiated at the end of the advisory process. They take place after the advisor/consumer has selected a specific product and include a check against all of the product supplier's lending rules stored in the system. A query is also sent to the product supplier's external decision-making systems. Transactions are then frequently cancelled, for example because the consumer allows the offering period to expire, the product supplier rejects the transaction following the individual credit check or the consumer exercises his or her right to withdraw. The revenue for a transaction may be recognised up to three months later. This means that it is only possible to draw limited conclusions about revenue for a period from the volume of transactions in that period. The consolidated income statement is presented under the nature-of-expense method.

Accounting policies

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

- Long-term interests in associates and joint ventures (amendments to IAS 28)
- Prepayment features with negative compensation (amendments to IFRS 9)
- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatments
- Various: Annual Improvements 2015–2017 Cycle.

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

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

IFRS 16 supersedes the previous standard IAS 17 Leases and the related interpretations. Under IFRS 16, lessees generally have to account for all leases in the form of a right-of-use asset and a corresponding lease liability. A lease is deemed to exist if fulfilment of the contract depends on use of an identifiable asset and, at the same time, the customer gains control over this asset. At Hypoport, the new rules particularly affect the recognition and measurement of rental and leased assets that were previously classified as operating leases. These assets predominantly consist of rented office space and leased vehicles, for which right-of-use assets and corresponding lease liabilities have now been recognised.

Based on the leases in existence at the time of initial application, the first-time adoption of IFRS 16 on 1 January 2019 had the following effects on the consolidated financial statements. For the first time, leasing-related right-of-use assets and lease liabilities were recognised, each in an amount of €24.3 million. On the balance sheet, the leasing-related right-of-use assets are shown under property, plant and equipment and the lease liabilities under financial liabilities. Because depreciation on right-of-use assets and the effects of unwinding the discount on lease liabilities were recognised instead of the cost of leases being recognised under other operating expenses, EBITDA rose by €2.7 million in the first half of 2019. This led to an improvement in cash flow and a deterioration in cash flow from financing activities, in both cases of €2.5 million. There was no material impact on EBIT or the net profit for the period.

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

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

Basis of consolidation

The consolidation as at 30 June 2019 includes all entities controlled by Hypoport AG in addition to Hypoport AG itself.

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

Parent company	Holding in %
ASC Assekuranz-Service Center GmbH, Bayreuth	100.00
ASC Objekt GmbH, Bayreuth	100.00
asseQ GmbH, Lübeck	100.00
Basler Service GmbH, Bayreuth	70.00
BAUFINEX Service GmbH, Berlin	100.00
1blick GmbH, Heidelberg	100.00
Dr. Klein Finance S.L.U., Santa Ponça (Spain)	100.00
DR. KLEIN Firmenkunden AG, Lübeck	100.00
Dr. Klein Privatkunden AG, Lübeck	100.00
Dr. Klein Ratenkredit GmbH, Lübeck	100.00
Europace AG, Berlin	100.00
FIO SYSTEMS AG, Leipzig	100.00
FIO SYSTEMS Bulgaria EOOD, Sofia (Bulgaria)	100.00
GENOPACE GmbH, Berlin	45.025
Hypoport B.V., Amsterdam	100.00
Hypoport Grundstücksmanagement GmbH, Berlin	100.00
Hypoport InsurTech GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Ireland)	100.00
Hypoport Systems GmbH, Berlin	100.00
ICS Integra Computing Services GmbH, Berlin	100.00
Kartenhaus GmbH, Bonn	100.00
Primstal - Alte Eiweiler Straße 38 Objektgesellschaft mbH, Nonnweiler	100.00
Qualitypool GmbH, Lübeck	100.00
Smart InsurTech AG, Regensburg	100.00
source.kitchen GmbH, Leipzig	100.00
Starpool Finanz GmbH, Berlin	50.025
Value AG the valuation group, Berlin (ehemals Hypservice GmbH, Berlin)	100.00
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00
Vergleich.de Versicherungsservice GmbH, Lübeck	100.00
VS Direkt Versicherungsmakler GmbH, Bayreuth	100.00
Volz Vertriebsservice GmbH i. L., Ulm	100.00
Winzer - Kneippstraße 7 Objektgesellschaft mbH, Berlin	100.00

Joint ventures	
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH i. L., Berlin	50.00
LBL Data Services B.V., Amsterdam	50.00

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

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

Changes to the basis of consolidation; corporate transactions

In March 2019, the first earn-out payment, amounting to €2.6 million, was paid in connection with the acquisition of ASC Assekuranz-Service Center GmbH in 2018.

Value AG was merged into HypService GmbH with effect from 1 January 2019. The merged company was subsequently renamed Value AG the valuation group.

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

Income taxes and deferred taxes

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

Income taxes and deferred taxes (€'000)	H1 2019	H1 2018	Q2 2019	Q2 2018
Income taxes and deferred taxes	2,990	2,967	1,521	1,490
current income taxes	3,690	2,837	1,808	1,636
deferred taxes	– 700	130	– 287	– 146
in respect of timing differences	380	892	133	215
in respect of tax loss carryforwards	– 1,080	– 762	– 420	– 361

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

Earnings per share

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

Earnings Per Share	H1 2019	H1 2018	Q2 2019	Q2 2018
Net incomefor the year (€'000)	12,013	11,366	5,848	5,489
of which attributable to Hypoport AG stockholders	11,993	11,343	5,836	5,479
Basic weighted number of outstanding shares (€'000)	6,250	6,023	6,251	6,076
Earnings per share (€)	**1.92**	**1.88**	**0.93**	**0.90**

As a result of the release of treasury shares, the number of shares in issue rose by 4,185, from 6,247,970 as at 31 December 2018 to 6,252,155 as at 30 June 2019.

Intangible assets and property, plant and equipment

Intangible assets primarily comprised goodwill of €140.6 million (31 December 2018: €140.5 million) and development costs of €40.7 million for the financial marketplaces (31 December 2018: €36.0 million).

Property, plant and equipment largely consisted of leasing-related right-of-use assets of €27.3 million (31 December 2018: €0.0 million) and office furniture and equipment amounting to €6.2 million (31 December 2018: €5.8 million).

Equity-accounted investments

The change in the carrying amounts of equity-accounted investments relates to the pro-rata net profit (loss) for the period of the four joint ventures FINMAS GmbH, Berlin (Hypoport's interest: 50 per cent), Hypoport on-geo GmbH i.L., Berlin (Hypoport's interest: 50 per cent), LBL Data Services B.V., Amsterdam (Hypoport's interest: 50 per cent) and Expertise Management & Holding GmbH (Hypoport's interest: 50 per cent, sold on 30 June 2019) as well as of the four associates BAUFINEX GmbH, Schwäbisch Hall (Hypoport's interest: 30 per cent), finconomy AG, Munich (Hypoport's interest: 25 per cent), Genoport Kreditmanagement GmbH, Berlin (Hypoport's interest: 35 per cent) and IMMO Check Gesellschaft für Informationsservice mbH i.L., Bochum (Hypoport's interest: 33.33 per cent). In the first half of 2019, the loss from equity-accounted long-term equity investments amounted to €463 thousand (H1 2018: profit of €13 thousand).

Subscribed capital

The Company's subscribed capital as at 30 June 2019 was unchanged at €6,493,376.00 (31 December 2018: €6,493,376.00) and was divided into 6,493,376 (31 December 2018: 6,493,376) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 15 May 2019 voted to carry forward Hypoport AG's distributable profit of €80,967,245.25 to the next accounting period.

Authorised capital

The Annual Shareholders' Meeting held on 5 May 2017 voted to set aside the unused authorisation granted on 1 June 2012 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 4 May 2022. Following the capital increase of €298,418.00 carried out in 2018 for the purpose of acquiring the shares in FIO SYSTEMS AG, the authorisation now applies to the remaining maximum amount of €2,799,061.00. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

Treasury shares

Hypoport held 241,221 treasury shares as at 30 June 2019 (equivalent to €241,221.00, or 3.7 per cent, of the subscribed capital of Hypoport AG), which are mainly intended to be issued to employees. The change in the balance of treasury shares and the main data relating to transactions in 2019 are shown in the following table:
The release of treasury shares was part of an employee share ownership programme and was recognised directly in equity and offset against retained earnings.

Change in the balance of treasury shares in 2019	Number of shares	Proportion of subscribed capital (%)	Cost of purchase (€)	Sale price (€)	Gain or loss on sale (€)
Opening balance as at 1 January 2019	**245,406**	**3.779**	**9,831,426.02**		
Release in January 2019	1,613	0.026	16,831.48	247,840.54	231,009.06
Release in March 2019	153	0.002	1,547.44	25,455.20	23,907.76
Release in April 2019	2,336	0.038	23,784.37	418,622.60	394,838.23
Release in May 2019	80	0.001	799.99	15,466.40	14,666.41
Release in June 2019	3	0.000	30.00	573.80	543.80
Balance as at 30 June 2019	**241,221**	**3.715**	**9,788,432.73**		

Reserves

The breakdown of reserves can be found in the above consolidated statement of changes in equity. Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.187 million), amounts equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand), the premium from the issuance of new shares in 2018 (€46.9 million) and income from the transfer of shares to employees (€2.184 million, of which €351 thousand relates to 2019).

Retained earnings include the profits generated by the entities included in the consolidated financial statements prior to the first-time consolidation on 1 January 2004, the capital gains on the sale of treasury shares, the losses on the recall of treasury shares and three negative goodwill amounts arising from business combinations. These negative goodwill amounts are reported under retained earnings, because profits had been retained after the acquisition but before the date of first-time consolidation.

The cumulative net profits and losses for all periods since the date of first-time consolidation, all the remaining adjustments made under the first-time adoption of IFRS on 1 January 2004 and recognised directly in equity, and a statutory reserve of €7 thousand (31 December 2018: €7 thousand) are also reported under this item.

Non-controlling interests

The net profit for the first half of 2019 attributable to non-controlling interests was €20 thousand (H1 2018: €23 thousand). Total non-controlling interests amounted to €344 thousand as at 30 June 2019 (31 December 2018: €314 thousand), of which €238 thousand (31 December 2018: €214 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (non-controlling interest of 49.975 per cent), €110 thousand (31 December 2018: €100 thousand) to GENOPACE GmbH (non-controlling interest of 49.975 per cent) and minus €4 thousand (31 December 2018: €0 thousand) to Basler Service GmbH (non-controlling interest of 30.0 per cent).

Share-based payment

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

Supervisory Board changes

Dr Ottheinz Jung-Senssfelder, the long-standing chairman of Hypoport AG's Supervisory Board, died on 13 April 2019 at the age of 74, following a brief but serious illness.

The Annual Shareholders' Meeting elected Martin Krebs to the Supervisory Board of Hypoport AG with effect from 15 May 2019.

Related parties

IAS 24 requires disclosure of the names of persons or entities that control, or are controlled by, Hypoport AG. Transactions between Hypoport AG and its subsidiaries are eliminated during consolidation and therefore do not have to be reported in this note. IAS 24 also requires disclosure of the names of persons who can exercise significant influence over the Company.

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

The table below shows the numbers of shares in Hypoport AG directly or indirectly held by the members of the Group Management Board and Supervisory Board as at 30 June 2019.

	Shares (number) 30 June 2019	Shares (number) 31 Dec 2018
Group Management Board		
Ronald Slabke	2,248,381	2,248,381
Stephan Gawarecki	142,800	142,800
Hans Peter Trampe	61,690	61,690
Supervisory Board		
Dieter Pfeiffenberger	1,000	1,000
Roland Adams	0	0
Martin Krebs	115	–

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 generated from joint ventures totalled €380 thousand in the first half of 2019 (H1 2018: €132 thousand) and €194 thousand in the second quarter of this year (Q2 2018: €74 thousand). As at 30 June 2019, receivables from joint ventures amounted to €1.581 million (31 December 2018: €1.316 million) and liabilities to such companies totalled €187 thousand (31 December 2018: €551 thousand).

Opportunities and risks

Please refer to the opportunities and risks report that forms part of the group management report in our 2018 annual report. It provides a comprehensive presentation of the Hypoport Group's risks and opportunities, which remained largely unchanged in the period currently under review.

The risks to which the Hypoport Group is exposed are limited, both in terms of individual risks and their interactions with other risks, and are not currently believed to jeopardise the existence of individual subsidiaries or the Group as going concerns.

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

Seasonal influences on business activities

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

Events after the reporting period

All of the shares in REM CAPITAL AG, Stuttgart, were acquired on 1 July 2019. By acquiring REM CAPITAL AG, the Hypoport Group is significantly bolstering its competitive position in the market for medium-sized company financing.

The acquisition expands the basis of consolidation. This will result in slight changes to the Group's financial position and financial performance. Revenue will go up, and there is likely to be a positive impact on EBIT. The number of employees will also rise.

Apart from the aforementioned matter, no other material event has occurred so far that is of particular significance to the financial position and financial performance of the Hypoport Group in 2019.

Responsibility statement

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

Berlin, 5 August 2019
Hypoport AG – The Management Board

Ronald Slabke	Stephan Gawarecki	Hans Peter Trampe

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