07. November 2008

Institutional Equity Research

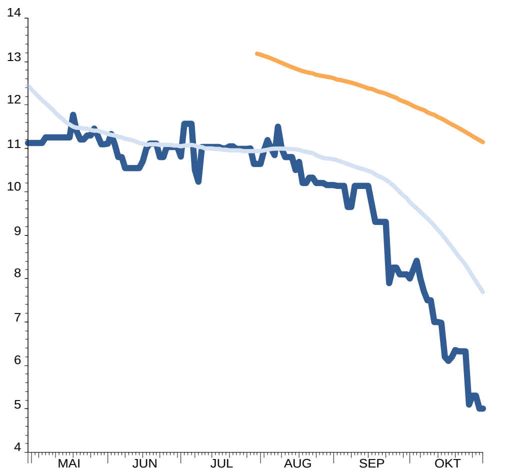
Company Report

Hypoport

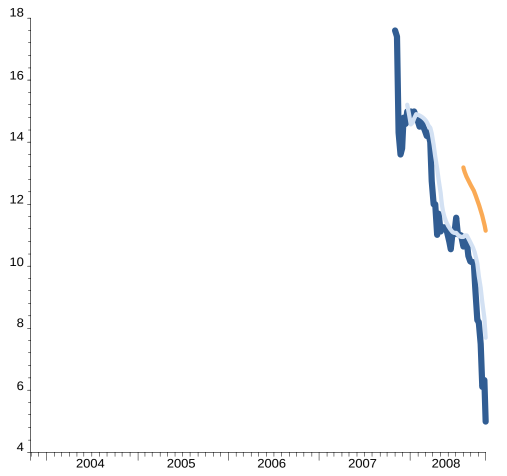
Rating	Hold (initial coverage)

Innovative financial service provider

- Business model offers growth potential
- High synergy potential thanks to scalability
- Financial crisis should create a growth setback
- Initial coverage of the share with Hold and target price of € 6.10



38D Moving Average
200D Moving Average
Source: Thomson Datastream



38D Moving Average
200D Moving Average
Source: Thomson Datastream

Please note the disclaimer and important disclosures in Appendix 1

Hold

Target price: € 6.10.
Price: € 5.20
11/06/08
17:30 h

Last rating/Target price:
n.a. / € n.a.

Last analysis:
n.a.

S&P rating: n.a.

n.a.

Number of shares:
6.1 m

Market capitalisation:
€ 31.7 m

Index: Prime All Share

Index weight: n.a

Beta: 1.15

Accounting:
-IFRS

Calendar: Q3
on 11/10/08

2008 dividend: 0.00

2008 div. yield:
.0.00%

ISIN: DE0005493365

Bloomberg: HYQ GY

Reuters: HYQGn.DE

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Hypoport

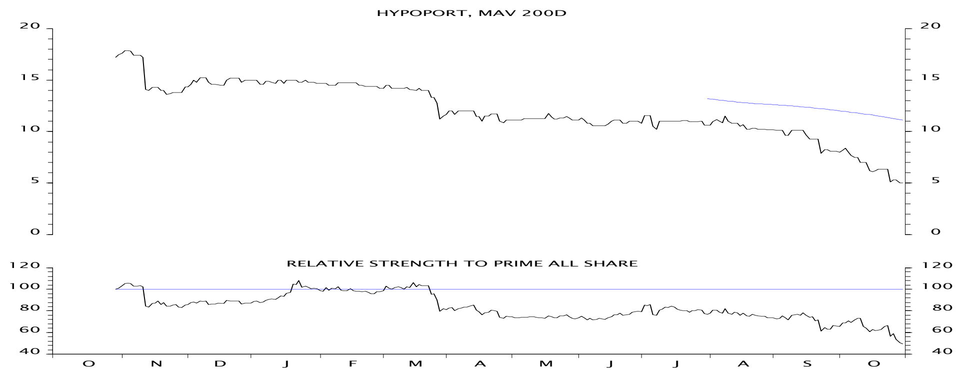
07.11.2008

Complementary business model offers growth potential

The Hypoport Group is an internet-based one-stop financial service provider. Its business model is based on two mutually supporting pillars: the Financial Product Sales and B2B Financial Marketplaces divisions. The ongoing financial crisis will also impact Hypoport's business performance, but there is enough potential in its business model favouring future revenue and profit growth. We are giving the share a Hold recommendation.

Share ratios	Earnings per share		EV/Sales	EV/EBITDA	PER
	New	Previous			
	€	€			
2007	**0.70**	n.a.	2.4	13.9	7.4
2008e	**0.08**	n.a.	0.8	7.0	65.0
2009e	**0.81**	n.a.	0.7	3.7	6.4
2010e	**0.97**	n.a.	0.6	3.3	5.4

Company ratios	Revenues	EBITDA	EBIT	EBIT margin	Net income
	€ m	€ m	€ m		€ m
2007	41.7	7.3	4.0	8.8%	4.3
2008e	54.4	6.5	1.4	2.5%	0.5
2009e	63.0	12.2	7.9	11.7%	4.9
2010e	70.0	13.9	9.4	12.4%	5.9



Source: DATASTREAM

Pros and cons at a glance

+ Scalable business model
+ Superior sales approach
+ Market leader in transaction platforms for financial prod.
+ High market entry barriers
+ Profitable growth

- Low share liquidity
- High margin products under-represented thus far
- Dependent on the capital market
- Difficult environment for construction financing

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Contents

Executive summary

The Hypoport Group is an **internet-based one-stop financial service provider**. Its business model is based on two mutually supporting pillars: the **Financial Product Sales and B2B Financial Marketplaces** divisions. The 100 % subsidiary Dr. Klein represents the first division, Financial Product Sales. Using the Internet, this division gives private clients access to a **broad range of banking and financial products** from current accounts to insurance services and mortgage financing. In addition, Dr. Klein also specialises in financing municipal and cooperative housing companies. The second company division - B2B Financial Marketplaces - consists of the **transaction platform EUROPACE** with the two business areas of Financial Service Providers and Institutional Clients. The former carries out mortgage financing, personal loans and other financial service products between sales organisations and product suppliers. This makes EUROPACE a **virtual marketplace** where sales organisations are able to conduct business with the suppliers of products.

The two pillars complement each another ideally: Dr. Klein gains an efficient transaction platform and benefits from the purchasing power of the financial sales linked to EUROPACE. At the same time, EUROPACE benefits from Dr. Klein's customer expertise and uses the demand volume that the subsidiary has generated for the purpose of establishing its transaction platform on the market. The scalability of the platform results in improved margins.

Financial crisis is a burden

Hypoport generates the lion's share of its revenues from the **placement of real estate financing**. The number of construction permits in Germany has **declined** for years and the intensifying financial crisis is also leading to reluctance on the part of commercial corporate real estate clients. As such, the dynamic growth from the past is expected to weaken. We anticipate further revenue growth in future given the fact that the company is expanding its network of branches and focusing more on the sale of one-stop financial products.

Margin slump in the short term

The EBIT margin in H1/08 only came out to 6.8 % (2007: 9.5 %). This was due to the expansion of the market position, mainly in the young business unit of Institutional Clients. A loss should be posted from a one-off expense of around € 3 m for the closure of the loss-making division of EUROPACE for Investors in H2/08, thus diluting the margin once again. Given the improved profitability, we anticipate margins in the area of 13 % in the next few years.

Recommendation: Hold – Target price € 6.10

We have derived a fair value of € 6.10 for the Hypoport share from our value-added model. Based on a peer group comparison, this yields a higher target price, but we believe this to be distorted in Hypoport's case. With the high degree of forecast uncertainty at the moment when it comes to financial stocks, we only recommend a Hold for Hypoport despite its over-proportionate growth opportunities. The target price is € 6.10.

SWOT profile

Strengths

- The two company divisions Dr. Klein and EUROPACE interact to lift earnings synergies, thus creating value
- Dr. Klein has a superior sales approach thanks to its internet expertise including lead generation and multi-channel sales
- The market leadership in transaction platforms for financial products creates high market entry barriers thanks to the marketplace effect
- The high degree of acceptance for the platform technology by the market as well as the scalability of the business model give rise to expectations of revenue growth and rising margins

Weaknesses

- Heavy-margin provisional products only play a minor role
- High level of dependence on the construction financing business

Opportunities

- Financial product distributors and agents continue to gain market shares
- Internet becoming more and more important as an instrument in obtaining information
- The value chain in the financial services sector continues to break open and the real net output ratio of product suppliers is sinking. This leads to the emergence of new fields of activity for external service providers such as Hypoport.
- High level of IT expertise for the expansion of B2B Financial Marketplaces
- Scalable platform technology allows for profitable growth
- Entering the market in new countries lowers the dependence on the domestic market

Threats

- Dependent on the capital market environment (especially the interest level) and general political conditions
- Falling demand for mortgage financing
- The scalability of the EUROPACE platform regarding new products could be delayed
- Competition for financial consultants could slow down the expansion of the business

Valuation

In order to sufficiently account for Hypoport's long-term growth prospects, we have used a DCF procedure with our valuation. The results are subsequently validated by the comparison with similar companies based on the multiple analysis.

Discounted cash flow valuation

We have used a three-year detailed forecast as a basis for our calculation of the free cash flows. A second phase (2011–2017) shows a normalised business trend, where the high growth rates are expected to weaken over time during the early stages of a young company. In our calculation of the terminal value (phase III) we have assumed average revenue growth of 1.5 % and an EBIT margin of 9.5 %.

Higher risk premium increases the WACC

DCF-model - assumptions	
risk-free interest	*3,8%*
Market risk premium	*6,7%*
Beta factor	*1,15*
Cost of equity	*11,5%*
Cost of debt (after tax)	*5,8%*
Equity ratio (market value)	*85%*
WACC	*10,6%*
Terminal growth rate	*1,5%*

Source: LBBW

Other central assumptions

We have also come to the following central assumptions relating to the valuation:

- We assess a beta of 1.15.
- We are assuming a target equity ratio of 85 % as well as a risk-free interest rate of 3.8 % and a market risk premium of 6.7 %. This yields a WACC of 10.6 %.
- The double-digit revenue growth in our detailed forecast will weaken in phase II (2011 to 2017) to a figure in the mid-single digits.
- The EBIT margin of 12.5 % for 2011e is sustainable in our view. We expect this to range between 12 and 14 % in phase II (2011 to 2017).

Free Cashflow (€ '000)	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Sales	58.598	67.928	75.477	81.591	87.710	93.850	99.481	104.455	109.677	115.161
Growth (yoy)	*30,1%*	*15,9%*	*11,1%*	*8,1%*	*7,5%*	*7,0%*	*6,0%*	*5,0%*	*5,0%*	*5,0%*
EBIT	1.440	7.920	9.360	10.444	11.578	12.670	13.231	13.057	13.161	13.244
EBIT-Margin	*2,5%*	*11,7%*	*12,4%*	*12,8%*	*13,2%*	*13,5%*	*13,3%*	*12,5%*	*12,0%*	*11,5%*
- EE taxes on EBIT	220	2.290	2.740	3.060	3.392	3.712	3.877	3.826	3.856	3.880
Tax rate	*15,3%*	*28,9%*	*29,3%*	*29,3%*	*29,3%*	*29,3%*	*29,3%*	*29,3%*	*29,3%*	*29,3%*
+ Depreciation and amortizati	5.040	4.280	4.520	4.732	4.912	5.162	5.272	5.327	5.374	5.413
of sales	8,6%	6,3%	6,0%	5,8%	5,6%	5,5%	5,3%	5,1%	4,9%	4,7%
Provisions	188	240	280	326	351	375	398	418	439	461
of revenues	0,3%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%
+ change in provisions	167	52	40	46	24	25	23	20	21	22
= Operating Cashflow	6.427	9.962	11.180	12.162	13.122	14.144	14.649	14.578	14.700	14.798
- Capital expenditure	6.350	7.000	7.550	6.903	7.192	7.133	7.262	7.312	7.458	7.485
of sales	*10,8%*	*10,3%*	*10,0%*	*8,5%*	*8,2%*	*7,6%*	*7,3%*	*7,0%*	*6,8%*	*6,5%*
Net Working Capital	10.438	10.993	12.873	14.278	15.174	16.048	16.713	17.235	17.548	17.850
of sales	*17,8%*	*16,2%*	*17,1%*	*17,5%*	*17,3%*	*17,1%*	*16,8%*	*16,5%*	*16,0%*	*15,5%*
- change in Net Working Capit	2.602	555	1.880	1.405	895	874	664	522	313	302
= Free Cashflow	-2.525	2.407	1.750	3.854	5.034	6.137	6.723	6.744	6.929	7.011
Present Value	-2.486	2.142	1.407	2.802	3.307	3.644	3.607	3.271	3.037	2.777

source: LBBW

DCF valuation determines a fair value of € 37.5 m

Using the assumptions listed above as a basis, we arrive at a fair value of equity of € 37.5 m for Hypoport AG.

DCF yields fair value of € 6.10 per share

Calculation of fair value (€ m)	
Present value of Free Cashflow planning years	23 507
+ Present value of Terminal Value	23 761
= Enterprise Value	**47 269**
Share of TV in Enterprise Value	*50,3%*
- Net financial debt	9 778
+ Peripheral assets	0
=Fair value	**37 491**
/Number of shares ('000)	**6 111**
=Fair value per share	**6,10**

source: LBBW

The established figure varies between € 35 and 41 m if we change the average costs of capital by 1 pp and/or long-term growth rate by 0.5 pp.

DCF-Valuation		WACC		
Sensivity analysis		10,1%	10,6%	11,1%
	1,0%	38	36	35
Terminal growth rate	1,5%	40	37	36
	2,0%	41	39	37

Source: LBBW

Valuation according to multiples

Peer group

Heterogeneous peer group

Creating a relevant peer group poses a challenge given the fact that Hypoport has a unique business model. In addition, some of the competitors are not listed and therefore cannot be used for valuation purposes or, in the case of AWD and Interhyp, were taken over, thus limiting the comparison of their valuations.

The selection that we have put together includes all aspects at Hypoport that we believe are relevant. Moreover, we have selected a number of financial sales companies that compete directly with Dr. Klein. These include Interhyp, AWD, MLP and OVB. The second group consists of the online brokers Comdirect and DAB Bank, which like Dr. Klein mainly sell their financial services via the Internet.

Interhyp

Interhyp was founded in 1999 and, until now, was one of the leading independent providers of private construction financing in Germany. The company was taken over by ING-Direct in the spring of this year. ING-Direct now holds approx. 97 % of its shares. In addition to the direct business with end customers, Interhyp also offers its services to independent financial service providers and local construction financing brokers under the "Prohyp" brand. This brand makes up 30 % of the financing volume. This puts the company in direct competition with Dr. Klein, but in contrast it does not offer additional financial products. Similar to Dr. Klein, Interhyp is attempting to set up and expand a network of branches for personal consultation as a complement to its direct sales. Interhyp referred a financing volume of € 5.7 bn in 2007, equalling a market share of a good 3 %, or 18 % based on financial sales.

AWD

AWD is one of Germany's leading financial sales companies with a European presence. This year the Hanover-based company was taken over by Swiss Life, which holds just under 97 % of AWD. The AWD Group advises some 2 m private clients in all aspects of private asset-building management and provision planning with its more than 6000 consultants. In 2007 AWD boosted its revenues by 5 % to € 762 m and generated an operating profit of € 84.5 m (+9 %). Contrary to Dr. Klein, AWD uses only sales agencies to sell its financial products. The product focus lies on pension provision products (investment funds and life insurance policies). Both Dr. Klein and AWD offer their clients a selection of products from different providers. AWD believes itself to be a multi-agent against the background of the new broker directive.

MLP

In addition to AWD, MLP is one of the largest financial sales companies in Germany and centres in on academics as its target clientele. The company offers banking and insurance services. After having acquired Feri, MLP is now able to offer its clients private wealth management as well. With more than 2,500 consultants, MLP supports more than 730,000 customers. Its total income last year came out to € 639 m (+9 %) and its operating profit amounted to € 112 m (+32 %). Like Dr. Klein, MLP provides financial consultation independent of the supplier, but its sales largely rely on financial consultants and one of the company's main focuses is on the sale of pension provision products and private health insurance. Another difference between MLP and Dr. Klein is the strict definition of its target group. The former defines itself as a broker against the backdrop of the broker directive.

OVB

We have used OVB as the third company in the peer group of financial consulting companies. OVB collaborates with a limited number of product suppliers and supports some 2.6 m clients in Germany, Western Europe and, above all, Eastern Europe. The product range is mainly focused on pension provision and capital investment products, but the company also offers all prevalent financial services. Last year it earned revenues of € 246 m (+15 %) and operating profit of € 29.0 m (+20 %). The company's strategic positioning differs from that of Dr. Klein when it comes to distribution channels, the multitude of suppliers and geographic presence. One thing the two companies do have in common is the target clientele: both primarily address the middle class.

comdirect

comdirect bank is one of Germany's leading online agents. Once a pure transaction-oriented online broker, comdirect has now expanded its business model and today operates in the three business fields of Brokerage, Banking and Consulting. The first branches have already been opened in order to expand its private banking. comdirect currently has just under 1.3 m customers. Last year the bank generated an operating profit of € 90.5 m (+6 %) with total earnings of € 280 m (+24 %).

DAB Bank

We have included DAB Bank in the peer group as the second leading online broker. This bank differs with comdirect in that it continues to focus on the securities business. In the last fiscal year, DAB Bank generated an operating profit of € 45.5 m (+27 %) and total earnings amounted to € 196 m (+14 %). Its customer count exceeds the 1.1 m mark.

Valuation of Hypoport based on multiples

The first chart shows the enterprise value and the value of equity (market capitalisation) of all companies in the peer group. It should be noted here that all peers of Hypoport have a net asset position, which explains why the enterprise value is below the market capitalisation. A sensible estimate of net debt cannot be made for the two online brokers as a result of their business models.

Company	Price 11/05/08	Shares (m)	Market cap.(€m)	Net debt	Enterprise Value
Interhyp	63.5	6.5	412.6	-49.0	363.6
AWD	27.9	38.6	1078.8	-148.0	930.8
MLP	10.9	107.8	1169.4	-37.0	1132.4
OVB	25.2	14.3	358.8	-64.0	294.8
Comdirect	5.9	141.2	831.7	-	-
DAB Bank	2.5	75.2	188.0	-	-
Hypoport	5.2	6.1	31.8	9.8	41.6

Source: LBBW, JCF, Company data

The second table lists the revenue, operating profit and net income estimates for all comparable companies from 2008 to 2010. In turn, it is impossible to come up with sensible data for revenues for the online brokers given their business models.

Company	Sales			EBIT			EPS		
	08e	09e	10e	08e	09e	10e	08e	09e	10e
Interhyp	102	118	140	27	39	42	2.68	3.85	4.13
AWD	705	773	961	56	62	80	1.52	1.64	1.98
MLP	643	636	680	94	84	97	0.57	0.56	0.65
OVB	267	290	316	32	34	38	1.80	1.98	2.16
Comdirect	-	-	-	80	99	120	0.40	0.46	0.59
DAB Bank	-	-	-	28	51	61	0.11	0.34	0.46
Hypoport	54	63	70	1	8	9	0.08	0.81	0.97

Source: LBBW, JCF

Valuation figures can be derived from both tables and, using these, we can determine potential fair values for the equity of Hypoport. Comdirect and DAB Bank are only included here in the analysis of the price-earnings ratio.

Multiples of Interhyp and AWD are distorted

Company	EV/Sales			EV/EBIT			PER		
	08e	09e	10e	08e	09e	10e	08e	09e	10e
Interhyp	3.6	3.1	2.6	13.5	9.3	8.7	23.7	16.5	15.4
AWD	1.3	1.2	1.0	16.6	15.0	11.6	18.4	17.0	14.1
MLP	1.8	1.8	1.7	12.0	13.5	11.7	19.0	19.4	16.7
OVB	1.1	1.0	0.9	9.2	8.7	7.8	14.0	12.7	11.7
Comdirect	-	-	-	-	-	-	14.7	12.8	10.0
DAB Bank	-	-	-	-	-	-	22.7	7.4	5.4
Median	**1.5**	**1.5**	**1.3**	**12.8**	**11.4**	**10.1**	**18.7**	**14.6**	**12.9**
Hypoport	0.8	0.7	0.6	28.9	5.3	4.4	65.0	6.4	5.4

Source: LBBW, JCF

Next we have combined our relevant estimates of Hypoport's profit and loss account.

Hypoport: key figures

€m	2008e	2009e	2010e
Sales	54.44	63.03	70.03
EBIT	1.44	7.92	9.36
Net profit	0.51	4.93	5.92

Source: LBBW

Using our estimates and the median of the valuation figures derived from the peer group, we have determined the following implicit market values of Hypoport's equity under inclusion of net debt:

Valuation derived from peer group (incl. net debt)

€m	2008e	2009e	2010e
EV/Umsatz	74.1	84.3	82.4
EV/EBIT	8.6	80.5	85.2
KGV	9.5	72.2	76.2

Source: LBBW

As the current year is almost over, we believe the future years of 2009 and 2010 to be relevant to the valuation. One factor that grabs our attention is the small valuation range in which the respective multiples are found.

Hypoport: valuation

€m	2009e	2010e
EV/Sales	84.3	82.4
EV/EBIT	80.5	85.2
PE	72.2	76.2
Equity Value (average)	**79.0**	**81.3**
Fair value per share (€)	**12.9**	**13.3**

Source LBBW

Valuation summary

Both valuation methods lead to a major discrepancy in the result. While the DCF method brought us to a fair value of € 6.10 per Hypoport share (which is listed close to the current market price), the peer group comparison yields a valuation more than twice as high.

	Fair value per share
DCF-model	6.1
Peer group comparison	13.1

Source LBBW

We are attaching only minor significance to the peer group comparison. On the one hand, the selection of suitable comparables is very limited. On the other hand, the valuations of Interhyp and AWD (which already reflect a third of our peer group) are distorted as a result of the existing squeeze-out potential.

Recommendation

Hold rating, target price of € 6.40

We are initiating coverage of the Hypoport share with a Hold recommendation and a target price of € 6.10. The target price equals the fair value from our value-added model. A peer group comparison offers a higher target price, but given the problems described we believe a comparison like this makes less sense for Hypoport. Our target price of € 6.10 appears to imply a low (2009e) PER of 7.5. This seems justified in the difficult market environment for financial stocks at the moment and with the low liquidity of the share.

Company profile

Company history

Merger of Dr. Klein and Hypoport seen as a milestone

Today's Hypoport Group is a fusion of the two companies Dr. Klein and Hypoport AG, which merged in 2001. Dr. Klein was founded in 1954 and has its roots in the referral of financing for Corporate Real Estate Clients. In 1999 the company started telephone sales of mortgage financing for private clients and Hypoport AG was founded in the same year. The merger of the two companies was a critical milestone, as it has procured a traditional company like Dr. Klein excellent software and customer access for Hypoport. In the subsequent years, the business model has been systematically expanded. The company went public in October 2007.

Key facts

- 1954 Founding of Dr. Klein
- 1999 Start of telephone sales of mortgage financing for the Private Clients business unit
- 1999 Founding of Hypoport AG
- 2001 Merger of Hypoport and Dr. Klein to form the Hypoport Group
- 2002 Start of B2B Financial Marketplaces EUROPACE for the Financial Service Providers business unit, start of branch-based sales of mortgage financing for the Private Clients business unit
- 2003 Start of agent sales of mortgage financing for the Private Clients business unit
- 2004 Expansion of lead sale of Private Clients business unit
- 2005 Expansion of other financial service products for the Private Clients business unit
- 2006 Expansion of B2B Financial Marketplaces ABS products for the Institutional Clients business unit
- 2006 Institutional Clients business unit started in the Netherlands
- 2007 Financial Service Providers business unit started in the Netherlands
- 2007 Product expansion of EUROPACE for the Financial Service Providers business unit
- 2007 IPO
- 2008 Expansion of the Financial Service Providers business unit to the cooperative housing sector in EUROPACE-variant "GENOPACE"

Shareholders and management

Founders hold more than 50 %

The Hypoport Group is managed by the two company founders Prof. Thomas Kretschmar and Ronald Slabke. They are supported by four other experienced executives, who together with the founders make up the Group Executive Committee. Prof. Kretschmar, who founded Hypoport AG in 1999, controls 18.8 % of the company's share capital through Kretschmar Familienstiftung. He established his own corporate consulting business in 1986 and, starting in

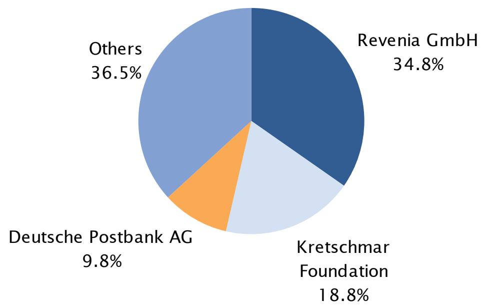
1995, managed the Real Estate Financing segment for the consulting firm Droege & Co. Prof. Kretschmar was also a professor of financial computing at the FHTW University of Applied Sciences from 1997 to 2006.

Ronald Slabke holds 34.8 % of Hypoport's share capital through Revenia GmbH. In 1995 he worked in sales for real estate investors at Westdeutsche Immobilienbank and made a change in 1996 to become the executive assistant to Dr. Klein. In 1999 Mr. Slabke began establishing the private client sales. After one year, he carried out the management buyout of Dr. Klein & Co. AG and has been on the Management Board of Hypoport since 2002.

Postbank holds 9.8 %

The third strategic investor is Deutsche Postbank with a current share of 9.8 %. This allows the bank, which is one of Hypoport's most important customers, to underscore its business relationship with the company. The other shareholders include the members of the Group Executive Committee as well as other employees and other existing shareholders.

Number of shares (6.110.690)



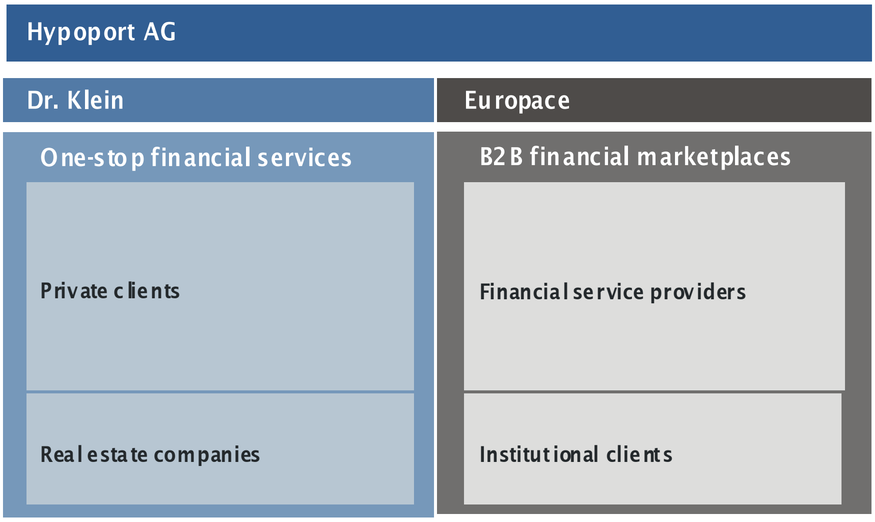
Overview of the business model

Complementary two-pillar model

Internet-based one-stop financial service provider

The Hypoport Group, located in Berlin, is an internet-based one-stop financial service provider. The business model consists of two business units: the sale of one-stop financial products through the subsidiary Dr. Klein & Co AG and the provision of the transaction platform EUROPACE for the distribution of financial products via the Internet. Each company division has two separate business units.

Business segments



Source: Hypoport, LBBW

Financial Product Sales Dr. Klein

Distribution of financial products via the Internet

The 100 % subsidiary Dr. Klein is the first business unit of Financial Product Sales. This unit refers a wide range of banking and financial products to private clients, including but not limited to current accounts, insurance services and mortgage financing over the Internet. In doing so, Dr. Klein cooperates with more than 100 well-known banks and insurance companies. Customers have the advantage of not only the broad and independent selection of products, but also the cost advantages that simultaneously arise from the company's internet-supported processes. Dr. Klein passes these on to private clients, thus leading to much better conditions in most cases than local competitors are able to offer.

Financing of Corporate Real Estate Clients

Dr. Klein's second business unit after Private Clients is Corporate Real Estate Clients, which specialises in the financing of municipal and cooperative housing companies. Dr. Klein's more than 400 regular customers make it the German market leader in this segment.

B2B Financial Marketplaces

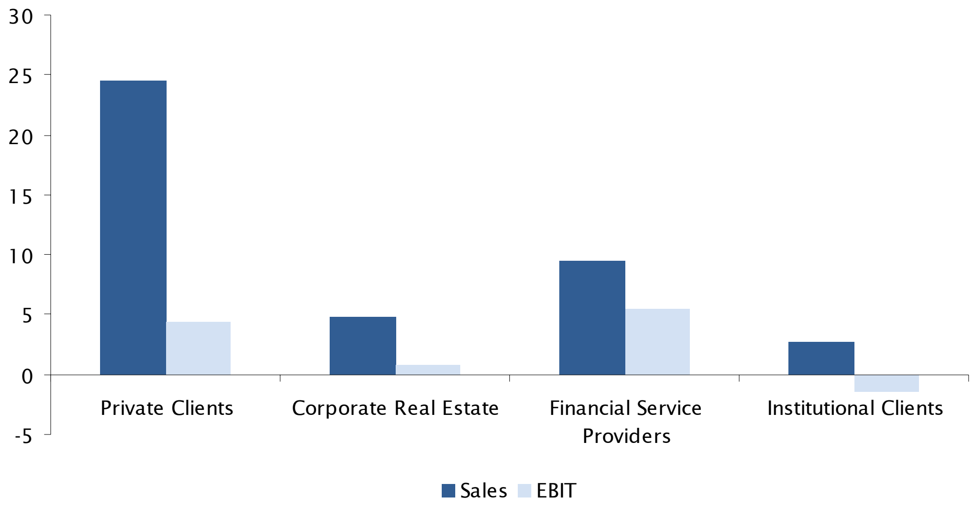
Platform for sales and product manufacturers

The second business unit - B2B Financial Marketplaces - consists of the transaction platform EUROPACE with the two business units of Financial Service Providers and Institutional Clients. The former unit processes mortgage financing, personal loans and other financial service products between sales organisations and product suppliers. In this sense EUROPACE represents a virtual marketplace where sales organisations are able to work with product suppliers on the one hand and execute transactions on the other.

Platform for ABS issuers

EUROPACE's second and much smaller business unit Institutional Clients supports lenders (issuers of loans) in the reporting and securitisation/refinancing of mortgage financing portfolios.

Sales and EBIT per Segments 2007 (€m)



Synergies between Dr. Klein and EUROPACE

Symbiosis of both business units

The merger of Dr. Klein and Hypoport AG has added value for both partners. Dr. Klein has gained an efficient development platform which helps agents gain access to new product suppliers. Moreover, Dr. Klein indirectly benefits from the purchasing power of all financial product distributors affiliated with EUROPACE in order to offer better conditions and thus increase the customer value.

We also see greater advantages for Hypoport. With every product introduction on the transaction platform, Hypoport needs demand in order to win over product suppliers. Dr. Klein is able to deliver this demand, which is very helpful in providing an initial incentive. In addition, Dr. Klein is capable of offering valuable advice from the customer's point of view.

Company strategy

Private Clients

Private client sales are the supporting pillar

Financial Product Sales at Dr. Klein are the supporting pillar at the Hypoport Group. In the past fiscal year the Private Clients business unit generated nearly 60 % of the entire Hypoport Group's revenues and 47 % of its operating profit. Half of the focus of the products sold is on mortgage financing, while the rest is split up amongst the sale of leads (30 %) and other financial service products such as personal loans, private health and property insurance and current and deposit accounts. Heavy-margin products such as life insurance and investment funds have only played a minor role thus far.

Franchise system and leads are the success factors

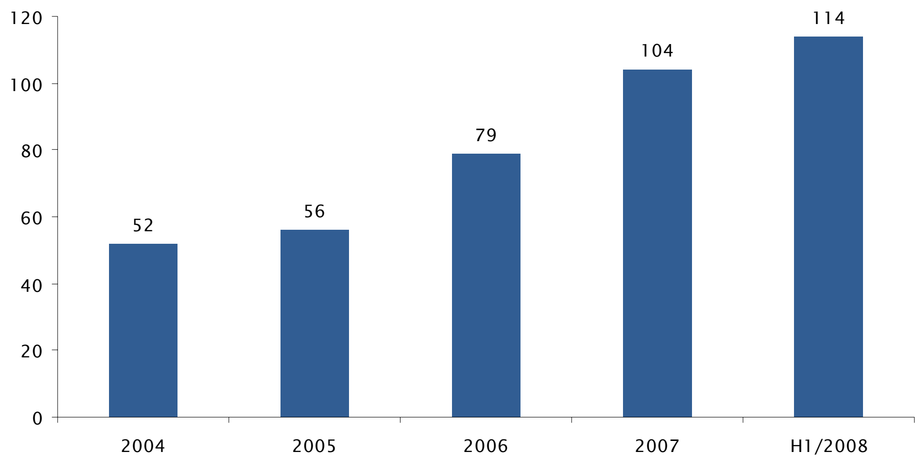
Dr. Klein primarily addresses internet-savvy private customers with its product range. Customers are able to process their financing transactions online or take advantage of Dr. Klein's other distribution channels such as over the phone, at the branches and through agents (multi-channel sales). The major difference between Dr. Klein and other financial service providers are the franchise system in branch-based sales and the generation of so-called leads (data of people interested in financial services). We believe both characteristics speak in favour of above-average growth potential in future.

<u>Franchise system in branch-based sales</u>

Franchise allows for rapid expansion of branches

With the aim of establishing a network of branches for a franchise system, Dr. Klein has decided to expand rapidly. The company now has 114 branches (franchisees). In addition to the strong brand name Dr. Klein, franchisees also receive the technological infrastructure used to carry out business procedures. Another major advantage beyond this is that the branch managers themselves are not responsible for acquiring new customers, as is usually the case with financial product distributors. Instead, customers are automatically distributed amongst the branches after having announced their need for personal consulting via Dr. Klein's internet portal. In addition, the franchisees have the option of acquiring leads for a fee. This allows them to concentrate their capacities on target-oriented and efficient consulting of customers. This is a low-risk and capital-sparing measure for Hypoport, which allows it to rapidly expand its branch network.

Number of branches (franchisee)



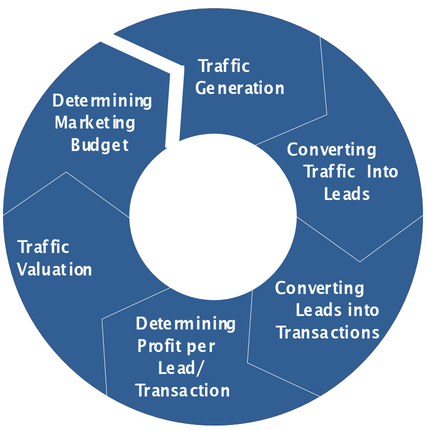
Efficiently generating leads

Generating leads

Dr. Klein's ability to generate leads online is one of its critical success factors. This refers to data sets of people interested in a financial service, which are acquired using Dr. Klein's internet platforms. With targeted online marketing, Dr. Klein knows how to use different measures to generate internet traffic (e.g. keyword brokering, banner advertisement, etc.) and directs users to its own internet portals (www.drklein.de and www.vergleich.de). After the customer has entered his/her information on one of Dr. Klein's portals and expressed interest in a certain financial product, the result from the traffic is a lead.

Dr. Klein has used its years of experience to optimise the process for generating leads. It also flexibly controls the online marketing budget depending on the revenues generated through the traffic of the individual acquisition channels. Here it pursues the strategy of efficiently setting the marketing budgets earmarked for this based on successful measures for generating traffic (e.g. keyword brokering at Google) for the purpose of gaining market shares in traffic. This allows the company to guarantee the efficiency of generating leads. One important control quantity here is the conversion rate, which indicates the number of leads that can be converted into a signed contract.

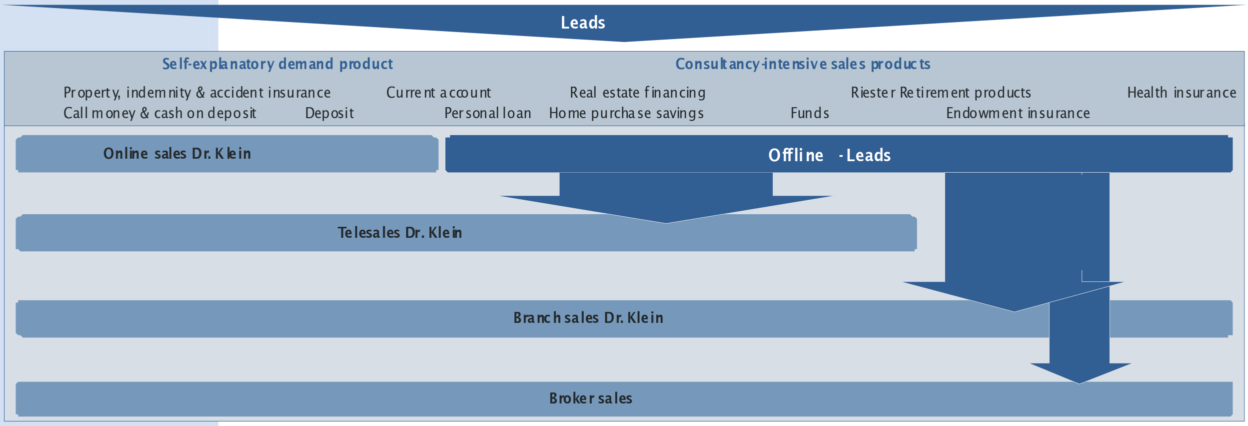
Process of lead optimisation by Dr. Klein



Source: Hypoport, LBBW

Once the leads have been generated on Dr. Klein's internet portal, the next step is to process these further. Depending on the level of consultation needed for the individual financial products or the respective customer needs, the customer inquiries (leads) that have not been conducted directly online are led further through the appropriate distribution channels of phone, branches or agents.

Cross-channeling Private Clients



Source: Hypoport, LBBW

Lead sale to third parties for lack of their own capacities

Dr. Klein tries to process the highest number of leads possible through its multi-channel sales. However, the number of leads generated is greater than it would be necessary for its own business given the capacities currently at hand. For this reason the company sells some of the leads it has generated to third parties, thus guaranteeing that all leads are efficiently addressed. However, Dr. Klein earns more profit by processing leads itself than by selling them. The amount of revenues that selling a lead brings in depends on the financial product associated with it and the respective success prospects for signing a contract (conversion rate). The highest price for leads is approx. € 60 for insurance inquiries due to the particularly heavy margins.

Higher in-house processing of leads targeted

Dr. Klein's goal is to significantly boost its number of generated leads and thus to systematically increase the share of leads processed by the company itself. It aims to do so by expanding its own telephone and branch-based sales, and this should lead to greater earnings potential.

Pricing model

For every product referred, Dr. Klein receives a sales commission paid by the product supplier, but ultimately carried by the customer. Product suppliers also pay an extra commission to Dr. Klein when certain full-year targets for the business volume referred are reached. As for the referral of mortgage financing, the commission is geared towards the amount of the credit volume (average 0.77 % in 2007 incl. extra commissions). An absolute amount is paid for other financial services (average of € 456 in 2007). In addition, Dr. Klein sells leads to external financial product distributors. Any trailer fees play a very small role.

Corporate Real Estate Clients

Market leader with more than 400 regular customers

In the Corporate Real Estate Clients business unit, Dr. Klein focuses on the housing industry and other corporate real estate clients. In addition to its specialisation in mortgage financing, which makes up 70-80 % of the unit, Dr. Klein also offers property-related insurance and financial investments as well as product transactions. The latter includes the consultation of housing companies (e.g. accompanying them in real estate transactions, structuring of loan portfolios) and at the same time opens the door for the referral of financing. In Germany, every fourth property belongs to a housing company (largely municipal and cooperative companies). Dr. Klein is the market leader in this attractive niche segment with more than 400 regular customers.

Stable business

The company currently pulls in and supports customers through eight relationship managers. These have the necessary sector knowledge and contacts, thus contributing to retaining customers at the same time. A medium-sized housing company (5,000 housing units) requires two to three mortgage transactions per year. The result is a constant inflow of new business. In addition to the classic new business, referral volume is also generated from interest adjustments upon maturities of loans. The latter are determined by the financing volumes in the last few years and are easy to forecast, the more so as Dr. Klein weighs in early with new brokering. The division generated 12 % of the group's revenues and 9 % of its operating profit in 2007.

Potential from expanding products

Given the expansion of the regional sales and a stronger focus on the referral of insurance products (residential building insurance in particular), the Corporate Real Estate Clients business unit still yields additional growth potential in our view. One major advantage that Dr. Klein enjoys is the fact that it provides the commercial housing industry with a contact partner for developing financing and insurance solutions according to their needs. At the same time, it also provides access to national and international product suppliers.

Dr. Klein charges a sales commission for every financial product sold. This is determined according to the amount of credit and total of the insurance. In addition, the company posts project revenues for consultation regarding financial issues.

Financial Service Providers

High margins thanks to scalable platform

The EUROPACE division (B2B Financial Marketplaces) is characterised by its Financial Service Providers business unit. In the fiscal year 2007, this unit contributed € 9.4 m or 23 % to group revenues and € 5.5 m or nearly 60 % to the group's operating EBIT. This gives the unit the group's highest operating EBIT margin (59 % in 2007).

Largest German transaction platform for sales

The Financial Service Providers business unit offers an internet-based transaction platform available to process mortgage financing, personal loans and other financial service products. The target users are financial product distributors which will receive access to a number of product suppliers through the EUROPACE platform on the one hand, and other product suppliers that gain access to financial product distributors on the other. As of now, EUROPACE is already Germany's largest online transaction platform for financing products with approx. 400 financing transactions performed daily.

High market entry barriers

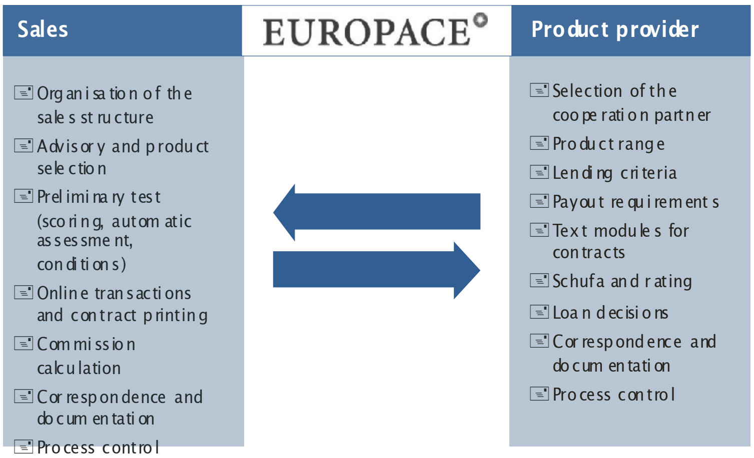
At the moment, Hypoport maintains business relations with 38 financial product distributors and 28 product suppliers. The distributors generally process a business volume of at least € 100 m per year via EUROPACE. Of the product suppliers, some well-known establishments such as Deutsche Postbank only use EUROPACE to process their construction financing transactions. In addition, Deutsche Postbank holds a nearly ten percent investment in the company Hypoport at the same time.

Entry into the cooperative housing sector

The platform has now been expanded to include the cooperative housing sector. The group has developed its own internal platform (GENOPACE) for the credit unions Düsseldorf Neuss and Münster based on the EUROPACE variant. Using this platform, the mortgage financing products of Münchener Hypothekenbank and R+V Versicherungen are provided. GENOPACE can be used to help get financing approved faster and at better conditions.

The following chart gives an overview of the most important services that Hypoport offers its target customer groups via EUROPACE. The main advantages for financial product distributors are the access to many product suppliers including the comparison of conditions using a platform and the procedural support in processing credit inquiries and sales management. Finally, they are able to save costs in developing their own software solutions.

Performance of the Europace platform with loan products



High market entry barriers for competitors because of the market place effect, development of advantages & integration in the partners' systems.

Source: Hypoport, LBBW

Product suppliers gain access to a number of financial product distributors, save on costs in processing loans and are better able to control production. This involves an extensive integration of EUROPACE software into the system landscape of the business partners.

Rapid volume growth

EUROPACE's transaction volume has risen rapidly in the last few years from € 2 bn in 2004 to € 12.5 bn in 2007. Up to now, most of the transactions processed through EUROPACE have been private construction financing. In contrast, the share of personal loans in EUROPACE's transaction volume has remained relatively low at around 4 %. However, thanks to annually high-double-digit growth rates, this will increase significantly in the coming years. Moreover, the company makes additional products available, including current accounts, residential building insurance and building financing contracts through the platform. These generate little in the way of revenues, as training and thus lead time are required with employees of financial product distributors.

Marketplace effect

While expanding its product offering, Hypoport is trying to benefit from the so-called marketplace or network effect: initially, the first financial product distributors with which a business relationship already exists are persuaded to use the EUROPACE platform for other products as well. The transaction volume then grows, and is used to win over additional product suppliers. This makes it more attractive for financial product distributors, which in turn strengthens the negotiating power over product manufacturers to obtain better conditions. The result is that it becomes a more attractive option for other financial product distributors to also benefit from the purchasing power obtained by using EUROPACE. The more distributors there are generating demand, the more important it will become for product suppliers to use EUROPACE in securing the distribution channel of the financial product distributors affiliated with EUROPACE.

Growth abroad

Market entry in the Netherlands

Hypoport is attempting to establish its transaction platform outside of Germany as well. The first step the company took was founding a joint venture with the Dutch company Stater, the largest lender of mortgage financing in the Netherlands. This joint venture allows Hypoport to gain access to a number of independent agents that are to be won over for EUROPACE. The Dutch mortgage financing market is an attractive market entry opportunity for Hypoport for a number of reasons:

- According to a study by Mercer Oliver Wyman, the independent financial broker in the Dutch construction financing market is twice as relevant as in Germany.
- Production, sales and refinancing are clearly separate entities in the Netherlands.
- A high degree of product standardisation also entails rapid processing of financing inquiries.

Entering the market in the Netherlands is proving more difficult than Hypoport had expected. It has been unable to generate revenues through the platform here as a result of the longer than expected lead times. The company plans to start bringing in revenues in 2009.

Pricing model

It costs nothing to simply use EUROPACE. Transaction fees are paid by the product supplier once a transaction is carried out. In the case of construction financing products, the annual fee comes out to 1 basis point of the credit total over the entire term. This is discounted and adjusted to today and the sum paid to Hypoport.

Institutional Clients

Financial market crisis proving a burden

As for the Institutional Clients business unit, issuers of asset-backed securities (ABS) and covered bonds are supported, especially when reporting RMBS transactions (EUROPACE for Issuers). Here Hypoport has intensified its business with a purchase in the Netherlands (Hypoport Netherlands B.V.) and has soared into the market leader position in its neighbouring country. This product segment has delivered constant growth in revenue and earnings figures in the last few years (Q2/08: € 1.25 m in revenues, € 0.3 m in EBIT).

€ 3 m in closing costs for EUROPACE for Investors

In this business unit, the company has in recent years simultaneously tried to use EUROPACE for investor to establish a suitable information platform for those investing in ABS transactions as well. The investments made to establish this product have weighed heavily on the still relatively small business unit, causing it to post figures in the red overall up to and including Q3/08. In the fiscal year 2007, revenues came out to € 2.7 m (previous year: € 0.5 m excluding the Netherlands) or 6 % of group revenues. The operating loss rose to € 1.4 m (previous year: € -0.3 m). As a result of further investments, the operating loss as at H1 2008 came out to € 0.7 m. In Q3/08 Hypoport announced that it would discontinue product development for EUROPACE for investors, which came with an extraordinary write-down of some € 3 m. This should leave the division in the red as at the fiscal year 2009.

Pricing model

Issuers in the division EUROPACE for issuers that are executing an ABS transaction for the first time need more consultation. Depending on the type of transaction, these customers are charged fees of € 100 to 250 thousand. For follow-up orders with securitisations in the same asset classes, volume discounts are granted given the fact that expenses accrue at the same time. Another € 10 to 15 thousand is furthermore charged for ongoing services in the subsequent quarters.

Market and competition

Market environment with intense competition

Environment deteriorating

The private client market for financial services in Germany is characterised by the intense competition within the market environment and, at the same time, its advanced stage of maturity. In statistical terms, every German citizen owns more than one current account. The number of security accounts has fallen in the last 5 years, and the provision of German citizens with vehicle, liability and household insurance has reached a very high level. At the same time, the economic recession, triggered by the financial crisis on the American mortgage market, is straining demand for mortgage and personal loans. Despite the deteriorated market environment, however, the sector's long-term growth drivers remain intact. These are the result of the demographic trend in sustainable growth with investment and provision products.

Margin under pressure

Private demand for financial services is constantly becoming more differentiated. On the one hand, private clients are paying more attention to the price of simple and transparent products. In doing so, their use of the Internet to obtain information is on the rise. When it comes to individual products, private clients change suppliers more often when they are offered better conditions. This is keeping pressure on the margins of products such as current and deposit accounts, vehicle insurance and construction financing. On the other hand, there are less-standardised products that require a heavy degree of consultation, for example life insurance, investment funds and health insurance. The consultation and service quality play a greater role here than the price, and the margins are accordingly high. There is an overall trend towards obtaining consultation by independent financial product sales companies such as Dr. Klein prior to purchasing financial service products.

Traditional value-added chains are opened up

A stronger opening up of traditional value-added chains can be seen in the financial services sector.

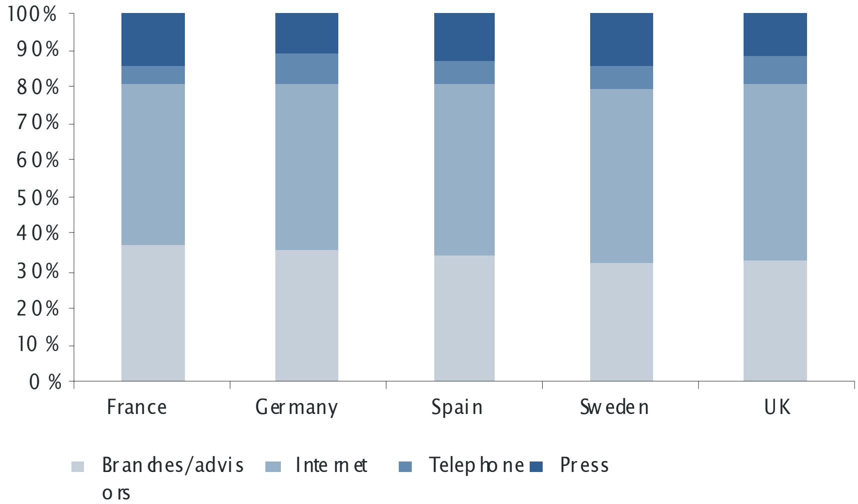
Separation of production and sales

The classic branch banks and insurance companies fill the whole value-added chain. There are more and more examples of companies concentrating on one or more components of this chain. With the launch of Open Architecture (supplier of third-party products) in the sale of funds, the producers of investment funds and distribution channels are going their own way more often, even when they are a part of the same group. Moreover, Dresdner Bank for example has handed the processing and development of consumer loans to its cooperation partner Cetelem and now concentrates exclusively on selling the product. As for payments and security transactions, large parts of the processing are already carried out by external suppliers today. However, the most striking development for many financial service providers is the looming separation of production and sales, as these parts of the value-added chain are perceived as core competencies, hence the comparatively high degree of persistence at this point. Most banks primarily rely on their branches, which by and large sell in-house products. The same goes for the exclusivity sales of insurance contracts, which continue to make up the main distribution channel.

Alternative distribution channels becoming more significant

Nevertheless, alternative distribution channels are becoming increasingly more important, including the Internet, financial product distributors and agents. The use of online banking is becoming more widespread and even vehicle insurance is sold over the Internet to a greater degree. The Internet also serves as a source of information above all, for example with construction financing. However, once the information is obtained, the contracts are signed via the classic distribution channels. A prominent internet presence is gaining in significance nonetheless. Here Germany can be found in the midfield in Europe: almost half of all potential customers use the Internet as their primary source of information.

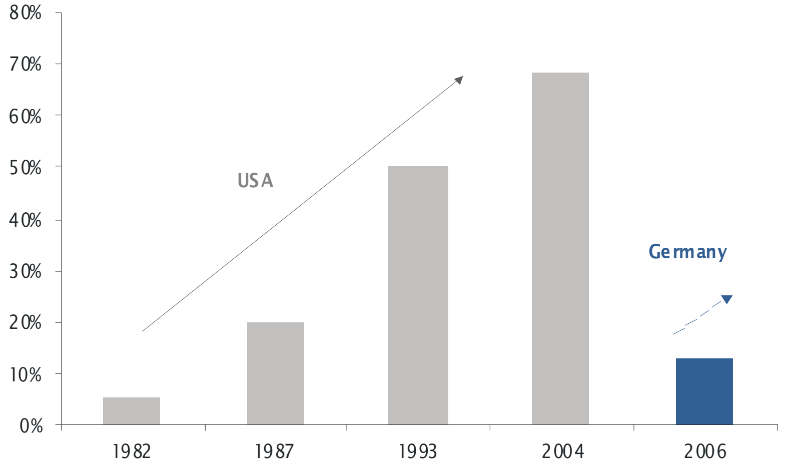
Private construction financing: Usage of information sources 2006



Source: Mercer Oliver Wyman

Financial product distributors and agents are legally independent of product suppliers, which want to win over customers themselves using different approaches. Financial product distributors commit to a few selected product suppliers, bundle the demand and are thus able to implement better conditions when it comes to producers. Agents come to the fore with their independence and offer a number of competing products.

Broker share of new business for private construction financing



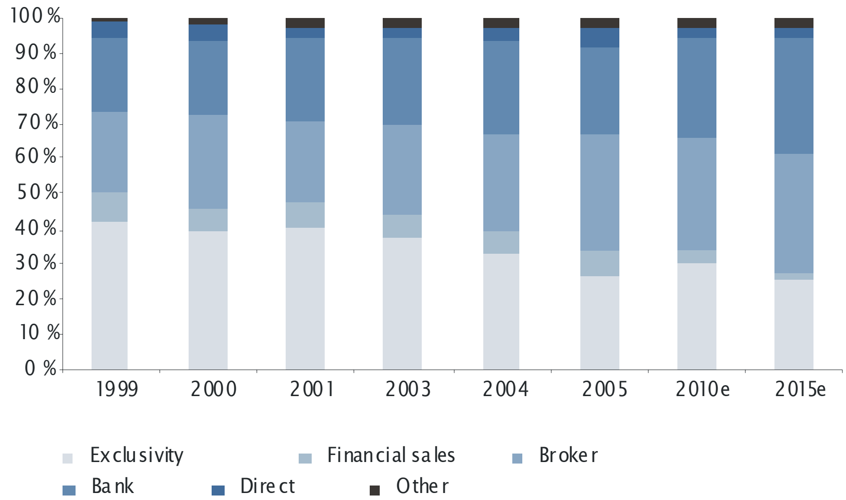
Source: Wholesale Access (press), Interhyp

Customers discover the use of financial product distributors

Financial product distributors and agents have become more important in the last few years. One reason for this is the comparatively aggressive distribution strategy. However, customers also save on search costs that accrue when they want to obtain information independently from a number of product suppliers. This requires time and expertise, which is why many customers prefer to receive the services from financial consultants and agents. In the market for private construction financing, agents make up a share of 13 % (cp. chart). This is similar to the situation in the US in the 1980s. Experts assume that a similar trend is emerging in Germany.

The life insurance market is also comparable in this regard. There the share of financial product distributors and agents in the new business has risen from 30 % in 1999 to just under 40 % in 2005.

Sales channels for life insurance products



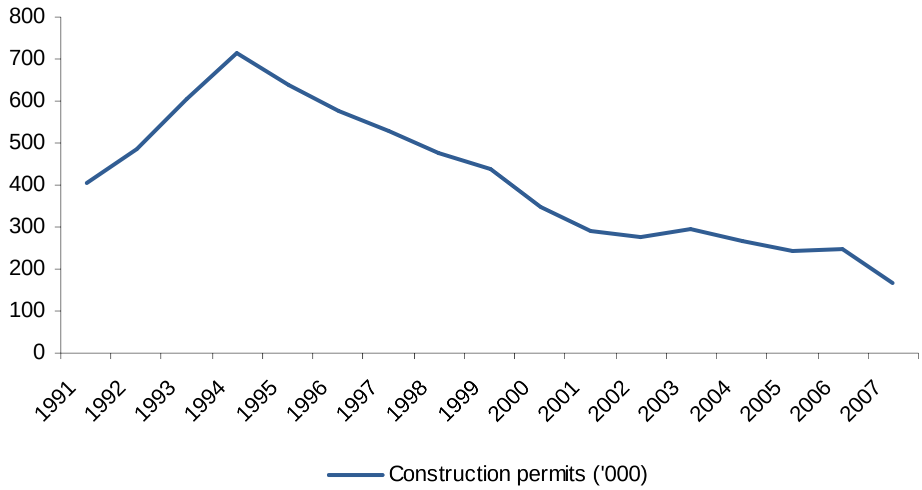
Source: Towers Perrin

Housing construction flagging

Sluggishness in housing construction

The situation with housing construction is difficult in Germany. New construction permits have declined for more than 10 years. This can be traced back to the comparatively low yields for institutional housing construction companies, as the average total interest since 1996 has been 3.7 % p.a. On the other hand, it is also due to the very tenant-friendly leasing law. Stagnating incomes and fears of unemployment at the same time have weighed on private households. Given the economic downturn setting in, construction activities are not expected to see a revival for the time being.

Construction permits in Germany



Double-digit minus for construction financing

This lethargy on the housing market is also reflected in falling demand for construction financing loans. New business with mortgage financing in Q1 2008 saw a significant drop, which compared to the previous year came out to approx. 12 %.

Commercial housing market relatively stable

The commercial real estate market is characterised by a high degree of stability. The loan portfolio last year was at a largely unchanged level of € 165 bn. Most housing construction companies are organised within the Bundesverband deutscher Wohnungs- und Immobilienunternehmen [German federal association of housing and real estate companies]. This is made up of nearly 3,000 member companies, some 44 % of which are small (up to 500 housing units), 53 % medium-sized (between 501 and 10,000 housing units) and 3 % large companies (more than 10,000 units).

Personal loan market is new territory for agents

Agents are discovering personal loans

Today agents still play no de facto role in referring personal loans. The market volume is € 130 bn and we estimate a market share of around 3 % for agents. The market is dominated by the point-of-sale distribution channel, meaning that financing is carried out directly with the seller of the object. Auto financing for example is referred from the auto dealers to their in-house auto-banks. For the future we also expect agents to play more of a role with their discovery of the market for consumer loans. In this market, more customers also require an independent consultation. Moreover, the Internet is gaining importance for this reason, while bank branches are rather expected to see losses.

Rising standardisation of development platforms

Cost pressure benefits the standardised IT platform

The entire financial sector is under a great deal of cost pressure from the fierce competition. Many companies are also contemplating how they can reduce their vertical integration. Developing and maintaining IT platforms which help producers and financial service agents communicated with one another are not among the core competencies of the banks and insurance companies. In many cases, it benefits producers more to use standard software by external providers. Agents, in turn, are less interested in maintaining separate platforms for every provider to process their transactions. Training and IT costs unnecessarily impair the margin.

Market being monopolised

The question of which external provider of IT platforms can establish itself is critically impacted by network effects. The greater the business volume processed using the platform, the more likely it is that other product suppliers and agents will use this platform. Well-known users are like magnets for potential new customers. For this reason we expect a rising degree of standardisation and thus a monopolisation of the market for IT platforms used to process transactions dealing with financial service products.

ABS market is dried up

ABS market seeing a slump

The European securitisation market for asset-backed securities (ABS) and covered loans grew through last year with more than 30 % p.a. on average. This market, which as an underpinning factor above all includes mortgage loans and credit cards, has been disrupted since the American mortgage crisis broke out. Investors at the moment are not prepared to buy ABS and the issue volume has fallen accordingly. Nevertheless, there is a greater need for information on the part of investors when it comes to the details of individual tranches of ABS structures. In the medium term the securitisation market should again see something of a revival once the financial crisis is overcome, even if the level prior to the crisis breaking out is no longer expected to be reached.

Competition

Multilayered competitive structure

The competitive structure in the financial services sector for private clients is very heterogeneous and unclear. Companies that produce financial services generally have their own in-house distribution channels. As such, banks often have their own branch network and insurance companies employ sales representatives. Some producers use nothing more than the Internet. In Germany there are currently more than 2000 German banks and over 440 insurance companies in addition to the numerous foreign banks. In addition to producers, however, there are also financial service providers that concentrate only on sales. Examples here are financial consultants and agents.

The main competitors can change depending on the product group. In the core business, the referral of construction financing, the rivals for example are producers such as ING-Diba and Postbank. Classic financial product distributors such as MLP and DVAG are also competitors. The closest comparison, however, can be found in the companies Interhyp and PlanetHome, which like Dr. Klein primarily sell real estate loans over the Internet. We see these companies as Dr. Klein's most important competitors due to the fact that they address the same target customers.

Interhyp

Interhyp was founded in 1999 and thus far has been one of the leading independent suppliers of private construction financing in Germany. The company ING-Direct was taken over in the spring of this year. In addition to the direct business with end customers, Interhyp also offers its services to independent financial service providers and local construction financing agents under the "Prohyp" brand. This brand is responsible for 30 % of the financing volume, making the company a direct competitor of Dr. Klein. One difference on the other hand is that it offers no other financial products beyond construction financing. Similar to Dr. Klein, Interhyp is trying to establish and expand a network of personal consultation branches and thereby extend its direct sales. In 2007 Interhyp referred a financing volume of € 5.7 bn. This comes out to a market share of 3 %, or 18 % based on financial product distributors.

PlanetHome

The real estate and financial service provider PlanetHome, a member of the HVB Group, focuses on two types of business: First, the company acts as a broker for real estate. At the moment, 2200 real estate properties per year change owners through PlanetHome. The second major business segment is the brokering of mortgage financing, where the company cooperates with 30 banking partners. The financing volume referred came out to a total of € 2.3 bn last year. This equals a market share of 1.2 %, or 8 % based on financial product distributors. PlanetHome is active in the market with a second brand after having acquired the company Hypotheken-Discount. While Hypotheken-Discount addresses the end customer directly, the PlanetHome brand focuses on addressing savings banks and agents. These customers are provided an IT system as a brokerage platform of end customers and suppliers of construction financing such as savings banks and agents. As such, the company also has a rival product to Hypoport's EUROPACE. In the lapsed fiscal year, PlanetHome improved its revenues by 14 % to € 45 m.

Competition with banks and insurance companies

As for the other important products that Dr. Klein refers, namely current and deposit accounts as well as life insurance, the company's main competition is with banks and insurance companies in addition to the classic financial product distributors and agents. Moreover, there are some agents focusing on direct sales, e.g. FinanzScout24.

The company in figures

Fiscal year 2007

Dynamic revenue growth

The growth dynamic of the last few years also continued in the fiscal year 2007 at the Hypoport Group. Revenues rose heavily by 59 % to € 41.7 m. Dr. Klein played a major role in this pleasing trend with its Private Clients business unit, which improved its revenues by 58 % to € 24.5 m and thus generated 59 % of group revenues. In contrast, the second business unit Corporate Real Estate Clients posted a 4 % drop in revenues to € 4.8 m. This was especially attributable to the intense competition for long-term financing. As for the second division B2B Financial Marketplaces, the ongoing growth in the field of financial services continues with a revenue increase of 54 % to € 9.4 m. With the acquisition of Hypoport Netherlands B.V., revenues for the Institutional Clients business unit jumped from € 0.2 to 2.7 m.

Extraordinary factors weighing on EBIT

Contrary to the positive revenue trend, EBIT fell by 14 % to around € 4.0 m. Accordingly, the EBIT margin deteriorated from 17.6 % to 9.5 %. However, one-off effects of € 1.1 m from expenses for the listing in the Prime Standard as well as extraordinary software write-downs to the tune of € 0.5 m have had a burdening effect. Excluding these one-off effects, the adjusted EBIT would have risen by 48 % to € 5.5 m.

Overview of group P&L 2004 to 2007 (IFRS)

€ '000		2004	2005	2006	2007	*H1/08*
Sales		**10,881**	**20,560**	**26,286**	**41,713**	***25,118***
	growth rate		89.0%	27.9%	58.7%	*32.0%*
EBIT		**1,792**	**6,188**	**4,621**	**3,960**	***1,554***
	margin	16.5%	30.1%	17.6%	9.5%	*6.2%*
EBT		**1,144**	**5,545**	**3,976**	**3,225**	***1,138***
	margin	10.5%	27.0%	15.1%	7.7%	*4.5%*
Net profit		**686**	**4,079**	**4,081**	**4,259**	***697***
	margin	6.3%	19.8%	15.5%	10.2%	*2.8%*

Source: Hypoport; LBBW

H1 2008

Growth continues despite the financial crisis....

In H1 2008, the Hypoport Group again boosted its revenues heavily by 32 % to € 25.1 m, whereas revenues in Q2 stagnated at the level of Q1. The supporting business unit Private Clients was responsible for the growth. This generated a 49 % rise in revenues to € 15.7 m despite a deteriorated market environment (unfavourable interest trend and drop in mortgage financing activities). Thanks especially to a record number of leads acquired (+88 % to € 1.5 m), revenues with other financial service products (banks and insurance products) more than doubled by 121 % to € 8.6 m. The Corporate Real Estate Clients business unit lifted its revenues from € 2.9 to € 3.1 m. In contrast, the second business unit Financial Service Providers fell just short of the previous year's level (€ 4.3 m) in spite of a higher transaction volume with revenues of € 4.2 m. The Institutional

Clients unit benefited from higher demand for transparency-creating information systems after the subprime crisis and boosted its revenues by 45 % to € 1.5 m. The Dutch market provided the growth here.

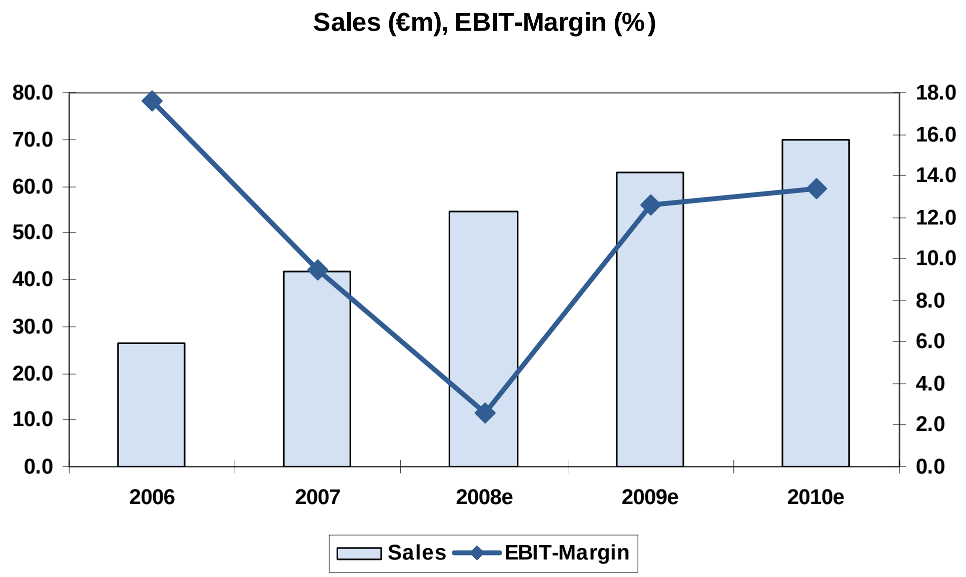
….at the expense of the margin

The earnings situation of the Hypoport Group was not able to keep up with the dynamic revenue trend in H1. EBIT fell heavily by 52 % to € 1.6 m, which led to an EBIT margin decline from 17.1 % to 6.2 %. This was diluted especially in Q2/08 with an EBIT margin of a mere 1.6 % after 10.8 % in Q1/08. One reason for the margin decline is the expansion of the market position. The still young Institutional Clients business unit was particularly affected by this. Burdens of € 1.1 m led to an operating loss of € 0.7 m in the half-year. Hypoport's expansion efforts overall have led to a 10 % rise in the employee count to 443 in the first six months of the year. Moreover, higher sales expenditures led to an over-proportionate rise in other operating expenses by 77 %. Accordingly, group income in H1/08 came out to € 0.7 m (EPS: € 0.12), which was well below the previous year's level of € 2.3 m (EPS: € 0.36).

Business trend forecast by segment

Double-digit revenue and EBIT growth expected

In the last few years, Hypoport has managed to generate double-digit growth rates even in a largely stagnating financial services market. We also believe this will continue in the next few years, even if the dynamic is expected to weaken here. One major factor of uncertainty is the further development of the real estate and credit crises and their effects on the economy. Hypoport's business model would also be impaired by a recession in Germany. However, the company's over-proportionate market growth should also continue in the next few years given its superior sales approach and the scalability of the business model. We anticipate double-digit revenue and EBIT growth annually through 2010. Our revenue estimate implies a rise from € 41.7 m in 2007 to € 70.0 m through 2010, equalling average growth of 19 % p.a. At the same time, EBIT should rise by an average of 33 % p.a. in the same period from € 4.0 m to € 9.4 m and improve the margin from 9.5 % to 13.4 %. In the current year, however, the closing costs of some € 3 m for EUROPACE for Investors weighed on EBIT. The rise in 2009 should be correspondingly high as a result of the low basis effect.



Financial Product Sales

Expansion continues

We continue to expect the strongest revenue growth in the Private Clients business unit at Dr. Klein through 2010. There are indications of considerable growth potential with the expansion of sales capacities gained by opening up additional branches, recruiting additional consultants and generating more leads. Given the greater degree of self-processing of leads, the referral of other financial services in particular should thus emerge as an important pillar of revenues in addition to mortgage financing. The higher referral and revenue volumes are bringing about the use of economies of scale and provide for negotiating leeway in the agreement of conditions with product suppliers. This should have a positive impact on the operating EBIT margin in the Private Clients business unit.

Financial Services

Private Clients	**2005**	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Home Finance	7,899	10,211	12,100	14,450	14,600	15,600
Growth		29.3%	18.5%	19.4%	1.0%	6.8%
Online-Financial Services	734	3,087	7,492	10,690	14,250	16,300
Growth		320.6%	142.7%	42.7%	33.3%	14.4%
Other Financial Services	963	2,160	4,907	10,358	12,768	14,547
Growth		124.3%	127.2%	111.1%	23.3%	13.9%
Revenues ('000 €)	9,596	15,458	24,499	35,498	41,618	46,447
Growth		61.1%	58.5%	44.9%	17.2%	11.6%
EBIT ('000 €)	2,793	2,580	4,379	4,080	4,870	5,630
Growth		-7.6%	69.7%	-6.8%	19.4%	15.6%
EBIT-margin	29.1%	16.7%	17.9%	11.5%	11.7%	12.1%
Corporate Real Estate Clients						
Revenues ('000 €)	6,181	5,005	4,811	6,160	6,720	7,130
Growth		-19.0%	-3.9%	28.0%	9.1%	6.1%
EBIT ('000 €)	2,153	1,034	834	1,690	1,850	2,030
Growth		-52.0%	-19.3%	102.6%	9.5%	9.7%
EBIT-margin	34.8%	20.7%	17.3%	27.4%	27.5%	28.5%

Source: LBBW

We see the engines of growth for the Corporate Real Estate Clients business unit in the expansion of sales and thus in more intense customer support. At the same time, the referral of insurance services should be further accelerated. We believe the eight relationship managers that executed financing transactions with 163 customers in the last fiscal year will see the addition of another colleague by the end of 2009. It should also manage to arrange insurance (especially household insurance) for approx. 5 % of the more than 400 regular customers.

B2B Financial Marketplaces

Sustainable margin around 40 %

The future growth in the Financial Service Providers business unit will see a boost from three factors in our view. First, the number of sales organisations that use the EUROPACE platform should rise from currently 38 to 41 by the end of 2010. Second, the platform will thus become more attractive to other product suppliers. This should have a positive effect on the referral of personal loans and other financial services. Third, revenues will also come from the joint venture between Hypoport and Stater in the Netherlands beginning in the fiscal year 2009. The Financial Service Providers business unit is the part of the Hypoport Group with the heaviest margins by far. Given the economies of scale with rising transaction volumes on the platform, we anticipate a sustainable EBIT margin of around 40 % starting in the next fiscal year.

B2B-Financial Marketplaces

Financial Service Providers	**2005**	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Transaction volume ('000 €)	7,238,900	9,248,800	12,500,004	14,216,000	16,680,000	18,118,000
Growth		27.8%	35.2%	13.7%	17.3%	8.6%
Transaction fee (%)	0.068%	0.066%	0.075%	0.062%	0.064%	0.066%
Revenues ('000 €)	4,896	6,106	9,413	8,870	10,630	11,900
Growth		24.7%	54.2%	-5.8%	19.8%	11.9%
EBIT ('000 €)	2,696	2,698	5,521	2,920	4,230	4,890
Growth		0.1%	104.6%	-47.1%	44.9%	15.6%
EBIT-margin	55.1%	44.2%	58.7%	32.9%	39.8%	41.1%
Institutional Clients						
Revenues ('000 €)	463	474	2,702	2,950	2,980	3,350
Growth		2.4%	470.0%	9.2%	1.0%	12.4%
EBIT ('000 €)	-142	-342	-1,412	-3,820	790	910
Growth		140.8%	312.9%	170.5%	-120.7%	15.2%
EBIT-margin	-30.7%	-72.2%	-52.3%	-129.5%	26.5%	27.2%

Source: LBBW

Investments, balance sheet and cash position

Half of Hypoport's total assets consist of intangible assets. Of the € 23.3 m in the fiscal year 2007, € 14.8 m was the result of goodwill. The rest is comprised of the capitalisation of development costs in the scope of the development of transaction platforms, patents, software, licences and similar rights.

In the next few years, we believe additional investments in the expansion of the B2B Financial Marketplaces division in Germany and abroad will lift the value of intangible assets gradually to € 26.3 m by 2010. This is a net figure, as the first-time development costs are written off over a period of eight years and, subsequently, over five years. As a result, we anticipate gross investments of € 5.1 m for the expansion of B2B Financial Marketplaces in the current year, € 5.7 m in the next year and € 6.2 m in 2010. Here we assume unchanged goodwill, but this is expected to change due to possible impairments or the acquisition of additional goodwill from planned acquisitions.

The profit trend that we expect to see in the next few years leads to the build-up of liquid funds. We believe these will be used to repay loans and finance possible acquisitions of smaller companies or company parts in Germany and abroad. We do not anticipate dividend payouts for the time being.

Appendix

Income statement

	12/2005 T €	12/2006 T €	12/2007 T €	12/2008e T €	12/2009e T €	12/2010e T €
Sales	**20,560**	**26,286**	**41,714**	**54,438**	**63,028**	**70,027**
% change	89.0	27.9	58.7	30.5	15.8	11.1
Change in inventories and own work capitalised	1,835	2,642	3,333	4,160	4,900	5,450
Total output	**22,395**	**28,928**	**45,047**	**58,598**	**67,928**	**75,477**
	108.9	110.1	108.0	107.6	107.8	107.8
Cost of materials	0	(22)	(73)	(410)	(530)	(690)
Personnel expenses	(8,914)	(13,073)	(17,466)	(22,260)	(24,400)	(26,850)
Other operating income	202	1,172	503	720	932	993
Other operating expenses	(6,192)	(10,502)	(20,714)	(30,168)	(31,730)	(35,050)
Restructuring costs	0	0	0	0	0	0
EBITDA	**7,491**	**6,503**	**7,297**	**6,480**	**12,200**	**13,880**
% margin	33.4	22.5	16.2	11.1	18.0	18.4
Depreciation	(1,303)	(1,883)	(3,337)	(5,040)	(4,280)	(4,520)
EBIT	**6,188**	**4,620**	**3,960**	**1,440**	**7,920**	**9,360**
Financial result	(643)	(644)	(735)	(710)	(700)	(700)
Profit from ordinary activities	**5,545**	**3,976**	**3,225**	**730**	**7,220**	**8,660**
Extraordinary items	0	0	0	0	0	0
Profit before income tax	**5,545**	**3,976**	**3,225**	**730**	**7,220**	**8,660**
Income tax	(1,466)	105	1,034	(220)	(2,290)	(2,740)
Tax rate (%)	26.4	n/m	n/m	30.1	31.7	31.6
Continued operations before minorities	**4,079**	**4,081**	**4,259**	**510**	**4,930**	**5,920**
Minority interests	0	0	0	0	0	0
Continued operations	**4,079**	**4,081**	**4,259**	**510**	**4,930**	**5,920**
Discontinued operations	0	0	0	0	0	0
Net income after minorities	**4,079**	**4,081**	**4,259**	**510**	**4,930**	**5,920**
% change	494.6	0.0	4.4	(88.0)	866.7	20.1
Number of shares	1,595	6,288	6,094	6,111	6,111	6,111
Net profit per ordinary share (€)	**2.56**	**0.65**	**0.70**	**0.08**	**0.81**	**0.97**
% change	495.3	(74.6)	7.7	(88.6)	912.5	19.8

Balance sheet

Assets

Assets	12/2005 T €	12/2006 T €	12/2007 T €	12/2008e T €	12/2009e T €	12/2010e T €
Longterm assets	**20,972**	**26,238**	**28,070**	**30,355**	**33,266**	**36,486**
Intangible assets	16,233	22,175	23,319	24,289	26,590	29,300
thereof Goodwill	11,253	14,825	14,825	14,825	14,825	14,825
Tangible assets	3,441	1,314	1,553	2,470	2,750	2,960
Financial assets	111	454	522	920	1,250	1,550
Other assets	54	17	0	0	0	0
Deferred taxes	1,133	2,278	2,676	2,676	2,676	2,676
Shortterm assets	**11,879**	**17,958**	**20,161**	**21,097**	**23,822**	**27,702**
Inventories	0	0	0	0	0	0
Trade accounts receivable	9,108	10,514	15,847	16,200	17,400	19,800
Other assets	835	4,264	1,214	2,450	2,780	3,340
Securities	0	0	0	0	0	0
Liquid assets	1,936	3,180	3,100	2,447	3,642	4,562
Total assets	**32,851**	**44,196**	**48,231**	**51,452**	**57,088**	**64,188**

Liabilities and shareholders' equity

	12/2005	12/2006	12/2007	12/2008e	12/2009e	12/2010e
Shareholders' equity	**11,555**	**18,820**	**22,930**	**23,495**	**28,425**	**34,345**
in % of total liabilities	35.2	42.6	47.5	45.7	49.8	53.5
Subscribed capital	1,595	6,288	6,094	6,111	6,111	6,111
Unissued shares	0	0	0	0	0	0
Additional paid-in capital	141	1,350	1,704	1,742	1,742	1,742
Retained earnings	9,819	11,182	15,132	15,642	20,572	26,492
Minority interests	(0)	(0)	(0)	(0)	(0)	(0)
Profit-sharing certificates	**0**	**0**	**0**	**0**	**0**	**0**
Longterm liabilities	**17,086**	**12,305**	**15,579**	**19,133**	**18,633**	**18,233**
Provisions for pensions	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
Financial liabilities	12,702	7,368	12,059	15,400	14,900	14,500
Other liabilities	113	58	0	0	0	0
Deferred taxes	4,271	4,879	3,520	3,733	3,733	3,733
Shortterm liabilities	**4,210**	**13,071**	**9,722**	**8,824**	**10,030**	**11,610**
Other provisions	7	18	21	188	240	280
Financial liabilities	511	7,738	1,341	1,669	1,900	2,400
Trade accounts payable	1,522	1,309	3,399	2,950	3,760	4,130
Other liabilities	2,170	4,006	4,961	4,017	4,130	4,800
Total liabilities and shareholders' equity	**32,851**	**44,196**	**48,231**	**51,452**	**57,088**	**64,188**

Key ratios

	12/2005 T €	12/2006 T €	12/2007 T €	12/2008e T €	12/2009e T €	12/2010e T €
Multiples						
PE	0.0	0.0	21.4	65.0	6.4	5.4
EPS growth (%)	495.3	(74.6)	7.7	(88.6)	912.5	19.8
Price / Bookvalue	0.0	0.0	4.0	1.4	1.1	0.9
Enterprise Value / Sales	0.5	0.4	2.2	0.8	0.7	0.6
Enterprise Value / EBITDA	1.5	1.8	13.9	7.0	3.7	3.3
Enterprise Value / EBIT	1.8	2.5	25.6	31.6	5.7	4.9
Financial key ratios						
Net debt / EBITDA	1.5	1.8	1.3	2.1	1.0	0.8
Gearing (%)	96.6	61.0	42.6	58.3	41.9	31.4
Equity ratio adjusted (%)	32.9	37.5	46.4	51.4	48.9	54.5

Appendix-1

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51,8%	32,4%	15,8%

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Date	Rating
11/07/2008	Hold