Interim report of Hypoport AG first half-year 2017

Berlin, 7 Aug 2017

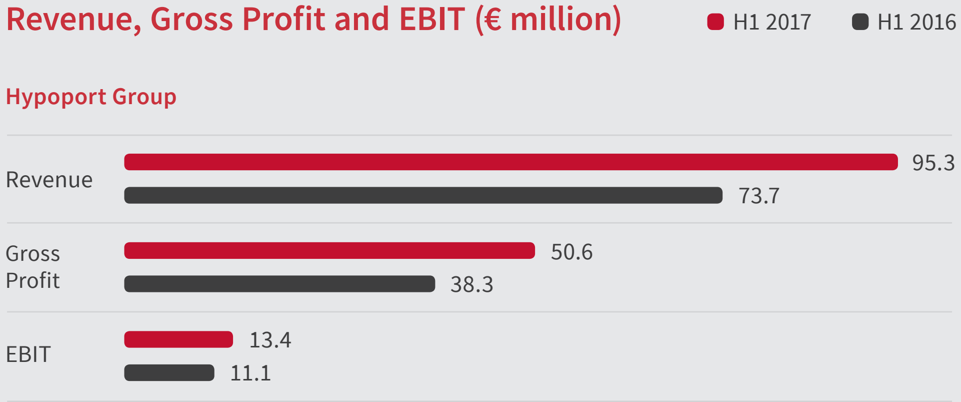
Key performance indicators

Revenue and earnings (€'000)	H1 2016	H1 2017	Change
Revenue	73,688	95,262	29%
Gross profit	38,301	50,625	32%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,476	16,710	24%
Earnings before interest and tax (EBIT)	11,127	13,357	20%
EBIT margin (EBIT as a percentage of gross profit)	29.1	26.4	-9%
Net profit for the year	8,681	10,624	22%
attributable to Hypoport AG shareholders	8,678	10,598	22%
Earnings per share (€)	1.44	1.78	24%

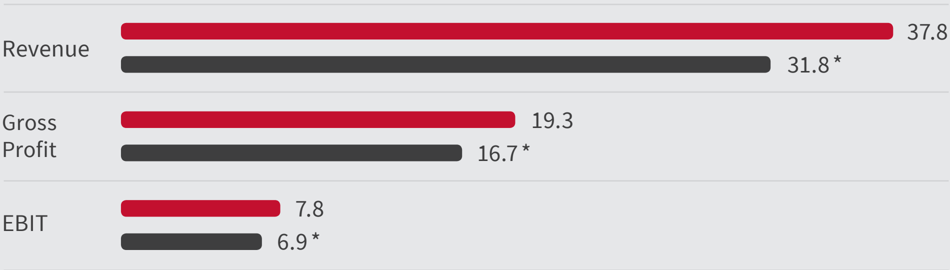
	Q2 2016	Q2 2017	Change
Revenue	38,015	47,578	25%
Gross profit	19,656	24,979	27%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,873	8,105	18%
Earnings before interest and tax (EBIT)	5,699	6,363	12%
EBIT margin (EBIT as a percentage of gross profit)	29.0	25.5	-12%
Net profit for the year	4,425	5,193	17%
attributable to Hypoport AG shareholders	4,426	5,167	17%
Earnings per share (€)	0.74	0.87	18%

Financial position (€'000)	31 Dec 2016	30 Jun 2017	Change
Current assets	57,230	58,531	2%
Non-current assets	54,868	70,237	28%
Equity	64,133	74,948	17%
attributable to Hypoport AG shareholders	63,830	74,619	17%
Equity ratio (%)	57.2	58.2	2%
Total assets	112,098	128,768	15%

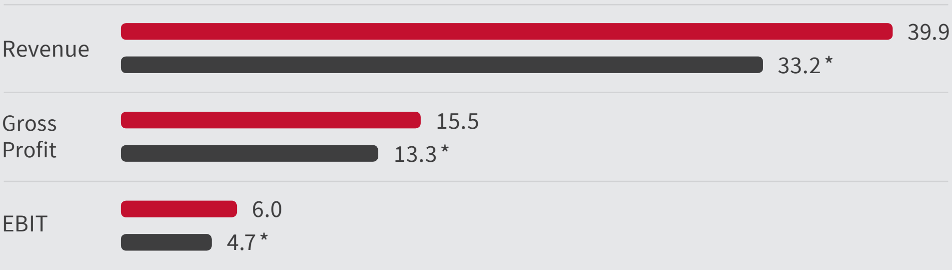
Revenue, Gross Profit and EBIT (€ million)



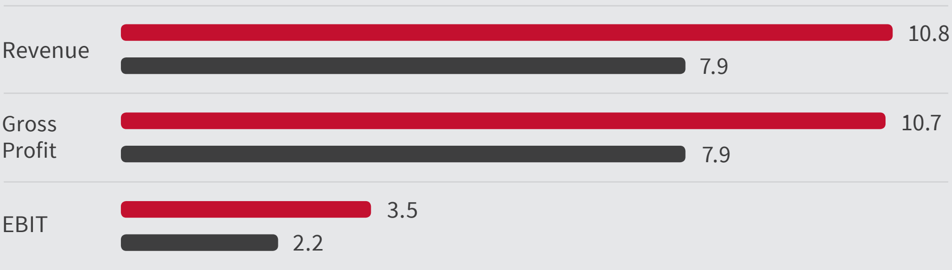
Credit Platform



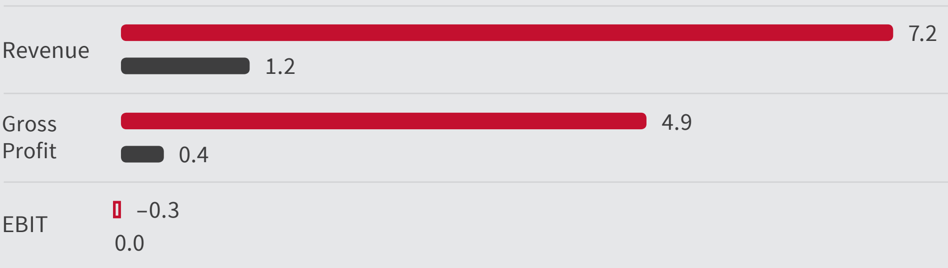
Privat Clients



Institutional Clients



Insurance Platform



* The comparative prior-year tax figures have been adjusted and are explained in section 4 of the notes to the interim consolidated financial statements “Comparative figures for 2016”

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Letter to shareholders

Dear shareholder,

Following on from an excellent first quarter, we can now report on a successful second quarter of 2017. In a nutshell, the increases in our main key performance indicators were comfortably into double figures for the first six months of the year. Our Group generated revenue of €95.3 million in the first half of the year, a rise of 29 per cent compared with the corresponding period of 2016. At the same time, our earnings before interest and tax (EBIT) advanced by 20 per cent to €13.4 million.

As described in detail in our report for the first quarter, the Hypoport Group has been divided into four business units since the start of this year: Credit Platform, Private Clients, Institutional Clients and our new Insurance Platform business unit.

The three business units Credit Platform, Private Clients and Institutional Clients all made a full contribution to the Company's success, while our newest business unit, Insurance Platform, focused as planned on building up its market share.

The integration of the companies acquired for the Insurance Platform business unit in the first quarter is progressing well. Since July, the companies in this business unit have operated under the shared Smart InsurTech umbrella brand, offering a fully integrated digital platform for large distribution organisations and insurance brokers. This is the first one-stop solution for this target group that offers advice, product comparisons and the administration of insurance contracts on a single platform. We are thus pooling the expertise of these companies in a strong overarching organisation within the Insurance Platform business unit.

Although the volume of the market as a whole[1] expanded only slightly in the period until June, the Credit Platform and Private Clients business units performed very well and widened their share of the market. The B2B Credit Platform business unit, which includes the main EUROPACE marketplace and the exceptionally fast-growing FINMAS and GENOPACE sub-marketplaces, registered sharp increases in the number of distribution partners, the volume of transactions and revenue. Business operations related to our brand-new property valuation service are also encouraging, although there were small start-up losses.

In the B2C Private Clients business unit, our main Dr. Klein brand also performed very well. According to Cash.Magazin, we are among the top-five financial product distributors in Germany and we have been recognised as a leading provider of mortgage finance, receiving the Zins-Award 2017 from n-tv, the German Institute for Service Quality (DISQ) and the financial consul-

[1] *In the period January to June 2017, the volume of new home loan business increased by around 1 per cent compared with the same period of 2016 according to data from Deutsche Bundesbank.*

tancy firm FMH. We are delighted with these accolades, which are not only proof positive of the good work carried out by our advisors but also personal recognition for each one of them. Our customers' confidence in the Dr. Klein brand, the steady increase in our sales capacity and the optimised use of resources have led to the business unit achieving its best results for a half-year period.

The Institutional Clients business unit saw a huge rise in demand for the brokerage of new loans. As a result, we again generated significant revenue growth and an even stronger rise in EBIT, which enabled this business unit to sustain the success that it had achieved in the second half of 2016.

The Hypoport Group with its four business units has its sights set on further growth. The Credit Platform, Private Clients and Institutional Clients business units are notching up success in what is a highly attractive market environment for mortgage finance. Our new Insurance Platform business unit has great potential for generating more growth for the Company in the insurance sector, which is still going through the process of digitalisation. We are therefore reiterating our forecast for 2017 as a whole that the Hypoport Group will achieve percentage increases for both revenue and earnings of just into double figures.

Kind regards,

Ronald Slabke

Management report

Business and economic conditions

Macroeconomic environment

The macroeconomic environment has not changed significantly since we reported on it in Hypoport AG's 2016 annual report (page 9). The moderate upturn in the eurozone continued in the first half of 2017. For 2017 as a whole, the International Monetary Fund (IMF) reckons on growth of 1.7 per cent for the eurozone. The IMF and the leading economic research institutes respectively expect Germany's gross domestic product (GDP) to rise by 1.6 per cent and 1.8 per cent in 2017.

Conditions in the financial services sector

Conditions in the financial services sector have changed only slightly since we reported on them in Hypoport AG's 2016 annual report (pages 10 to 12).

Following the sharp rise in planning approvals during 2016, only approvals for the construction of multi-dwelling units increased (by 4 per cent) in the first five months of 2017. Across all types of building, the German Federal Statistical Office reported that 137,100 homes were approved in that period – a decrease of 7.6 per cent (January to May 2016: 148,391). During the same period, new orders in the primary construction industry were up only slightly, by 2.9 per cent. Individual political parties have announced that, if elected, they will introduce subsidies to stimulate private house-building and ease the situation for buyers. This may be causing some market participants to hold back until the election promises have been delivered upon. The gap between demand for housing and the supply of available homes is therefore continuing to widen rapidly. Based on conservatively estimated net inward migration of 500,000 people, there will continue to be a housing shortage of around 1.1 million homes in 2017.

In the first six months of 2017, the volume of mortgage finance in the market as a whole increased by around 1 per cent compared with the same period of 2016 according to the latest data from Deutsche Bundesbank.

Mortgage interest rates changed only slightly in the first half of 2017. The index “Dr. Klein Bestzins” – which is the lowest interest rate for a 10 year mortgage loan – starting the year at 0.93 per cent, they rose to 1.10 per cent in the days that followed and, up to the end of June, remained within a narrow range of approximately 1.00 to 1.10 per cent. An exception was the sharp swing to 1.18 per cent in March. At the end of the first six months, they stood at 1.02 per cent.

In February 2017, the European Insurance and Occupational Pensions Authority (EIOPA) published its advice for the insurance industry on implementation of the Insurance Distribution Directive (IDD). This EU directive was transposed into national law by the two chambers of the German parliament, the Bundestag and Bundesrat, at the end of June 2017. The law comes into force on 28 February 2018 and strengthens Germany's existing model of the co-existence of fee-based advice and commission-based sales. At the same time, the new legislation will entail more administrative effort for the insurance sector and thus greater cost pressures.

Business performance

In the first half of 2017, Hypoport increased its revenue by 30 per cent to €95.3 million (H1 2016: €73.7 million). This enabled the Group to generate earnings before interest and tax (EBIT) of €13.4 million (H1 2016: €11.1 million). Hypoport's EBIT thus climbed by a substantial 20 per cent compared with the corresponding period of 2016.

The revenue and selling expenses stated below for the individual business units include a small proportion of revenue with other segments of the Hypoport Group and associated selling expenses.

Credit Platform business unit

The Credit Platform business unit brings together all subsidiaries whose direct or indirect purpose is to generate growth for the EUROPACE credit platform.

In the first half of 2017, the total volume of transactions generated on EUROPACE increased by 12 per cent to €24.0 billion (H1 2016: €21.4 billion). Taking into account that there were fewer sales days – defined as the number of working days less half of the number of 'bridging days' (days falling between public holidays and weekends) – the transaction volume per sales day reached a record high of €199 million in the second quarter of 2017 (59.5 sales days compared with 65 sales days in the first quarter of 2017).

The growth of the EUROPACE marketplace is still being driven by increases achieved by neutral mortgage finance distributors and by EUROPACE's success in becoming an established technology-based advisory solution for regional banks. In the first half of 2017, the FINMAS sales volume rose to €1.1 billion (H1 2016: €0.7 billion, increase of 58 per cent), while the volume of business concluded via GENOPACE on the basis of advice grew to €0.6 billion (H1 2016: €0.4 billion, increase of 46 per cent).

A total of 456 contractual partners are now using the EUROPACE, GENOPACE and FINMAS marketplaces. In total, 86 new contractual partners were added in the last 12 month – equating to growth of 23 per cent (30 June 2016: 370 partners). The new partners include 55 contractual partners from the cooperative sector (30 June 2016: 158 partners; increase of 35 per cent) and 25 savings banks (30 June 2016: 130 partners; increase of 19 per cent).

Financial figures Credit Platform	Q2 2016*	Q2 2017	H1 2016*	H1 2017	H1 Change
Transaction volume (billion €)					
Total	11.0	11.8	21.4	24.0	12%
thereof mortgage finance	8.7	9.4	16.7	19.0	14%
thereof personal loan	0.6	0.6	1.2	1.3	9%
thereof building finance	1.7	1.8	3.4	3.7	8%
Contractual Partners (number)					
Europace (incl. GENOPACE + FINMAS)			370	456	23%
GENOPACE			158	213	35%
FINMAS			130	155	19%
Revenue and earnings (million €)					
Revenue	17.2	19.3	31.8	37.8	19%
Gross profit	8.9	9.3	16.7	19.3	15%
EBIT	3.7	4.0	6.9	7.8	13%

* The comparative prior-year tax figures have been adjusted and are explained in section 4 of the notes to the interim consolidated financial statements "Comparative figures for 2016"

The Hypoport Group, through its subsidiary HypService GmbH, capitalised on the increase in EUROPACE partners to expand its property valuation service for lenders in the first half of 2017. Start-up losses of €0.5 million were incurred in the six-month period in connection with breaking into this new product segment.

The Credit Platform business unit generated significant double-digit revenue growth of 19 per cent in the first half of 2017, taking its revenue to €37.8 million (H1 2016: €31.8 million). EBIT increased by 13 per cent to €7.8 million (H1 2016: €6.9 million).

Private Clients business unit

The Private Clients business unit brings together all of the Hypoport Group's business models that are aimed directly at private clients.

Dr. Klein's growth is largely determined by the number of advisors and their performance, above all in the area of mortgage finance. It is therefore encouraging that the number of loan brokerage advisors in branch-based sales (franchise system and flagship stores) continued to rise, advancing by 9 per cent to the current level of 529 (H1 2016: 486 advisors).

The business unit again widened its share of the mortgage finance market significantly, with the transaction volume advancing by 20 per cent to €2.6 billion (H1 2016: €2.2 billion). In the personal loans product segment, the business unit continued to benefit from lucrative offline alliances. As a consequence, the volume of personal loans rose by 32 per cent to €0.15 billion (H1 2016: €0.11 billion). The smallest product segment, building finance, saw its transaction volume jump by 67 per cent to €0.05 billion (H1 2016: €0.03 billion).

Financial figures Private Clients	Q2 2016*	Q2 2017	H1 2016*	H1 2017	H1 Change
Transaction volume (billion €)					
Financing	1.1	1.3	2.2	2.6	20%
thereof mortgage finance	1.0	1.2	2.0	2.4	19%
thereof personal loan	0.059	0.082	0.114	0.150	32%
thereof building finance	0.015	0.025	0.030	0.050	67%
Number of franchise advisors (financing)			486	529	9%
Insurance policies under management			31 Dec 2016	30 Jun 2017	Change
Insurance policies u. m. (total)			68.9	69.5	1%
thereof insurance policies u. m. (life insurance)			38.6	38.5	0%
thereof insurance policies u. m. (private health insurance)			14.4	14.6	1%
thereof Insurance policies u. m. (SHUK)			15.8	16.4	4%
Number of franchise advisors (insurance)			171	151	-12%
Revenue and earnings (million €)	Q2 2016*	Q2 2017	H1 2016	H1 2017	H1 Change
Revenue	16.7	19.4	33.2	39.9	20%
Gross profit	6.7	7.6	13.3	15.5	17%
EBIT	2.3	2.7	4.7	6.0	27%

* The comparative prior-year tax figures have been adjusted and are explained in section 4 of the notes to the interim consolidated financial statements “Comparative figures for 2016”

Revenue growth of 20 per cent to €39.9 million (H1 2016: €33.2 million) underlines the success of the Private Clients business unit. Commission is paid to distribution partners (e.g. franchisees) and lead acquisition fees are paid to third parties and recognised as selling expenses. The business unit’s operating performance can thus be seen from the change in gross profit, which went up by 17 per cent to €15.5 million (H1 2016: €13.3 million). EBIT increased even more strongly, climbing by 27 per cent to €6.0 million (H1 2016: €4.7 million).

Institutional Clients business unit

The Institutional Clients business unit brings together all of the Hypoport Group’s business models that are aimed directly at institutional clients.

At €1,132 million, the total volume of new loans brokered was up by 48 per cent year on year (H1 2016: €765 million). The bulk of this amount – €1,038 million – was attributable to new business, which rose at the even faster rate of 59 per cent (H1 2016: €651 million). The volume of renewal business brokered, which amounted to €94 million, was down on the prior-year period (H1 2016: €114 million). Reflecting the rise in the volume of new loans brokered, there was an increase in the need for advice on the realisation of new financing projects. Consulting revenue advanced by 8 per cent to €2.7 million (H1 2016: €2.4 million).

Financial figures Institutional Clients	Q2 2016	Q2 2017	H1 2016	H1 2017	H1 Change
Transaction volume (million €)					
Brokered loans (total)	394	660	765	1,132	48%
thereof new business	343	639	651	1,038	59%
thereof renewals	51	21	114	94	-17%
Consulting revenue (million €)	1.1	1.2	2.4	2.7	8%
Revenue and earnings (million €)					
Revenue	3.7	5.5	7.9	10.8	36%
Gross profit	3.7	5.5	7.9	10.7	36%
EBIT	0.8	1.8	2.2	3.5	60%

Owing to the strong growth in the volume of new business, revenue in the Institutional Clients business unit was up by a substantial 36 per cent year on year to €10.8 million (H1 2016: €7.8 million). High-volume business also contributed to the excellent half-year results. EBIT increased even more strongly, rising by 60 per cent to reach €3.5 million (H1 2016: €2.2 million), thereby building on the success of the second half of 2016.

Insurance Platform business unit

The new Insurance Platform business unit brings together all of the Hypoport Group's activities aimed at expanding the Smart InsurTech insurance platform.

Financial figures Insurance Platform	Q2 2016	Q2 2017	H1 2016	H1 2017	H1 Change
Revenue and earnings (million €)					
Revenue	0.6	3.4	1.2	7.2	>100%
Gross profit	0.3	2.4	0.4	4.9	>100%
EBIT	0.1	-0.2	0.0	-0.3	>-100%

Our smallest and newest business unit reported revenue of €7.2 million in the first six months of 2017 (H1 2016: €1.2 million). As only a few of its activities had been part of the Hypoport Group in the first half of 2016, comparisons with the prior-year period are of only limited use. The primary objective in this business unit is to gain more market share, for example by using aggressive pricing structures and investing in IT. This had a slight negative impact on earnings. Consequently, EBIT amounted to a small loss of €0.3 million in the first six months of 2017 (H1 2016: €0.0 million).

Earnings

Against the backdrop of the operating performance described above, EBITDA for the first six months of 2017 advanced from €13.5 million to €16.7 million and EBIT from €11.1 million to €13.4 million. In the second quarter of 2017, the Company generated EBITDA of €8.1 million (Q2 2016: €6.9 million) and EBIT of €6.4 million (Q2 2016: €5.7 million).

Against a backdrop of higher personnel expenses (partly in connection with IT development and key account management) and other operating expenses, the EBIT margin (EBIT as a percentage of gross profit) for the first half of 2017 fell from 29 per cent to 26 per cent.

Revenue and earnings (million €)	Q2 2016	Q2 2017	H1 2016	H1 2017	H1 Change
Revenue	38.0	47.6	73.7	95.3	29%
Gross profit	19.7	25.0	38.3	50.6	32%
EBITDA	6.9	8.1	13.5	16.7	24%
EBIT	5.7	6.4	11.1	13.4	20%
EBIT margin (EBIT as percentage of gross profit)	29.0%	25.5%	29.1%	26.4%	-9%

Own work capitalised

In the second quarter of 2017, the Company continued to attach considerable importance to investing in the further expansion of the EUROPACE marketplace and the insurance platform. There was also further capital expenditure on new advisory systems for consumers and distributors. This capital expenditure forms the basis for future growth in the four business units, Credit Platform, Private Clients, Institutional Clients and Insurance Platform.

In the second quarter of 2017, the Company invested a total of €3.6 million in expansion (Q2 2016: €2.1 million); in the first six months of this year, it spent €7.0 million (H1 2016: €4.1 million). Of these totals, €1.6 million was capitalised in the second quarter of 2017 (Q2 2016: €1.3 million) and €3.3 million was capitalised in the first half of this year (H1 2016: €2.5 million), while amounts of €2.0 million for the second quarter of 2017 (Q2 2016: €0.8 million) and €3.7 million for the first six months of this year (H1 2016: €1.6 million) were expensed as incurred. These amounts represent the pro-rata 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 €1.3 million from other accounting periods (H1 2016: €0.7 million) and income of €0.4 million from employee contributions to vehicle purchases (H1 2016: €0.3 million).

Personnel expenses for the first half of 2017 rose owing to salary increases and because the average number of employees during the period advanced from 641 to 864.

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

Other operating expenses (million €)	Q2 2016	Q2 2017	H1 2016	H1 2017	H1 Change
Operating expenses	1.5	2.2	2.8	4.2	50%
Other selling expenses	0.7	1.1	1.6	2.1	31%
Administrative expenses	1.7	1.9	3.2	3.9	22%
Other personnel expenses	0.2	0.2	0.4	0.4	0%
Other expenses	0.2	0.6	0.6	0.9	50%
	4.3	**6.0**	**8.6**	**11.5**	**34%**

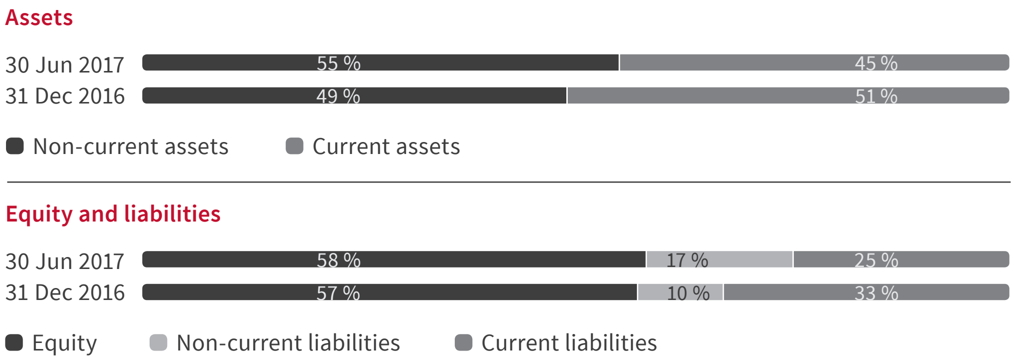
The operating expenses consisted mainly of building rentals of €1.2 million (H1 2016: €1.0 million) and vehicle-related costs of €1.1 million (H1 2016: €0.8 million). The other selling expenses related to advertising costs and travel expenses. The administrative expenses largely comprised IT-related costs of €1.8 million (H1 2016: €1.8 million) and legal and consultancy expenses of €1.0 million (H1 2016: €0.5 million). The other personnel expenses mainly consisted of training costs of €0.3 million (H1 2016: €0.3 million).

The net finance costs primarily included interest expense and similar charges of €0.2 million incurred by the drawdown of loans and the use of credit lines (H1 2016: €0.2 million).

Balance sheet

The Hypoport Group's consolidated total assets as at 30 June 2017 amounted to €128.8 million, which was a 15 per cent increase on the total as at 31 December 2016 (€112.1 million).

Balance sheet structure



Non-current assets totalled €70.2 million (31 December 2016: €54.9 million). They largely consisted of development costs of €22.3 million for the financial marketplaces (31 December 2016: €21.1 million) and goodwill of €24.5 million (31 December 2016: €18.6 million).

Current other assets essentially comprised prepaid expenses of €1.1 million (31 December 2016: €0.9 million) and commission of €0.6 million paid in advance to distribution partners (31 December 2016: €0.9 million).

The equity attributable to Hypoport AG shareholders as at 30 June 2017 had increased by €10.8 million, or 16.9 per cent, to €74.6 million. The equity ratio improved only slightly, from 57.2 per cent to 58.2 per cent, owing to the increase in total assets.

The €10.3 million increase in non-current liabilities to €21.5 million stemmed primarily from the €8.2 million rise in non-current financial liabilities.

Other current liabilities mainly comprised bonus commitments of €3.2 million (31 December 2016: €4.7 million) and tax liabilities of €1.4 million (31 December 2016: €1.3 million).

Total financial liabilities went up by €8.3 million to €19.0 million, the main components of this change being scheduled repayments of bank loans totalling €2.5 million against new loans taken out amounting to €10.0 million.

Cash flow

Cash flow grew by €3.0 million to €15.4 million during the reporting period. This increase was largely attributable to the substantial year-on-year improvement in the net profit reported for the period.

The total net cash generated by operating activities in the six months to 30 June 2017 amounted to €5.3 million (H1 2016: €5.6 million). The cash used for working capital rose by €3.3 million to €10.1 million (H1 2016: €6.8 million).

The net cash outflow of €15.2 million for investing activities (H1 2016: €6.7 million) primarily consisted of €9.9 million for the acquisitions of Maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH and capital expenditure of €3.7 million on non-current intangible assets (H1 2016: €2.9 million).

The net cash of €7.6 million provided by financing activities (H1 2016: net cash used of €4.3 million) related to new borrowing of €10.0 million (H1 2016: €0.0 million) and scheduled loan repayments of €2.5 million (H1 2016: €2.3 million).

Cash and cash equivalents as at 30 June 2017 totalled €20.1 million, which was €2.3 million lower than at the beginning of the year.

Capital expenditure

Most of the capital investment was spent on the acquisitions of Maklersoftware.com GmbH (insurance software), INNOSYSTEMS GmbH (insurance software) and INNOFINANCE GmbH (financial services for insurers) and the refinement of the EUROPACE financial marketplaces. There was also capital expenditure on the insurance platform and new advisory systems for consumers and distributors.

Employees

The number of employees in the Hypoport Group rose by 10.0 per cent compared with the end of 2016 to 877 people (31 December 2016: 797 employees). The average number of people employed in the first half of 2017 was 864 (H1 2016: 641 people).

Hypoport's shares

Hypoport shares started the new year at €77.48 on 2 January 2017, which was also their lowest closing price in the first half of 2017. The share price rose to around €90 in mid-January then remained within a narrow range of between €80 and €90 until mid-April. Supported by the Company's reports of good transaction volumes on EUROPACE and good revenue and earnings for the whole of the Hypoport Group in the first quarter, the shares climbed rapidly between mid-April and early June 2017 reaching a high of €132.90 on 2 June 2017. Following this sharp increase, the share price then fell as a result of profit-taking and closed at €113.50 on 30 June 2017. The rise in the price of Hypoport's shares over the first half of the year was thus more than 46 per cent against a backdrop of mildly positive capital market conditions (DAX up by 6 per cent; SDAX up by 13 per cent).

With market capitalisation advancing to €703.1 million, the shares are still positioned in the bottom half of the SDAX. At 21,989 shares, the average trading volume remained high in the first half of the year and was one of the largest in the SDAX.

There were two notifiable changes to the shareholder structure in the first half of 2017. At the start of April 2017, Postbank informed us that its voting share in Hypoport AG had fallen from the previous 4.99 per cent to 2.93 per cent. In May 2017, KBC Asset Management notified us that it now held a 3.06 per cent stake in Hypoport AG as a result of acquiring shares.

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

Outlook

Our forecast for the macroeconomic environment has not changed significantly since we presented it in Hypoport AG's 2016 annual report (pages 45 to 47).

In terms of the conditions in our market, the Joint Economic Forecast of the leading economic research institutes predicts GDP growth for the eurozone of 1.8 per cent this year and 1.7 per cent next year. They forecast that Germany's economy will grow by 1.8 per cent in both 2017 and 2018. Fluctuating sharply, the rate of inflation in the eurozone was an average of 1.6 per cent in the first six months of 2017. This volatility was primarily caused by energy prices, while core inflation held steady for the most part. The relatively low level of core inflation and the moderate growth in real wages are the reasons that the European Central Bank (ECB) continues to put forward for not raising the key interest rate from the current 0.0 per cent, for maintaining the bond buying programme and for keeping the negative interest rate of minus 0.4 per cent for deposits. We do not expect any changes in this regard in the short term although, in the medium term, we anticipate that the volume of bond buying will be gradually reduced.

The best interest rate for a fixed-interest period of ten years hovered around 1.1 per cent in the first six months of 2017, thus persisting at a historically very low level. In the medium term, we anticipate a marginal rise in mortgage interest rates.

The sustained period of low interest rates is putting pressure not only on banks but also on insurances companies, whose own investing activities are subject to relatively strict rules. Moreover, the new statutory requirements are increasing the administrative effort for insurance brokers, which means they are now more interested in lowering their costs. The products and services offered by Hypoport through its new Insurance Platform business unit for digitalising sales and portfolio processes in the insurance sector are therefore continuing to gain significantly in importance.

We still expect the Hypoport Group's revenue and earnings growth for 2017 as a whole to be just into double figures. This forecast is based on our assumption that the German economy will perform reasonably well and there will be no significant turbulence in the mortgage finance market.

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.

Interim consolidated financial statements

Consolidated income statement for the period 1 January to 30 June 2017

	H1 2017 €'000	H1 2016 €'000	Q2 2017 €'000	Q2 2016 €'000
Revenue	95,262	73,688	47,578	38,015
Selling expenses	-44,637	-35,387	-22,599	-18,359
Gross profit	**50,625**	**38,301**	**24,979**	**19,656**
Own work capitalised	3,303	2,480	1,656	1,293
Other operating income	2,162	1,616	1,425	550
Personnel expenses	-27,965	-20,428	-14,048	-10,336
Other operating expenses	-11,536	-8,575	-5,992	-4,319
Income from companies accounted for using the equity method	121	82	85	29
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**16,710**	**13,476**	**8,105**	**6,873**
Depreciation, amortisation expense and impairment losses	-3,353	-2,349	-1,742	-1,174
Earnings before interest and tax (EBIT)	**13,357**	**11,127**	**6,363**	**5,699**
Financial income	298	26	278	5
Finance costs	-215	-169	-114	-79
Earnings before tax (EBT)	**13,440**	**10,984**	**6,527**	**5,625**
Income taxes and deferred taxes	-2,816	-2,303	-1,334	-1,200
Net profit for the year	**10,624**	**8,681**	**5,193**	**4,425**
attributable to non-controlling interest	26	3	26	-1
attributable to Hypoport AG shareholders	**10,598**	**8,678**	**5,167**	**4,426**
Earnings per share (€)	**1.78**	**1.44**	**0.87**	**0.74**

Consolidated statement of comprehensive income for the period 1 January to 30 June 2017

	H1 2017 €'000	H1 2016 €'000	Q2 20176 €'000	Q2 2016 €'000
Net profit for the year	**10,624**	**8,681**	**5,193**	**4,425**
Total income and expenses recognized in equity*)	0	0	0	0
Total comprehensive income	**10,624**	**8,681**	**5,193**	**4,425**
attributable to non-controlling interest	26	3	26	-1
attributable to Hypoport AG shareholders	**10,598**	**8,678**	**5,167**	**4,426**

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

Consolidated balance sheet as at 30 June 2017

Assets	30 June 2017 €'000	31 Dec 2016 €'000
Non-current assets		
Intangible assets	52,871	41,660
Property, plant and equipment	4,271	2,631
Investments accounted for using the equity method	717	576
Financial assets	1,424	1,089
Trade receivables	8,149	6,475
Other assets	1,856	1,850
Deferred tax assets	949	587
	70,237	**54,868**
Current assets		
Trade receivables	34,550	31,686
Other current items	3,750	3,031
Income tax assets	102	102
Cash and cash equivalents	20,129	22,411
	58,531	57,230
	128,768	**112,098**
Equity and Liabilities		
Equity		
Subscribed capital	6,195	6,195
Treasury shares	-251	-253
Reserves	68,675	57,888
	74,619	**63,830**
Non-controlling interest	329	303
	74,948	**64,133**
Non-current liabilities		
Financial liabilities	14,423	6,270
Provisions	87	87
Other liabilities	10	10
Deferred tax liabilities	6,971	4,784
	21,491	**11,151**
Current liabilities		
Provisions	74	154
Financial liabilities	4,608	4,441
Trade payables	15,315	18,776
Current income tax liabilities	2,588	1,731
Other liabilities	9,744	11,712
	32,329	36,814
	128,768	**112,098**

Abridged consolidated statement of changes in equity for the six months ended 30 June 2017

2016 €'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 2016	6,039	2,345	44,007	52,391	270	52,661
Dissemination of own shares	3	144	33	180	0	180
Purchase of own shares	-32	0	-1,949	-1,981	0	-1,981
Total comprehen-sive income	0	0	8,678	8,678	3	8,681
Balance as at 30 June 2016	**6,010**	**2,489**	**50,769**	**59,268**	**273**	**59,541**

2017 €'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 2017	5,942	2,605	55,283	63,830	303	64,133
Dissemination of own shares	2	168	21	191	0	191
Purchase of own shares	0	0	0	0	0	0
Total comprehen-sive income	0	0	10,598	10,598	26	10,624
Balance as at 30 June 2017	**5,944**	**2,773**	**65,902**	**74,619**	**329**	**74,948**

Consolidated cash flow statement for the period 1 January 2017 to 30 June 2017

	H1 2017 €'000	H1 2016 €'000
Earnings before interest and tax (EBIT)	13,357	11,127
Non-cash income / expense	489	-371
Interest received	298	26
Interest paid	-215	-169
Income taxes paid	-1,514	-803
Current tax	-743	-475
Change in deferred taxes	559	816
Income from companies accounted for using the equity method	-121	-82
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	3,353	2,349
Losses on the disposal of non-current assets	-48	-1
Cashflow	**15,415**	**12,417**
Increase / decrease in current provisions	-80	-11
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-3,785	-28
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	-6,219	-6,734
Change in working capital	**-10,084**	**-6,773**
Cash flows from operating activities	**5,331**	**5,644**
Payments to acquire property, plant and equipment / intangible assets	-4,896	-3,290
Cash outflows for acquisitions less acquired cash	-9,940	-3,406
Proceeds from the disposal of financial assets	2	5
Purchase of financial assets	-329	0
Cash flows from investing activities	**-15,163**	**-6,691**
Purchase of own shares	0	-1,981
Proceeds from the drawdown of loans under finance facilities	10,000	0
Redemption of loans	-2,450	-2,300
Cash flows from financing activities	**7,550**	**-4,281**
Net change in cash and cash equivalents	-2,282	-5,328
Cash and cash equivalents at the beginning of the period	22,411	24,757
Cash and cash equivalents at the end of the period	**20,129**	**19,429**

Abridged segment reporting for the period 1 January to 30 June 2017

€'000	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Reconci-liation	Group
Segment revenue in respect of third parties						
H1 2017	37,448	39,780	10,791	6,918	325	95,262
H1 2016*	31,382	33,094	7,899	1,207	106	73,688
Q2 2017	19,132	19,413	5,509	3,259	265	47,578
Q2 2016*	16,952	16,649	3,730	639	45	38,015
Segment revenue in respect of other segments						
H1 2017	334	95	7	305	-741	0
H1 2016*	375	105	18	0	-498	0
Q2 2017	151	36	2	157	-346	0
Q2 2016*	201	52	18	0	-271	0
Total segment revenue						
H1 2017	37,782	39,875	10,798	7,223	-416	95,262
H1 2016*	31,757	33,199	7,917	1,207	-392	73,688
Q2 2017	19,283	19,449	5,511	3,416	-81	47,578
Q2 2016*	17,153	16,701	3,748	639	-226	38,015
Gross profit						
H1 2017	19,306	15,471	10,687	4,867	294	50,625
H1 2016*	16,732	13,263	7,884	422	0	38,301
Q2 2017	9,309	7,559	5,473	2,392	246	24,979
Q2 2016*	8,930	6,716	3,739	340	-69	19,656
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)						
H1 2017	9,191	6,486	3,843	278	-3,088	16,710
H1 2016*	7,937	5,178	2,497	78	-2,214	13,476
Q2 2017	4,722	2,950	1,942	125	-1,634	8,105
Q2 2016*	4,247	2,565	959	119	-1,017	6,873
Segment earnings before interest and tax (EBIT)						
H1 2017	7,799	6,009	3,519	-302	-3,668	13,357
H1 2016*	6,923	4,746	2,205	44	-2,791	11,127
Q2 2017	3,986	2,715	1,775	-173	-1,940	6,363
Q2 2016*	3,726	2,347	811	101	-1,286	5,699
Segment assets						
as at 30 Jun 2017	47,850	22,972	29,903	24,354	3,689	128,768
as at 31 Dec 2016*	49,203	25,530	23,590	10,526	3,249	112,098

* The comparative prior-year tax figures have been adjusted and are explained in section 4 of the notes to the interim consolidated financial statements "Comparative figures for 2016"

Notes to the interim consolidated financial statements

Information about the Company

The Hypoport Group is a technology-based financial service provider. It is made up of subsidiaries that are grouped into four business units: Credit Platform, Private Clients, Institutional Clients and Insurance Platform. All four units are engaged in the distribution of financial services, facilitated or supported by technology (fintech).

Operating through its subsidiaries Dr. Klein Privatkunden AG and Vergleich.de Gesellschaft für Verbraucherinformation mbH (referred to jointly below as 'Dr. Klein'), the Hypoport Group offers private clients internet-based banking and financial products (providing advice, if requested, either by telephone or face to face) ranging from current accounts and insurance to mortgage finance.

DR. KLEIN Firmenkunden AG has been a major financial service partner to housing companies, local authorities and commercial property investors since 1954. The Institutional Clients business unit provides its institutional customers in Germany with a fully integrated service comprising expert advice and customised solutions in the areas of financial management, portfolio management, and insurance for business customers. Hypoport B.V., the Group's subsidiary in the Netherlands, helps its customers to analyse and report on securitised or collateralised loan portfolios.

The Hypoport Group uses its EUROPACE B2B financial marketplace – the largest transaction platform – to sell financial products through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, credit insurance). A fully integrated system links a large number of banks and insurers with several thousand financial advisors, thereby enabling products to be sold swiftly and directly.

The Hypoport Group operates an insurance platform through its subsidiary Smart InsurTech GmbH (formerly Hypoport InsurTech GmbH). The platform's integrated solution enables the efficient administration of insurance portfolios while comprehensive price comparison tools provide optimum support for advisory services.

The parent company is Hypoport AG, which is headquartered in Berlin, Germany. Hypoport AG is entered in the commercial register of the Berlin-Charlottenburg local court under HRB 74559. The Company's business address is Klosterstrasse 71, 10179 Berlin, Germany.

Basis of presentation

The condensed interim consolidated financial statements of Hypoport AG for the six months ended 30 June 2017 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 2016. These condensed interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 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 2016. 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 business units 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 essentially the same as those used in 2016.

Comparative figures for H1 and Q2 2016

The Hypoport Group restructured its segment reporting with effect from 1 January 2017. Following this restructuring, the Group now has four (previously three) target-group-oriented business units.

The Insurance Platform business unit is new and was created as a result of the acquisitions of Maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH in the first quarter of 2017 and the foundation of Hypoport InsurTech GmbH (now Smart InsurTech GmbH) and the acquisition of NKK Programm Service AG last year. The new Insurance Platform business unit brings together all of the Hypoport Group's activities relating to insurance technology. It includes firms whose technology provides solutions for certain aspects of the insurance platform or that, as providers of processing services, promote business on the insurance platform.

As part of the restructuring, the Financial Service Providers business unit was also renamed 'Credit Platform' in order to distinguish it more clearly from the Insurance Platform business unit.

The Private Clients business unit now brings together all business models aimed at end customers.

The Institutional Clients business unit continues to provide financial support for institutional clients.

Administrative expenses in respect of management, administration, accounting and human resources are still reported under the heading 'Reconciliation', which also includes any consolidation effects.

The comparative segment reporting figures for the first half and second quarter of 2016 have been restated as follows as a result of the restructuring:

Abridged segment reporting for the period 1 January to 30 June 2016

€'000	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Reconci-liation	Group
Segment revenue in respect of third parties						
H1 2016 adjusted	31,382	33,094	7,899	1,207	106	73,688
H1 2016 as reported	23,552	42,131	7,899	0	106	73,688
Change	7,830	-9,037	0	1,207	0	0
Q2 2016 adjusted	16,952	16,649	3,730	639	45	38,015
Q2 2016 as reported	12,958	21,282	3,730	0	45	38,015
Change	3,994	-4,633	0	639	0	0
Segment revenue in respect of other segments						
H1 2016 adjusted	375	105	18	0	-498	0
H1 2016 as reported	464	33	18	0	-515	0
Change	-89	72	0	0	17	0
Q2 2016 adjusted	201	52	18	0	-271	0
Q2 2016 as reported	251	16	18	0	-285	0
Change	-50	36	0	0	14	0
Total segment revenue						
H1 2016 adjusted	31,757	33,199	7,917	1,207	-392	73,688
H1 2016 as reported	24,016	42,164	7,917	0	-409	73,688
Change	7,741	-8,965	0	1,207	17	0
Q2 2016 adjusted	17,153	16,701	3,748	639	-226	38,015
Q2 2016 as reported	13,209	21,298	3,748	0	-240	38,015
Change	3,944	-4,597	0	639	14	0
Gross profit						
H1 2016 adjusted	16,732	13,263	7,884	422	0	38,301
H1 2016 as reported	15,298	15,119	7,884	0	0	38,301
Change	1,434	-1,856	0	422	0	0
Q2 2016 adjusted	8,930	6,716	3,739	340	-69	19,656
Q2 2016 as reported	8,126	7,851	3,739	0	-60	19,656
Change	804	-1,135	0	340	-9	0
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)						
H1 2016 adjusted	7,937	5,178	2,497	78	-2,214	13,476
H1 2016 as reported	6,709	5,482	2,497	0	-1,212	13,476
Change	1,228	-304	0	78	-1,002	0
Q2 2016 adjusted	4,247	2,565	959	119	-1,017	6,873
Q2 2016 as reported	3,763	2,715	959	0	-564	6,873
Change	484	-150	0	119	-453	0

€'000	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Reconci-liation	Group
Segment earnings before interest and tax (EBIT)						
H1 2016 adjusted	6,923	4,746	2,205	44	-2,791	11,127
H1 2016 as reported	5,714	5,007	2,205	0	-1,799	11,127
Change	1,209	-261	0	44	-992	0
Q2 2016 adjusted	3,726	2,347	811	101	-1,286	5,699
Q2 2016 as reported	3,248	2,475	811	0	-835	5,699
Change	478	-128	0	101	-451	0
Segment assets						
as at 30 Jun 2016 adjusted	41,523	21,613	23,222	9,468	3,480	99,306
as at 30 Jun 2016 as reported	47,411	25,193	23,222	0	3,480	99,306
Change	-5,888	-3,580	0	9,468	0	0
as at 31 Dec 2016 adjusted	49,203	25,530	23,590	10,526	3,249	112,098
as at 31 Dec 2016 as reported	56,146	29,113	23,590	0	3,249	112,098
Change	-6,943	-3,583	0	10,526	0	0

This restructuring has not affected either the net profit for the period or the earnings per share reported by the Hypoport Group.

Basis of consolidation

The consolidation as at 30 June 2017 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 %
Dr. Klein Privatkunden AG, Lübeck (formerly Dr. Klein & Co. AG, Lübeck)	100.00
Dr. Klein Finance S.L.U., Santa Ponca (Mallorca)	100.00
DR. KLEIN Firmenkunden AG, Lübeck	100.00
Europace AG, Berlin	100.00
GENOPACE GmbH, Berlin	50.025
Hypoport B.V., Amsterdam	100.00
Hypoport Invest GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Irland)	100.00
Hypoport Systems GmbH, Berlin	100.00
Hypservice GmbH, Berlin	100.00
INNOFINANCE GmbH, Wörthsee	100.00
INNOSYSTEMS GmbH, Wörthsee	100.00
Maklersoftware.com GmbH, Winzer	100.00
NKK Programm Service AG, Regensburg	100.00
Qualitypool GmbH, Lübeck	100.00
Smart InsurTech GmbH, Berlin (formerly Hypoport InsurTech GmbH, Berlin)	100.00
Starpool Finanz GmbH, Berlin	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00

Joint ventures	
Expertise Management & Holding GmbH, Berlin	50.00
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH, Berlin	50.00
LBL Data Services B.V., Amsterdam	50.00

Associated company	
IMMO CHECK Gesellschaft für Informationsservice mbH, Bochum	33.33

With the exception of Expertise Management & Holding GmbH, FINMAS GmbH, Hypoport on-geo GmbH, LBL Data Services B.V. and IMMO Check Gesellschaft für Informationsservice mbH (which are accounted for under the equity method owing to lack of control), all of the major Hypoport Group companies are fully consolidated.

Changes to the basis of consolidation; acquisitions

The Hypoport Group carried out the following acquisitions in the first six months of 2017.

All of the shares in Maklersoftware.com GmbH (insurance software), INNOSYSTEMS GmbH (insurance software) and INNOFINANCE GmbH (financial services for insurers) were acquired on

10 January 2017. By acquiring these two software firms and the financial service provider, the Hypoport Group is significantly bolstering its competitive position in the insurtech market. In addition to the efficient administration of insurance portfolios, the Hypoport Group can now offer market participants proven advisory software and a comprehensive price comparison tool for insurance products.

The consideration transferred for the acquisition of the shares in Maklersoftware.com GmbH amounted to €4.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to software and goodwill. The acquisition was accounted for using the acquisition method. Maklersoftware.com GmbH was included in the interim consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

The fair values of the identifiable assets and liabilities were as follows as at the acquisition date:

Maklersoftware.com initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	1,996
Property, plant and equipment	1,061
Financial assets	221
Trade receivables	388
Other current items	219
Cash and cash equivalents	17
	3,902
Liabilities	
Financial liabilities	(800)
Trade payables	(114)
Other liabilities	(298)
Deferred tax liabilities	(598)
	(1,810)
Total identifiable net assets at fair value	2,092
Goodwill arising on acquisition (provisional)	1,908
Purchase consideration transferred	**4,000**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash Cashflow aus Investitionstätigkeit) flows from investing activities)	17
Cash paid	(4,000)
Net cash outflow	**3,983**

The consideration transferred for the acquisition of the shares in INNOSYSTEMS GmbH amounted to €4.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to software and goodwill. The acquisition was accounted for using the acquisition method. INNOSYSTEMS GmbH was included in the interim consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

The fair values of the identifiable assets and liabilities were as follows as at the acquisition date:

INNOSYSTEMS initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	1,492
Property, plant and equipment	42
Financial assets	28
Trade receivables	231
Other current items	0
Cash and cash equivalents	2
	1,795
Liabilities	
Financial liabilities	(0)
Trade payables	(38)
Other liabilities	(198)
Deferred tax liabilities	(446)
	(682)
Total identifiable net assets at fair value	1,113
Goodwill arising on acquisition (provisional)	2,887
Purchase consideration transferred	**4,000**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash Cashflow aus Investitionstätigkeit) flows from investing activities)	2
Cash paid	(4,000)
Net cash outflow	**3,998**

The consideration transferred for the acquisition of the shares in INNOFINANCE GmbH amounted to €2.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to insurance portfolios and goodwill. The acquisition was accounted for using the acquisition method. INNOFINANCE GmbH was included in the interim consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

The fair values of the identifiable assets and liabilities were as follows as at the acquisition date:

INNOFINANCE initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	739
Property, plant and equipment	0
Financial assets	3
Trade receivables	416
Other current items	0
Cash and cash equivalents	41
	1,199
Liabilities	
Financial liabilities	(0)
Trade payables	(52)
Other liabilities	(60)
Deferred tax liabilities	(222)
	(334)
Total identifiable net assets at fair value	865
Goodwill arising on acquisition (provisional)	1,135
Purchase consideration transferred	**2,000**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash Cashflow aus Investitionstätigkeit) flows from investing activities)	41
Cash paid	(2,000)
Net cash outflow	**1,959**

If new information comes to light within a year of the acquisition date about facts and circumstances that existed at the time of acquisition and that would have led to adjustments to the amounts above or would have led to additional provisions being recognised, the accounting treatment of the acquisitions will be restated.

Since the time of acquisition, Maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH have contributed a total of €3.4 million to revenue and €0.2 million to net profit for the year.

The goodwill recognised is primarily the result of expected synergies, revenue growth, future market developments and the skills and expertise of the acquired entities' existing employees. These advantages are not recognised separately from goodwill because they do not satisfy the recognition requirements for intangible assets. The goodwill recognised is non-deductible for tax purposes.

The Group incurred total costs of €108 thousand for legal advice and due diligence in connection with the acquisitions. These costs are shown under administrative expenses in the income statement and under cash flows from operating activities in the cash flow statement.

Dr. Klein Privatkunden AG founded Dr. Klein Finance S.L.U., Santa Ponça, Mallorca, on 23 March 2017. The object of this entity is loan brokerage, investment brokerage, documentation and brokerage activities in connection with purchase agreements and leases for properties of all kinds, brokerage of insurance agreements, management consultancy and business consultancy. This business was allocated to the Private Clients business unit.

On 24 April 2017, DR. KLEIN Firmenkunden AG and Ritterwald Unternehmensberatung GmbH, Berlin, founded Expertise Management & Holding GmbH, Berlin. This company's subscribed capital amounts to €40,000.00 and is fully paid-up. DR. KLEIN Firmenkunden AG's initial capital contribution was €20,000.00. The object of the company is the establishment, acquisition, sale, holding and administration of companies and long-term equity investments. The Hypoport Group's aim in founding the company is to be able to offer loan brokerage and consulting services to the European housing sector. Expertise Management & Holding GmbH is accounted for under the equity method. Its activities were allocated to the Institutional Clients business unit.

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 2017	H1 2016	Q2 2017	Q2 2016
Income taxes and deferred taxes	2,816	2,303	1,334	1,200
current income taxes	2,257	1,278	1,661	751
deferred taxes	559	1,025	-327	449
in respect of timing differences	855	465	-218	154
in respect of tax loss carryforwards	-296	560	-109	295

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 2017, there were no share options that would have a dilutive effect on earnings per share.

Earnings Per Share	H1 2017	H1 2016	Q2 2017	Q2 2016
Net incomefor the year (€'000)	10,624	8,681	5,193	4,425
of which attributable to Hypoport AG stockholders	10,598	8,678	5,167	4,426
Basic weighted number of outstanding shares (€'000)	5,943	6,024	5,944	6,012
Earnings per share (€)	**1.78**	**1.44**	**0.87**	**0.74**

As a result of the release of treasury shares, the number of shares in issue rose by 2,123, from 5,941,843 as at 31 December 2016 to 5,943,966 as at 30 June 2017.

Intangible assets and property, plant and equipment

Intangible assets primarily comprised development costs of €22.3 million for the financial marketplaces (31 December 2016: €21.1 million) and goodwill of €24.5 million (31 December 2016: €18.6 million). The increase in goodwill resulted from the first-time consolidation of Maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH.

Property, plant and equipment consisted solely of office furniture and equipment amounting to €4.3 million (31 December 2016: €2.6 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 Expertise Management & Holding GmbH, Berlin (Hypoport's interest: 50 per cent), FINMAS GmbH, Berlin (Hypoport's interest: 50 per cent), Hypoport on-geo GmbH, Berlin (Hypoport's interest: 50 per cent) and LBL Data Services B.V., Amsterdam (Hypoport's interest: 50 per cent) as well as of the associate IMMO Check Gesellschaft für Informationsservice mbH, Bochum (Hypoport's interest: 33.33 per cent). In the first half of 2017, the profit from equity-accounted long-term equity investments amounted to €121 thousand (H1 2016: €82 thousand).

Subscribed capital

The Company's subscribed capital as at 30 June 2017 was unchanged at €6,194,958.00 (31 December 2016: €6,194,958.00) and was divided into 6,194,958 (31 December 2016: 6,194,958) fully paid-up registered no-par-value shares.

The Annual Shareholders' Meeting held on 5 May 2017 voted to carry forward Hypoport AG's distributable profit of €52,576,396.46 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. 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 250,992 treasury shares as at 30 June 2017 (equivalent to €250,992.00, or 4.1 per cent, of the subscribed capital of Hypoport AG), which are intended to be issued to employees or used as consideration for the acquisition of new subsidiaries. The change in the balance of treasury shares and the main data relating to transactions in 2017 are shown in the following table:

Change in the balance of treasury shares in 2017	Number of shares	Proportion of subscribed capital (%)	Cost of purchase (€)	Sale price (€)	Gain or loss on sale (€)
Opening balance as at 1 January 2017	**253,115**	**4.086**	**6,468,713.35**		
Dissemination in January 2017	15	0.000	163.50	1,173.44	1,009.94
Dissemination in February 2017	24	0.000	261.60	2,030.40	1,768.80
Dissemination in March 2017	108	0.002	1,177.20	9,523.65	8,346.45
Dissemination in April 2017	1,895	0.031	20,114.90	169,792.00	149,677.10
Dissemination in May 2017	81	0.001	850.50	8,351.10	7,500.60
Balance as at 30 June 2017	**250,992**	**4.052**	**6,446,145.65**		

The release of treasury shares was part of an employee share ownership programme and was recognised directly in equity and offset against retained earnings.

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) and income from the issuance of shares to employees (€842 thousand, of which €168 thousand relates to 2017).

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 with effect from 1 January 2004 and recognised directly in equity, and a statutory reserve of €7 thousand (31 December 2016: €7 thousand) are also reported under this item.

Non-controlling interests

The net profit for the first half of 2017 attributable to non-controlling interests was €26 thousand (H1 2016: €3 thousand). Total non-controlling interests amounted to €329 thousand as at 30 June 2017 (31 December 2016: €303 thousand), of which €229 thousand (31 December 2016: €203 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (non-controlling interest of 49.975 per cent) and €100 thousand (31 December 2016: €100 thousand) to GENOPACE GmbH (non-controlling interest of 49.975 per cent).

Share-based payment

No share options were issued in the second quarter of 2017.

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 2017.

	Shares (number) 30 June 2017	Shares (number) 31 Dec 2016
Group Management Board		
Ronald Slabke	2,248,381	2,248,381
Stephan Gawarecki	142,800	142,800
Hans Peter Trampe	108,690	108,690
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	9,500	9,500
Roland Adams	0	0
Christian Schröder	14,000	14,700

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 €30 thousand in the second quarter of 2017 (Q2 2016: €17 thousand) and €58 thousand in the first half of this year (H1 2016: €41 thousand). As at 30 June 2017, receivables from joint ventures amounted to €7 thousand (31 December 2016: €73 thousand) and liabilities to such companies totalled €98 thousand (31 December 2016: €69 thousand).

Opportunities and risks

Please refer to the opportunities and risks report that forms part of the group management report in our 2016 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 2017 was characterised by a good level of construction activity. The Company expects to see an encouraging trend in the sale of insurance products to private and institutional clients during the course of the year caused, among other things, by certain industry-wide cancellation deadlines and tax issues.

Events after the reporting period

No material events have occurred since the balance sheet date.

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, 7 August 2017
Hypoport AG – The Management Board

Ronald Slabke | Stephan Gawarecki | Hans Peter Trampe

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PRIME STANDARD