Annual report 2005

interhyp

Liberté, Egalité – Kredite
A small revolution in mortgages

Key Figures

EUR m	2005	2004	+/-
Revenues	46.7	18.5	152%
Cost of services purchased	7.3	1.9	278%
Net revenues	39.4	16.6	137%
Personnel expenses	16.7	9.4	78%
thereof sales and sales-related	13.7	7.1	93%
Other operating expenses	8.8	4.3	102%
thereof marketing	2.7	1.3	108%
EBIT	12.9	1.9	
Net interest income	0.1	(0.2)	
Income taxes	(0.0)	(1.2)	
Net income	13.0	0.5	
Earnings per share in EUR (undiluted)	2.18	0.09	
Earnings per share in EUR (diluted)	2.16	0.08	
Non-current assets	6.2	1.5	
Current assets	46.8	8.8	
thereof cash and cash equivalents	33.9	2.9	
Total assets	53.1	10.3	
Shareholders' equity	42.4	2.5	
Long-term liabilities and provisions	0.8	3.8	
Short-term liabilities and provisions	9.9	4.0	
Net cash from operating activities	11.2	2.5	
Net cash from investing activities	(1.6)	(1.7)	
Net cash from financing activities	21.4	(0.1)	
Cash and cash equivalents at the end of the period	33.9	2.9	
Number of applications received	108,035	51,445	
Number of closed mortgages	18,273	8,118	
New residential mortgage volume	3,022	1,332	

Summary

Preface by the Board of Management

Dear Shareholders,

One has to be very careful when using the term "record year". However, we do believe we may use this term unreservedly when referring to Interhyp's year in 2005. The list of important milestones is long: in May 2005 we comprehensively reworked Interhyp's brand identity, thereby laying the foundation for an even more distinctive perception in marketing communications. In July we opened the first regional offices in metropolitan areas in Germany which are important to our business and in doing so, brought a new dimension to Interhyp service. In September we also relaunched the Prohyp broker brand and – at the same time – took the bold step of the first IPO following the elections in Germany, a flotation which, in the opinion of the media, was also the most successful German IPO in 2005.

These important strategic moves have also been reflected very positively in the financial key figures because, overall, they have led to the broadening of our base of customers and prospective customers; more people are aware of the Interhyp brand name and know that there is now an alternative to the local high street bank.

We are therefore delighted to be in a position to present to you, in this first annual report as a listed company, a business performance which can only be described as very good. The mortgage volume of EUR 3 bn brokered by us proves our theory that the residential mortgage broker model has the ability to change the world of residential mortgages in Germany. At the same time, a market share of around 2 per cent demonstrates the potential that is still open to us.

Yours sincerely,

Robert Haselsteiner
Co-CEO

Marcus Wolsdorf
Co-CEO

Report by the Supervisory Board

Report on Activities

During the reporting period, the Board of Management has kept us informed by means of written and verbal reports about developments in the residential mortgage market, the competitive market situation for private residential mortgage broking, the business position and development of the Company, its profitability and business planning for 2006.

With regard to important decision-making, such as the stock market flotation in September of this year, the opening of regional offices and the introduction of the Prohyp brand and Internet presence, the Supervisory Board was involved at an early stage in an advisory capacity, in close consultation with the Board of Management.

In the accounting year just completed, the Supervisory Board has held three meetings and a further five telephone conferences. All members of the Supervisory Board participated in these meetings and telephone conferences. In the Supervisory Board meetings, the reports by the Board of Management were discussed in detail and the development perspectives of the Company, and the opportunities and threats in the direct and intermediary channel business segments were intensely debated.
The Supervisory Board made resolutions whenever decisions of the Supervisory Board were required by law or the articles of association, in respect of individual transactions and arrangements made by the Board of Management, such as, in particular, the approval of the financial statements for 2004, the context of the stock market flotation, the issuing of convertible bonds and the Corporate Governance Code.

The Supervisory Board carefully and regularly supervised the management by the Board of Management and in this context accompanied, in an advisory capacity, the continued strategic development of the Company and its important individual actions.

Financial Statements and Consolidated Financial Statements

Ernst & Young AG Wirtschaftsprüfungsgesellschaft was appointed auditor for 2005 by resolution of the General Shareholders' Meeting of 29 June 2005 and subsequently instructed by the Supervisory Board. Ernst & Young AG Wirtschaftsprüfungsgesellschaft had confirmed in writing prior to the General Shareholders' Meeting its independence as an auditor under the terms of clause 7.2.1 of the German Corporate Governance Code. The subjects of audit were the financial statements and consolidated financial statements of Interhyp AG as well as the operat-ing review and consolidated management report for the 2005 financial year. In addition, the audit extended to the monitoring system to be installed by the Board of Management in accordance with § 91 Clause 2 of the German Stock Corporation Act (AktG). The auditor has checked the financial statements and consolidated financial statements of Interhyp AG, including the bookkeeping and the operating review and consolidated management report, and given its unqualified approval in each case. Furthermore, the auditor determined that the Board of Management has undertaken all compulsory actions required by § 91 Clause 2 of the German Stock Corporation Act (AktG) in a suitable manner. In particular, the Board of Management has installed an appropriate risk management system in accordance with the needs of the Company, which appears to be suitable in its conception and actual use to identify in good time developments that would threaten the continuity of the Company.

The documents for verification and the auditors' report were sent to each member of the Supervisory Board in a timely manner. The members of the Supervisory Board have verified the financial statements and consolidated financial statements as well as the management report and consolidated management report and debated these with the Board of Management at the Supervisory Board meeting of 12 March 2006. The auditors participated in this meeting of the Supervisory Board and reported on the important results of their audit.

The Supervisory Board has given its approval to the auditors' report. The results of its own audit are in complete agreement with the results of the audit report. The Supervisory Board sees no cause to raise objections against the executive management and the consolidated financial statements presented. Therefore, the consolidated financial statements and financial statements of Interhyp AG compiled by the Board of Management were approved at the meeting of the Supervisory Board on 12 March 2006. The financial statements of Interhyp AG are thereby established. The Supervisory Board agrees to the Board of Management's proposal to carry forward the balance sheet profit of Interhyp AG.

Composition of the Supervisory Board and Board of Management

At the General Shareholders' Meeting of 29 June 2005, Christian Siegele was elected as a member of the Supervisory Board to replace Dr Martin Schütte. Planned personnel changes took place subsequent to the stock market flotation. Dr Christian Nagel and Christian Siegele resigned from the Supervisory Board at the end of 2005. Peter Mark Droste and Dr Roland Folz were legally appointed members of the Supervisory Board on 9 January 2006.
There have been no personnel changes on the Board of Management.

The Supervisory Board thanks the Board of Management and all employees of Interhyp AG for their successful engagement and work performed in the 2005 financial year.

Peter Mark Droste
Chairman of the Supervisory Board
March 2006

The Interhyp Shares

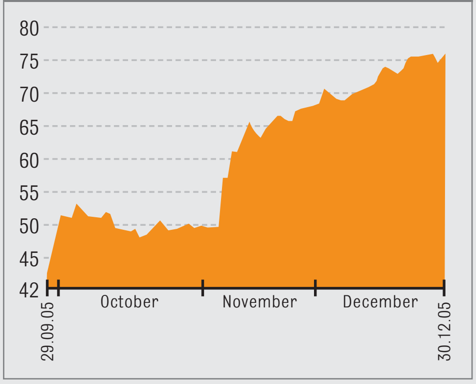
Initial Public Offering

Against the background of an attractive capital market environment and the opportunity to increase recognition by means of an IPO, Interhyp AG took the decision during the reporting period to list on the stock market. Deutsche Bank was given the mandate to execute the stock market flotation as sole bookrunner and global coordinator and Sal. Oppenheim acted as co-lead manager. ING-DiBa was the selling agent, with special focus on private investors. Within the framework of a ten-day roadshow in Frankfurt, London, Zurich, Paris, Milan, New York and Boston, in individual meetings and small group presentations, the Co-CEOs gave institutional investors an understanding of the Interhyp business model. Subscription took place in the form of accelerated bookbuilding, during which the issue was oversubscribed more than 30 times. Consequently, the issue price on 28 September 2005 was set at the top end of the price range (EUR 36 to EUR 42) at EUR 42.

The opening price on 29 September was EUR 51 and thus lay 21.4% above the issue price.

Interhyp shares have developed in a very positive manner since the issue. In particular due to the results presented for the third quarter of 2005, further gains could be recorded. This positive trend continued in subsequent trading and Interhyp shares closed at EUR 76.00 on XETRA trading at the year end, thereby achieving an increase of 81% on the issue price and 49% on

Share price performance (starting with issue price)



the opening price. On the basis of this result, Interhyp was named as IPO of the Year by the trade magazine Going Public.

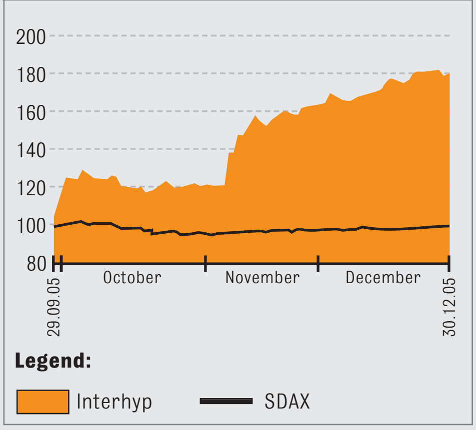
Inclusion in the SDAX Index

For decision on 3 December 2005, in respect of both market capitalisation and exchange transactions, Interhyp AG met the criteria for admission to the SDAX of Deutsche Börse AG, where the shares have been included since 19 December 2005. As at 30 December 2005, Interhyp AG was ranked 80 out of 110 in terms of market capitalisation and 54 out of 110 with regard to exchange transactions for companies ranked directly below the DAX.

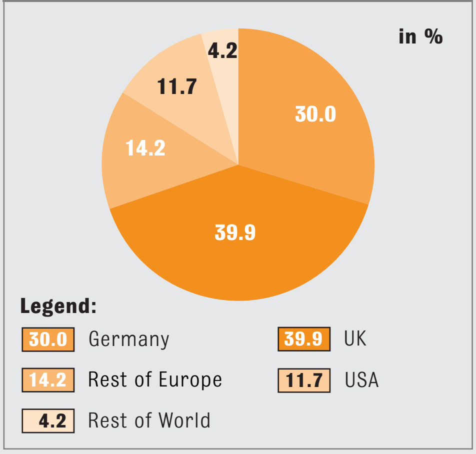
Shareholder Structure

The Interhyp flotation saw great interest not only from German private investors but also above all from German and international institutional investors, with a shareholder structure resulting from the allocation as described in the adjacent chart.

Relative share price compared to SDAX (issue price = 100)



Country allocation free float



Investor Relations Activities

In the first year of admission of Interhyp shares to the stock exchange, investor relations activities were directed towards educating national and international investors and building direct relationships with decision-makers.

After the stock market flotation, investor meetings took place on a continuous basis with this purpose in mind. In addition, a two-day roadshow was held in London and Frankfurt in connection with the third quarter 2005 report.

The annual conference of analysts took place in the context of the German Equity Forum on 21 November 2005 in Frankfurt. Interhyp presented its nine-month results to a wide public at this event.

A further central component of investor relations activities in 2005 was the launch of a comprehensive online service to provide information about Interhyp shares. At www.interhyp.de/ir, interested parties, investors and analysts can find information about, among other things, key figures, share price development, current ad-hoc news and press releases, the financial calendar and company presentations.

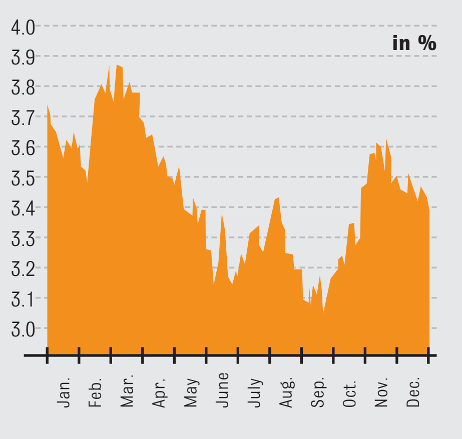
The Group Management Report

1. General Economic Conditions

1.1 Overall Economic Development

Whilst economic growth continued at a high level in the USA and Asia in 2005, the largest European national economies Germany, France and Italy were unable to shake off their weak growth. Even ongoing strong export performance could not compensate for weak domestic demand. The already weak trade cycle dynamics were dampened still further by heavily rising energy and raw material prices. By September, this dampening effect had caused the yield on long-term bonds in the Eurozone to fall to historically low levels, although during this time the US Federal Reserve had already successively increased fed rates in a sequence of small steps. In the fourth quarter, however, bond market investors had already started to rate more seriously the inflation risks associated with increasing oil prices and the high money supply growth and a correction had begun in the Eurozone bond market. In November, the ECB began once again to create certain scope for interest rate measures with an initial rise in its lending rate from 2.00% to 2.25%. For the whole of 2005, yields in capital markets in Germany as measured by the 10-year Pfandbrief yields have remained below 4.00% – the lowest interest rate level for 50 years.

10-year Pfandbrief yields 2005



2. Business and Strategy

1.2 Sector Development

After a historically weak first quarter, the residential mortgage volume increased notably during the course of the year and at EUR 172 bn almost reached the level of 2003, exceeding the low volume of EUR 155 bn in 2004 (Source: MFI interest rate statistics of Deutsche Bundesbank). The increases in the third and fourth quarters appear to have been driven not only by the historically low interest rate levels, but also by certain special effects based on the decision of the new government in November to abolish the homeowner subsidy. Despite this recent rise in demand, no price effects have as yet been observed in the property market in 2005. The high interest in German residential property on the part of international investors, who in past years have acquired sizeable assets from the state and private enterprises, has not yet been transferred to German investors.

2.1 Business Activity and Group Structure

Business Activity

Interhyp was founded in Munich in 1999 by Robert Haselsteiner and Marcus Wolsdorf. The Company is managed by the founders as Co-CEOs and, with a share of around 2.1% of total new residential mortgage lending, is Germany's leading independent broker for private residential mortgages. In addition to access to a wide variety of lenders and notably lower interest rates compared to traditional high street banks, Interhyp offers personal, high-quality advice from specialist mortgage consultants to private customers in the residential mortgage sector. The goal is to obtain the best mortgage offer most suited to the individual needs of the respective customer. Advice is based on the mortgage application which, in most cases, has been filed online by the prospective customer. Each customer has his or her own personal consultant who accompanies the entire consultancy process. eHyp, the powerful software platform developed in-house, facilitates fast, precise comparison of information with the individual lending criteria of the various mortgage partners and guarantees high efficiency and the best possible quality of advice.

This procedure also generates high efficiency for the lenders with which Interhyp cooperates, since enquiries are not presented simultaneously to a number of institutions. Cooperation with

Interhyp replaces or complements traditional, cost-intensive sales channels for residential mortgage providers.
Since Interhyp does not extend loans itself, the Company is not exposed to the interest and credit risks of the traditional lending business. Interhyp's principal source of income comes from the commissions that the Company receives from the various lenders for every mortgage successfully brokered. These commissions are not paid to Interhyp in quotas over the period of the loan; rather a single payment is made for the completion of a loan contract. In addition, Interhyp receives special bonus payments from lenders for achieving certain volume goals.

Legal Structure

In addition to Interhyp AG, three further companies belong to the Interhyp Group. All three companies are 100% subsidiaries of Interhyp AG.

The subsidiary company Prohyp GmbH enables independent financial service providers or brokers to offer their customers the full capability of a residential mortgage broker – without itself having to create the infrastructure and processes. In doing so, Prohyp combines powerful system support with comprehensive product selection, attrac-tive interest rates and the know-how of experienced residential mortgage experts. With this service, Prohyp is the leading independent mortgage platform for financial service providers in Germany. In 2005, this segment of the business accounted for 27% of the mortgage volume brokered by Interhyp.

Haselsteiner & Wolsdorf GmbH was founded in 1996 by the Co-CEOs of Interhyp, Robert Haselsteiner and Marcus Wolsdorf. The goal of the Company is to offer independent, competent and fair advice to wealthy private customers in all matters concerning finance and capital and to select the best available offers on the market. Haselsteiner & Wolsdorf GmbH was wholly acquired in 2003. Hausfinanz Beratungsgesellschaft GmbH is not currently carrying out any business activities.

Sales Channels

Interhyp has two different sales channels for its broking services:
Interhyp AG offers its broking services to prospective mortgage customers directly under the Interhyp brand name ("Direct Channel").
The subsidiary Prohyp GmbH directs itself towards local residential mortgage specialists and independent financial service providers who, with the support of Prohyp, can act as independent residential mortgage brokers ("Intermediary Channel"). To the outside world, this segment is operated independently of Interhyp under the autonomous Prohyp brand name.

Regional Offices

Regional offices were opened in inner-city locations in Frankfurt, Hamburg and Munich in July 2005. Cologne followed at the beginning of December and two further regional offices will be added in Berlin and Stuttgart during the course of the first half of 2006.

In this way, prospective customers within these metropolitan areas have the option to access personal consultancy locally, following submission of the online application, in the form of an appointment at the regional office. Additional customer groups will be addressed through this extended service. Furthermore, Interhyp is positioning itself even more visibly as a clear alternative to the traditional high street banks in these regions.

Processes

Interhyp's website (www.interhyp.de) is the linchpin of the Direct Channel. Here, the prospective customer can find a wide variety of information and calculation applications on the subjects of Building, Buying, Modernising and Refinancing and can therefore create an ideal base in the initial information gathering phase.

If the prospective customer then has a concrete mortgage requirement and wishes to call upon Interhyp's service, he or she first completes the online mortgage form with his or her personal details and submits this to Interhyp. Each

Map of regional offices

* opening April 2006.
** opening June 2006.

Process steps from customer's perspective

prospective customer is then allocated his or her personal Interhyp mortgage consultant who guides the customer through the entire mortgage process. The mortgage consultant discusses the customer's objectives, describes the remaining steps to be taken in the application procedure, including the necessary documents, and usually provides a first indication of possible interest rates.

As soon as the mortgage consultant has received and checked the documents in line with banking practice, he or she can carry out an individual feasibility analysis with the aid of the eHyp platform. The basis of this platform is lending criteria – more than 500 criteria per lender – all of which is stored in the system. eHyp alerts the mortgage consultant to factors which affect the number of available lenders or the quoted interest rate and makes suggestions to optimise the mortgage application. This makes it possible for the mortgage consultant to create an individually optimised mortgage. After generating all of the quotations, the prospective customer selects a suitable proposal for his or her residential mortgage with the aid of the mortgage consultant. The mortgage consultant then produces a final quotation, with the aid of eHyp. When the customer accepts this, the loan agreement is created. In many cases, Interhyp carries out this task on behalf of the bank. After signature of the agreement by the borrower and lender, the loan is then paid out in accordance with the borrower's requirements.

In the Intermediary Channel, Interhyp provides tailor-made versions of the eHyp software to residential mortgage brokers and independent financial service providers. Depending on their experience and level of knowledge, these Prohyp partners can now check mortgage applications and find favourable offers in real time, in a similar way to mortgage consultants in the Direct Channel. Furthermore, Prohyp mortgage consultants are on hand with their specialist knowledge to support brokers in closing residential mortgages. In this way, with no additional expenditure, brokers become fullyfledged residential mortgage brokers for their customers. The result: increased customer loyalty and new customer development with maximum efficiency. Partners in the Intermediary Channel receive a commission for each residential mortgage brokered. This commission, together with the percentage for Interhyp, is incorporated into the end user interest rate. Interhyp then pays its partners in the Intermediary Channel their share of the total commission.

Products
In 2005, Interhyp obtained 95.8% of its total sales from residential mortgage broking. A variety of fixed interest, (partly) variable interest and other special forms of mortgages are available from

different lenders in both the Direct and Intermediary Channel. You can find a summary of the types of mortgages offered on page 88.

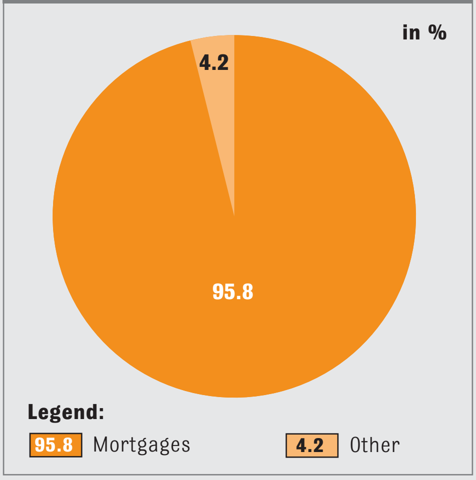
With a share of 4.2% of total sales, Interhyp offers complementary insurance products, especially loan and residential building insurance, in addition to asset management services provided through Haselsteiner & Wolsdorf GmbH.

Competitive Environment

Interhyp's main competitors are local financial institutions, building societies and national commercial banks. Since the middle of 2005, the Company has started to compete more intensively with regional banks in the areas where its regional offices are located. Further competitors are direct banks such as ING-DiBa and online mortgage brokers, for instance Dr. Klein & Co. and Planethome, as well as independent financial service providers.

A range of competitors from the banking sector have, however, recognised the added value of the independent broker business model and are exploiting their growth opportunities by cooperating with Interhyp and offering their products through us.

Revenue split 2005



2.2 Summary of Business Performance

April

FINANZtest: best score in a test of 53 residential mortgage providers. Product variety and interest rates were assessed.

May

New Interhyp brand identity presented to staff and public "Best Bank Residential Mortgage" award from the financial journal Euro, in comparison with 40 competitors.

July

Opening of the first three regional offices in Frankfurt, Hamburg and Munich.

September

Robert Haselsteiner and Marcus Wolsdorf receive the 2005 "Entrepreneur of the Year" award in the service category.
Stock market flotation of Interhyp AG, accompanied by an advertising campaign and a high level of press coverage.
New brand identity for Prohyp and revision of the eHyp platform for brokers.

October

Marketing cooperation with AOL Germany launched.

November

Prohyp Roadshow in 16 German cities, parallel advertising campaign to increase brand awareness.

December

Opening of the Cologne office.
Inclusion of Interhyp shares in the SDAX of Deutsche Börse AG.

Interhyp's business performance was characterised by a high level of dynamics, in both Direct and Intermediary Channels. In this process, growth was defined by continuous expansion of market share in the sale of residential mortgages in Germany. Market share was increased from 1.4% in the first quarter to 2.1% in the fourth quarter whilst at the same time market volume rose from EUR 36 bn in the first quarter to EUR 50 bn in the fourth quarter.

The expectation published in the third quarter of a slight increase in mortgage volume, net revenues and earnings before interest and taxes (EBIT) in the fourth quarter was met:

Thus mortgage volume reached EUR 3.0 bn compared to the minimum target of EUR 2.8 bn for the entire year. Revenues after broker commissions to third parties (net revenues) at EUR 39.4 m were above the minimum target of EUR 37 m. Profitability was also further optimised, an EBIT of EUR 12.9 m being achieved against the minimum target of EUR 12 m.

2.3 Management Control

Operating Key Figures

The following key figures are used to assess success in mortgage consultancy (Direct Channel and Intermediary Channel):

- Number of mortgage applications
- Number of mortgage packages forwarded to lending partners
- Number of successfully closed mortgages
- Achieved margin
- Mortgage volume

With the aid of these metrics, quantitative und qualitative results indicators can be derived for control purposes in all operating units. Consultant efficiency, satisfaction ratings gathered from customer feedback and other qualitative measures are incorporated at the same time.

Strategic Key Figures

Due to Interhyp's orientation towards an organic growth strategy in the core business – residential mortgage broking – market share measured against the total volume of new business in residential mortgages to private individuals in Germany represents the most important strategic key figure. Measurement takes place on the basis of information published by the Deutsche Bundesbank. The adjacent chart shows the development of our market share since 2004.

Financial Key Figures

Net revenues are the most significant indicator when considering revenues, since commissions for partners in the Intermediary Channel, which are not included in Interhyp's earnings because they are passed on to partners, are contained within (gross) revenues.
For this reason, the EBIT margin as measured against net revenues is used when considering profitability.

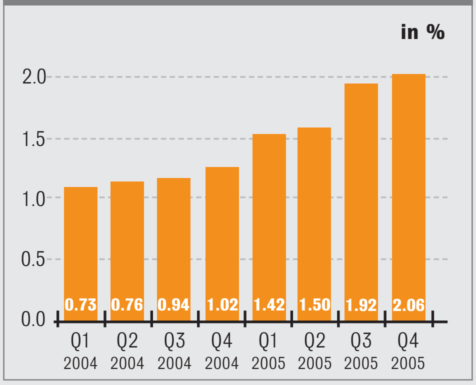
Financial Goals

With the 2005 nine-month report, Interhyp for the first time published expectations for closed mortgage volume, net revenues and earnings before interest and taxes (EBIT) for the fourth quarter of 2005. The adjacent table gives a comparison between target and performance figures for this key data.

Non-financial Goals

The business model, which is based on the provision of competent advice, and our rapid growth have increasingly brought the areas of training and qualifications to the centre of attention. For this reason, a special team today ensures that newly added consultants receive comprehensive training prior to advising customers. In addition, a continued education programme for employees and management has been put in place.

Market share in new residential mortgage business (quarterly)



Strategy in the Individual Segments

• Direct Channel

The Direct Channel is oriented towards further growth from gains in market share in the home residential mortgage market. In this process, the Interhyp brand is systematically strengthened and developed to become the synonym for the modern residential mortgage in Germany. The core business – Web-based private residential mortgage brokering – has proved to be extremely successful and offers further attractive growth potential for Interhyp.

Key figures	Target	Actual performance	Difference in %
Closed mortgage volume	> EUR 2.8 bn	EUR 3.022 bn	+7,9%
Net revenues	EUR 37 m	EUR 39.4 m	+6,5%
EBIT	EUR 12 m	EUR 12.9 m	+7,5%

In parallel with the clear increase in sales revenues, scaling of existing processes and struc-tures in the past year led to a further increase in profitability, which is demonstrated in an EBIT margin of 32.9% (compared with 11.5% in the previous year), thereby already achieving the target range of over 30% communicated by management. This is due, among other reasons, to the fact that the individual mortgage consultant is able to spend a large proportion of his or her time advising and servicing customers and does not have to undertake customer acquisition activities.

All communication activities for the purposes of customer acquisition are directed predominantly towards potential building owners and property purchasers as well as property owners who require follow-up financing.

The central principles in the Interhyp Direct Channel are customer service, continuous customer care by one mortgage specialist throughout the entire process and competent specialist advice. A central factor here is the use of our inhouse software platform with workflow management functions, support during plausibility and feasibility checks and calculation of various alternatives for the structure of the mortgage, with individual pricing in real time.

The regional office strategy does not change the underlying processes in the Direct Channel: following receipt, the mortgage application is assigned to a mortgage consultant in the corresponding region. This gives the customer the possibility of making an appointment to discuss the mortgage details with his or her consultant in the regional office.

Strategy in the Individual Segments

· Intermediary Channel

The strategic objective of the Prohyp brand is growth through the addition of further active mortgage broking partners and an increase in mortgage volumes per partner brokered through Prohyp.

In order to increase awareness of the Prohyp brand, the brand identity was thoroughly reworked in 2005 and roadshows and training seminars were held in large German cities since November 2005.

Prohyp participates in the most important specialist exhibitions for independent financial advisers. The new brand identity was accompanied by an advertising campaign in leading trade magazines.

The number of active partners (brokers who have closed at least one residential mortgage in the last twelve months using the services of Prohyp) rose to 1,325 in 2005 – an increase of 121%.

In order to intensify cooperation with existing partners, key account activities were strengthened and the Internet platform fundamentally reworked. In this area, the noticeably increased scope of functions and extensive support functions for the mortgage broker's daily work on location should contribute to the services of Prohyp being used more frequently.

Active partners in the Intermediary Channel are categorised and serviced according to brokered residential mortgage volume per year, conversion rate and personal and technical requirements, among other factors.

Strategy in the Individual Segments

- ***Haselsteiner & Wolsdorf GmbH***

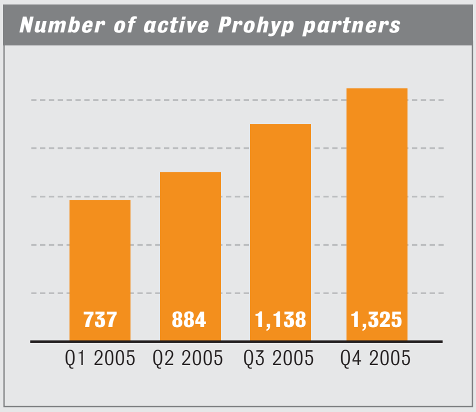
Haselsteiner & Wolsdorf GmbH is a registered asset manager under § 32 of the German Banking Act at the Federal Financial Supervisory Authority (BaFin) and services wealthy private customers. In doing so, H&W mainly employs investment funds from leading asset managers worldwide.

2.4 Organisation

Interhyp has a centralised management structure with two Co-Chief Executive Officers, each having equal rights; however, there is at the same time a clear division of areas of responsibility for individual departments.

Compensation System

The compensation system in the sales areas in both the Direct Channel and the Intermediary Channel provides a fixed basic salary as well as possible additional variable payments. In respect of the variable part of compensation payments, the mortgage consultant shares in the commission revenues achieved from the closure of mortgage deals. Activities in other areas of Interhyp are compensated by a basic salary and variable per-



formance bonus which may be awarded at year end.

Incentive Programmes

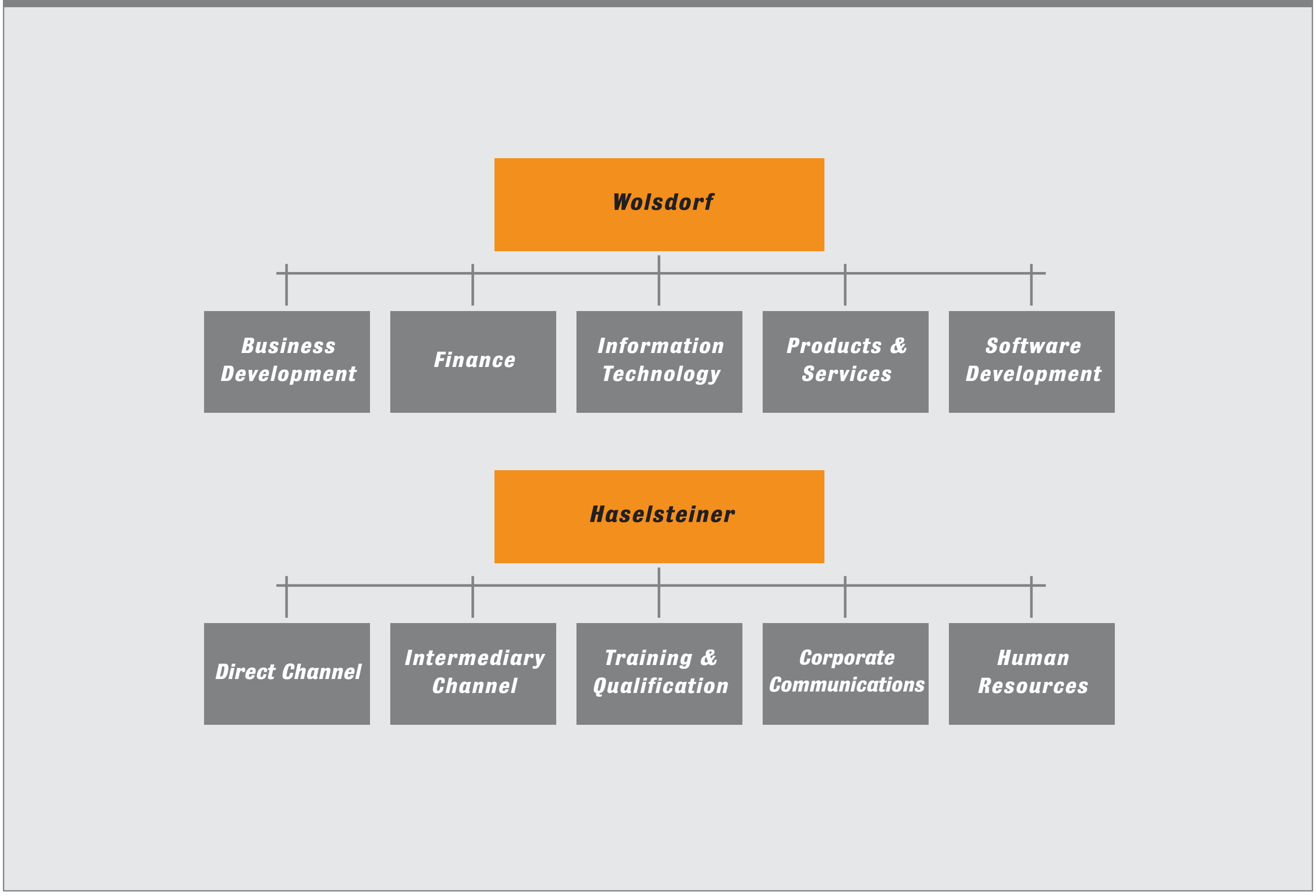
• *Employee Share Programme*

In the context of the initial public offering of Interhyp AG shares, all salaried employees were offered a preferential allocation of shares. The offer was made up of three tranches:

Shares in the first tranche were tax deductible in accordance with § 19a of the German Income Tax Law (EStG) and are subject to a lock up period until 31 March 2006.

In the second tranche, Interhyp shares could be acquired preferentially at the final issue price up to a maximum equivalent of EUR 5,000 with a taxable discount of 15% on the purchase price.

Organisational Structure Scheme



These shares were also subject to a lock up period until 31 March 2006.
Finally, in the third tranche, a limited amount of shares was allocated preferentially, without discount. A lock up period was agreed until 15 October 2005 to allow all employees to have access to their shares at the same point in time, irrespective of the processing speed of their bank.

The employee share programme was highly popular, 189 employees having taken part in one or more tranches.

Incentive Programmes

• Share Option Programme

The share option programme, which was also brought into being during the course of the stock market flotation, was offered to 47 employees (mostly members of management) in order to create an incentive for long-term commitment to the Company. Specific time limits were set for the issue of up to 172,637 share options, each giving the right to acquire one Interhyp share.

The programme runs for ten years. The time limits for exercising the share options are:

- 30 days prior to the publication date of a quarterly report or the consolidated financial statements respectively and up to four calendar days after the date of one of these publications
- From the date on which an offer for the acquisition of new shares, debentures or other securities with conversion or option rights is published until the date on which the preferential shares are quoted “ex-subscription rights”
- From the date on which the distribution of a special dividend is published until the date on which the shares with special dividend rights are quoted “ex-dividend”

Qualifying periods are agreed in the share option programme which, simply presented, end after between two and five years from the issue date, in respect of one quarter of the shares issued to a preferential shareholder.

Furthermore, exercise barriers are agreed in respect of share price development and the exercise of share options can only take place against payment of a base price, which is defined by the share price for the 20 trading days prior to the issue date. Should there be less than 20 trading days prior to the issue date then reference shall be made to the issue price. The complete wording of the share option programme resolved by the General Shareholders’ Meeting of 13 September 2005 is available for inspection as part of the notarial recording of this General Shareholders’ Meeting and at the Commercial Register in Munich.

2.5 Research and Development Activities

In the area of software development, a further increase in availability and system stability was created due to redundant system design and even greater flexibility was provided for system extensions which take place at one to two week intervals.

As a result of consistent, ongoing in-house software system development in the areas of electronic document archiving and improved tracking of website visitors, an efficient, cost-effective method was created for further streamlining the processes related to the submission of mortgage packages to lenders and for the measurability of marketing data.

Expenditure on software development in the reporting period was EUR 937 k against EUR 507 k in 2004.

Development costs for the in-house software eHyp have been activated as assets and are amortised over a period of two years. In the reporting period, the value of these development costs amounted to EUR 319 k, thereof EUR 144 k have been activated.

2.6 General Legal Conditions

The core activity of residential mortgage broking in Germany is regulated in principle by trade regulations together with other enacted provisions, in particular regulations relating to estate agents and property developers (MaBV). The Company and its subsidiary Prohyp are registered as loan and mortgage brokers. The most important legal regulations concern the disclosure of certain information to the authorities, retention of records and an annual audit by an independent auditor.

The subsidiary Haselsteiner & Wolsdorf GmbH has a permit as a financial services institution and is therefore authorised to offer investment and acquisition broking services and financial portfolio management. It is subject to general supervision by the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank in accordance with the German Banking Act and its associated regulations, guidelines and decrees.

The right to withdrawal period of two weeks in accordance with § 495 Clause 1 and § 355 of the German Civil Code (BGB) basically applies to all loan contracts offered via Interhyp and thus also affects the time at which Interhyp receives commission payments from mortgage partners.

In addition, Interhyp is subject to German Data Protection Law and has therefore nominated a data protection representative who supervises matters relating to personal data and ensures that the requirements of the law are met.

3. Company Development

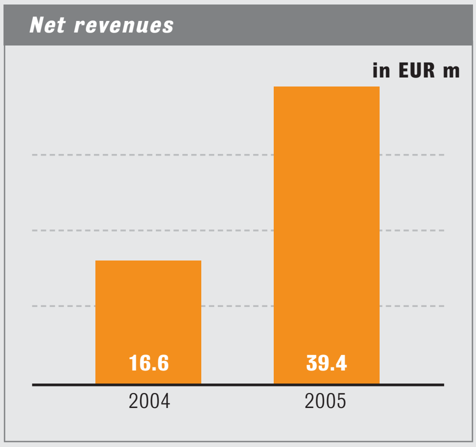
3.1 Development of Revenues

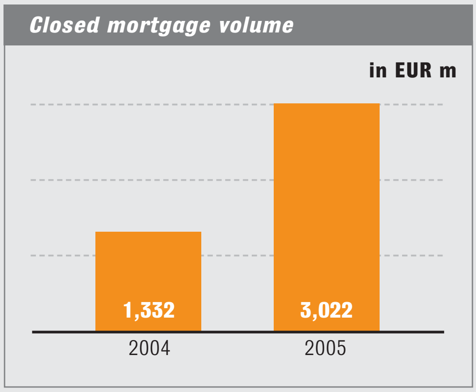
Revenues of Interhyp AG were EUR 46.7 m in 2005 and as such 152% higher than the previous year (EUR 18.5 m).

After deductions for expenditure in respect of commission payments to brokers, Interhyp AG generated net revenues of EUR 39.4 m in the past year. In doing so, this key figure grew by 137% in comparison to the previous year (EUR 16.6 m).

Distinct growth in closed mortgage volume, which increased to EUR 3.022 bn, formed the basis for revenue development. This equates to a rise of 127% in comparison to the previous year (EUR 1.332 bn). 18,273 residential mortgages were brokered in 2005 (previous year: 8,118 mortgages).

In the Intermediary Channel, the increase of 121% in the number of active partners to 1,325 (previous year: 599 active partners) was the main reason for the rise in volume.





3.2 Development of Earnings

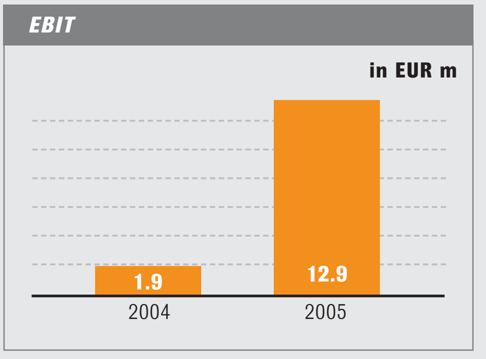
In the reporting period, Interhyp achieved a net revenue margin of 1.25% in relation to closed mortgage volume. In doing so, it was possible to maintain this indicator at the high level of the first half of 2005, even given continuing accelerated volume growth. In comparison to the previous year (1.16%), there was even a rise of 0.09 percentage points, due to the increasing importance of volume rebates from individual mortgage partners.

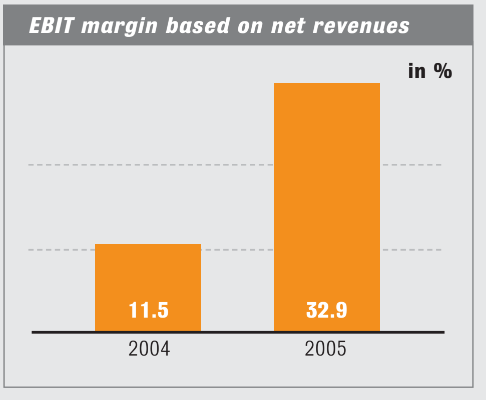
Earnings before interest and taxes (EBIT) grew more than sixfold in comparison to 2004 (EUR 1.9 m) to EUR 12.9 m.

The EBIT margin based on net revenues was 32.9% in the reporting period and therefore once again exceeds the level for the first half of 2005 (28.1%). The EBIT margin in 2004 was 11.5%. This shows the scale effects on the cost side due to increasing Company growth. In the process, the EBIT margin already reached the communicated target region of over 30% in 2005.

With regard to the after tax result, there was a special effect in the reporting period which basically resulted from using the existing loss carry forward from previous years. This tax claim was not entered in the balance sheet in 2004 for precautionary reasons, because the availability of the loss carry forward was linked to the placement ratio in the stock market flotation at below 50%. Since the placement ratio in the stock market flotation was 38%, it was possible to claim loss carry forward amounting to EUR 2.5 m in the third quarter, with an effect on the after-tax result.

Due to the positive development of EBIT, supplemented by the tax effect, the result is a net income of EUR 13.0 m for the period (2004: EUR 0.5 m). Based on the weighted average number of outstanding shares of 5,944,225 undiluted, earnings per share of EUR 2.18 were achieved.





Profit Distribution Proposal

The achieved profit in the reporting period of EUR 13.0 m and the loss carry forward from 2004 (EUR 9.6 m) give rise to a balance sheet profit for the year of EUR 3.3 m. The Board of Management and Supervisory Board will propose to the Annual General Meeting on 30 May 2006 to carry the balance sheet profit forward.

Accounting Policy

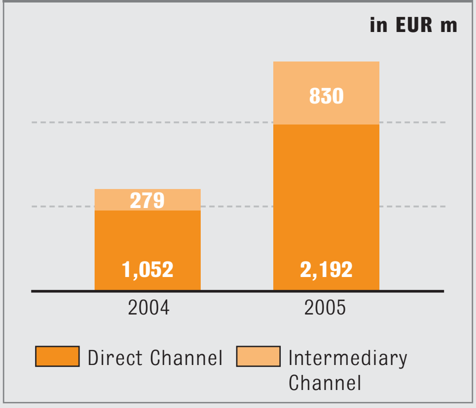
The consolidated balance sheet is composed in accordance with the International Financial Reporting Standards that have been initiated by the International Accounting Standards Board (IASB).

3.3 Development of Segments

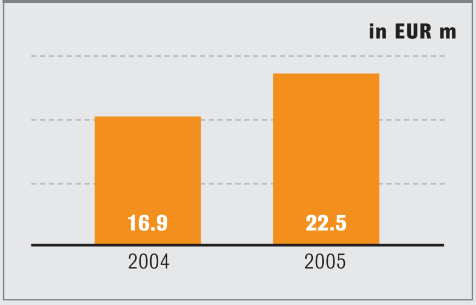
A mortgage volume of EUR 2.192 bn (2004: EUR 1.052 bn) was brokered in the Direct Channel under the Interhyp brand in the past financial year. This compares with a volume of EUR 830 m (2004: EUR 279 m) in the Intermediary Channel under the Prohyp brand. In relation to net revenues achieved, in the past financial year 77.5% of the business (2004: 83.1%) fell to the Direct Channel; the share of the Intermediary Channel rose correspondingly from 16.9% to 22.5%. This increase reflects the potential for Prohyp's services in the broker market.

If we examine the most important operational indicators for the Direct Channel, the result is a picture of clearly increased productivity per head. Not only has the successfully brokered mortgage

Mortgage volume of segments



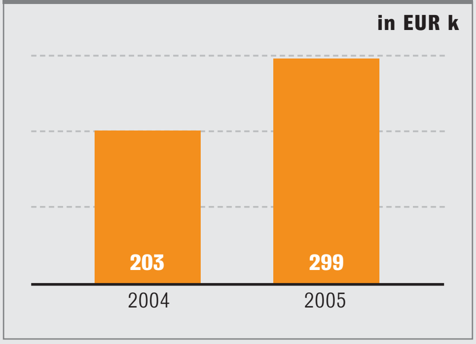
Closed mortgage volume per consultant Direct Channel



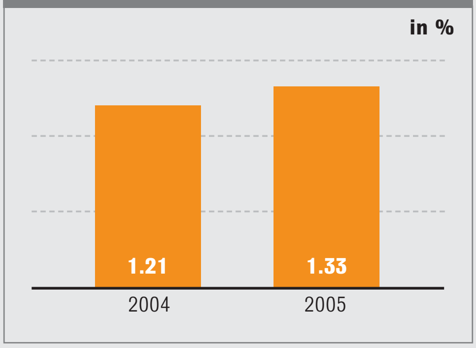
volume per mortgage consultant in the Direct Channel increased by 34% to EUR 22.5 m against the previous year's value of EUR 16.9 m, but net revenues also increased by 47% from EUR 203 k to EUR 299 k compared with the previous year. Against the background of this noticeable increase in productivity, a clearly increased net revenue margin of 1.33% (previous year: 1.21%) in the Direct Channel is very pleasing.
Productivity also increased noticeably in the Intermediary Channel: closed mortgage volume was increased by 35% from EUR 23.4 m to EUR 31.7 m per consultant. Net revenues per mortgage consultant have seen a clear increase of 44% from EUR 233 k in 2004 to EUR 335 k in the reporting period.
In the area of asset management under the Haselsteiner & Wolsdorf brand name, managed assets increased by 43% in 2005, from EUR 58 m to EUR 83 m.

Net revenues of EUR 1.1 m (2004: EUR 0.9 m) were achieved from 341 management mandates (previous year: 305 mandates). The contribution of Haselsteiner & Wolsdorf to total net revenues corresponds to 2.9% (2004: 5.5%). In terms of Group results, this business segment made a positive contribution to EBIT of EUR 196 k (previous year: EUR 47 k).

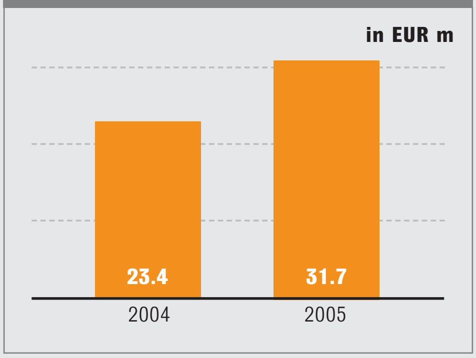
Net revenues per consultant Direct Channel



Net revenue margin Direct Channel



Closed mortgage volume per consultant Intermediary Channel



4. Financial and Assets Position

4.1 Balance Sheet

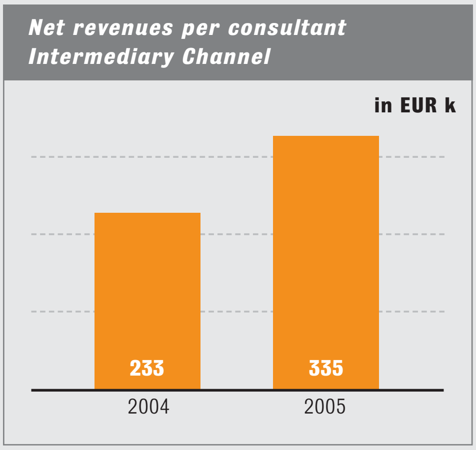
The balance sheet of Interhyp AG in 2005 was shaped strongly by the stock market flotation. As a result of this and rapidly growing business activities, the balance sheet total increased from EUR 10.3 m at the end of 2004 to the present EUR 53.1 m.

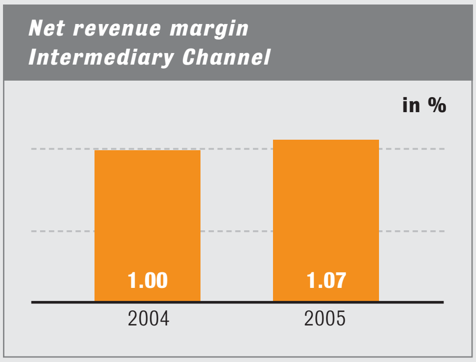
The stock market flotation and the operational cash flows generated thereby led to a highly increased stock of liquid assets (EUR 33.9 m against EUR 2.9 m in 2004). Latent tax claims in the amount of EUR 3.5 m are explained in more detail in Section III of the explanations to the consolidated financial statements.

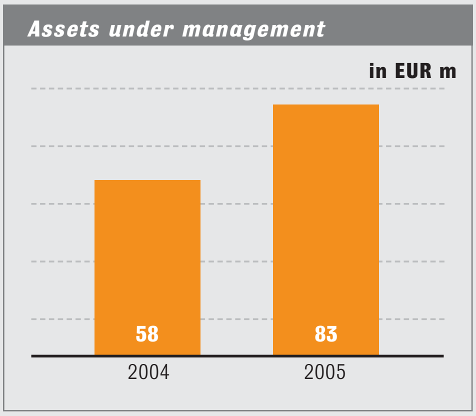
Subscribed capital of Interhyp AG amounted to EUR 6,498,350.00 as of 31 December 2005 (previous year: EUR 114,975.00) in the form of 6,498,350 listed registered no-par shares each with a compoted share of EUR 1.00 in the registered capital.

The increase in receivables from commissions (EUR 11.9 m against EUR 4.8 m in 2004) is the result of strongly increased revenues, the receivables being due from banks, insurance companies and building societies with a high degree of creditworthiness.

The decrease of long-term debt of EUR 3.2 m consists mainly of the repayment of a shareholder loan in the amount of EUR 2.9 m in favour of Earlybird Venture Capital GmbH & Co. KG. Due to







the increased sales activity in 2005, trade accounts payable increased from EUR 1.5 m to EUR 3.4 m. Other liabilities in the amount of EUR 5.1 m (previous year: EUR 2.3 m) consist mainly of performance bonus claims, commission claims from sales employees and the associated ancillary costs, as well as claims for commission bonuses in favour of partners in the Intermediary Channel. A detailed breakdown of other liabilities can be found in Section III of the explanations to the consolidated financial statements of this report.

As contingent liabilities, liabilities from leasing arrangements for property, plant and equipment account for EUR 0.7 m, whereof EUR 0.5 m will become due within one year. The arrangements exclusively consist of operating leasing arrangements.

4.2 Cash Flow

The reason for the strong cash flow from ongoing business activity (EUR 11.2 m against EUR 2.5 m in 2004) lies in the increased sales activity and the associated increase in receivables and accounts payable.

Cash paid for investment activity at EUR 1.6 m decreased slightly from 2004. In the previous year, however, this was characterised by investment in long-term financial assets (EUR 1.0 m); in the reporting period, it consisted of heavier investment in business equipment that led to investments in non-current assets of EUR 1.6 m (against EUR 0.7 m in 2004).

Cash paid for financial activities was characterised by the cash inflow from the issuance of new shares in the amount of EUR 29.4 m in the course of the stock market flotation.
The cash and cash equivalents on 31 December 2005 were EUR 33.9 m compared to EUR 2.9 m at the beginning of the reporting period.

4.3 Investments

Investments including cash paid for the acquisition of consolidated entities of EUR 1.8 m remained unchanged from 2004.
The strengthened liquidity position is to be used to enter less leasing agreements on business equipment. Therefore investments will increase.

4.4 Non-financial Assets

In the mortgage process, Interhyp receives detailed information about the income and asset situation of its customers, details of the mortgage object and completed mortgages. Interhyp is free to use these customer profiles and mortgage information for the purposes of providing further advice. Interhyp therefore has the possibility of offering advice to the customer in a targeted manner prior to the expiry of the originally concluded interest agreement, with regard to possible refinancing. Since Interhyp receives further commission from its mortgage partners for its consultancy and brokering services on closure of an extension agreement or refinancing, customer data represents an asset value that is not included in the balance sheet.

4.5 Other Intangible Values

A high level of customer satisfaction generates further recommendations and forms positive associations with the Interhyp brand. Both are important requirements for new earning opportunities and further growth. Good, confidential relationships between our mortgage consultants and customers represent Interhyp's most valuable asset.

Since the beginning of the Company, Interhyp AG has been in close, direct contact with our lending partners. This is guaranteed by a product management team who services and further develops cooperations and acquires new lending partners. The accumulated experience, together with confidential cooperation, is of high value to the success of the Company.

In addition, Interhyp has established know-how, proven in practice, in the reproduction of organisational and process operations for efficient, high-quality brokering of residential mortgages for mortgage partners. This know-how facilitates fast and mutually profitable integration of new mortgage partners, which in turn assures further growth opportunities.

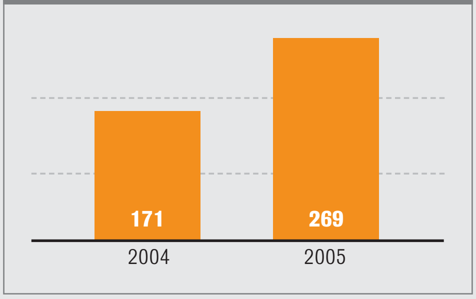
5. Employees

The number of staff rose in the reporting period by 98 employees to 269 employed personnel and as such was 57% above the figure at the end of 2004 (171 employees). The main appointments were in the areas of junior staff und experienced mortgage consultants.

Interhyp had an average of 224 salaried employees in the 2005 financial year; the average in the previous year was 157 employees.

Personnel expenses were EUR 16.7 m in the reporting period. This represents an increase of 78% in comparison to 2004 (EUR 9.4 m).

Number of employees (end of year)



6. Innovation

Since Interhyp acts as an intermediary between mortgage partners and end customers, the Company has an influence on the development of product innovations through active involvement in design and close dialogue with mortgage partners via the product management team. However, the products are implemented and priced by the mortgage partners. In the innovation process, Interhyp concentrates on supplying ideas and their introduction into the sales channels. Developments which expand Interhyp's product variety and which have appropriate sales potential are evaluated, integrated into the software platform, our own sales force and Prohyp partners are trained and the product is marketed with ongoing support to the sales force.

Employees according to function and segments (end of year)

	2004	2005
Sales and sales-related*	139	224
thereof consultants**	80	158
- Direct Channel**	67	126
- Intermediary Channel	13	32
Non-sales	32	45
Total employees	**171**	**269**

* Sales and sales-related employees are mortgage consultants and sales support employees.
** Includes seven financial advisers brokering non-mortgage-related products as of 31 December 2004 and nine as of 31 December 2005.

7. Supplementary Report

No events of particular significance have taken place following the close of the financial year which would have an important effect on the profit, financial or asset situation.

The Supervisory Board of Interhyp AG was newly formed with the resolution of the Local Court of Munich on 9 January 2006. As notified in the securities prospectus for admission to the stock market, Dr Christian Nagel (Chairman) and Christian Siegele have resigned from the Supervisory Board as planned. Interhyp has gained the services of Peter Mark Droste and Dr Roland Folz as their successors. Peter Mark Droste has extensive management experience in the area of IT: he directed European business for the CRM specialist Siebel Systems as Vice-President of Northern and Central European Sales Operations. At Compaq, he was General Manager and Vice-President of the German operation. T-Com Management Board member Dr Roland Folz most recently directed DaimlerChrysler Bank AG as Chairman of the Executive Board and prior to this was a member of the Executive Board of DAB Bank AG. In the constituent meeting of the new Supervisory Board, Peter Mark Droste was appointed Chairman and Dr Roland Folz Deputy Chairman of the Supervisory Board. Thomas Geiger is a member of the Supervisory Board.

8. Risk Report

8.1 Risk Management

Interhyp has installed an early warning system to identify, analyse, assess and control risks. This is a component of the risk management system in addition to the internal monitoring and controlling system.

The subsidiary companies of the Interhyp Group are also included in this risk management system.

The Group controlling systems, including the planning and workflow risk early warning system, are components of the monitoring system of the Interhyp Group.

The goal of the risk management system is to identify and assess risks in a transparent manner and in the event of significant erroneous trends, to present a call for action with the appropriate countermeasures. Typical instruments for this purpose are target/actual comparisons and short-term planning and risk record sheets, which are updated at regular intervals by the various departments of the Company. In this way, the system provides lasting safeguards for existing and future earnings potential, protects competitive advantage and prevents asset losses.

8.2 Individual Risks

Potential risks with regard to business activity and possible legal and regulatory risks were comprehensively explained to shareholders in the securities prospectus for admission of Interhyp shares to the stock market. The following is a selection of these risks. However, this list of risks can in no way be considered to be exhaustive. Neither does the selection nor sequence of risks imply any statement concerning the probability of occurrence of the individual risks or their severity.

Risks in Relation to Business Activity

- Interhyp's future success depends on potential customers continuing to accept and use the Internet as they have until now as the medium for brokering residential mortgages.
- Demand for Interhyp's services could fall back if prospective customers fear security or data protection risks, in spite of comprehensive technical security measures taken by Interhyp.
- Despite comprehensive, multilevel redundancy, faults in or interference to the security of the IT system could under certain circumstances lead to interruption to the business activity and cause revenue losses and, possibly, increased costs.
- Since business activity is currently concentrated exclusively in Germany, Interhyp is particularly exposed to factors which have an effect on the German economy, the German residential market and lending practice in Germany.

Growth Risks

- Until today, Interhyp has pursued a very successful recruiting and training concept in order to guarantee the build-up of personnel. It is presently not foreseeable that it will be unable to implement the further planned build-up of personnel which is necessary to achieve the growth objectives.
- Interhyp is attempting to raise awareness of the Interhyp and Prohyp brands by means of a series of communication measures, in such a way that demand for the services offered will enable the achievement of growth objectives. However, success will depend on the effectiveness of these measures.

Risks from Competition

- Should Interhyp's most important lending partners no longer be in a position to offer competitive interest rates, reduce Interhyp's broker commissions or terminate their cooperation with Interhyp, Interhyp's resulting growth could be lower.
- Since the formation of the Company and due to the transparency of its service offering, Interhyp has been exposed to strong competitive pressure and has

shaped its successful expansion against this background. At present, neither a relaxation of nor increase in competitive pressure can be identified.

Financial Risks

Details of financial risks can be found in section V of the explanations to the consolidated financial statements of this report.

Legal and Regulatory Risks

- No regulations or changes in the law are identifiable for 2006 that would substantially affect Interhyp's business activity.
- Short-term changes in tax legislation could have a negative effect on Interhyp's business.
- If it should not be possible to defend intellectual property rights against third party attack or should data protection regulations be violated, the "Interhyp" and "Prohyp" brands and business activity could be damaged.

8.3 Overall Risk

In the opinion of the Company, no significant changes have arisen with regard to the listed risks since the publication of the stock market report. The extension of the Interhyp business model is necessarily associated with strategic risks. Individual risks are limited by carefully considering the options available for managing the potential threat to the positioning of Interhyp AG. Due to positive business development, we consider the strategic threat potential and risks to reputation to be limited and controllable.

There are no individual risks which threaten the continuity of the business at present or in the foreseeable future. Even the sum of all risks does not threaten the continued existence of Interhyp.

9. Forecast Report

9.1 Future Business Policy

Direct Channel

The Direct Channel is geared and prepared for further organic growth. Targeted measures for strengthening the Interhyp brand and clear positioning in the competitive environment are designed to ensure increasing demand for Interhyp's services. It is planned to assure coverage of increasing demand by recruiting mortgage consultants to a level suited to this growth. It is anticipated that the cost structure in the Direct Channel can be further improved as a result of effects of scale. Following the successful start-up phase of the regional offices, the Board of Management is studying the feasibility of opening regional offices in further metropolitan areas.

Intermediary Channel

The newly positioned Prohyp brand, the new Prohyp residential mortgage platform, nationwide broker training and roadshows are aimed at winning further active partners. In particular, Prohyp is set to become an indispensable workflow management, consultancy and scoring solution for independent financial service providers and regionally active residential mortgage brokers. Existing partnerships will be intensified and expanded further by means of targeted key account activities and servicing by Prohyp mortgage consultants. Targeted personnel growth is also aimed at assuring capacity for increased demand in the Intermediary Channel.

Haselsteiner & Wolsdorf

Growth in this area is to be achieved organically by winning more management mandates and fully exploiting the potential of existing clients through intensive coverage.

Employees

In the sales area, recruiting will continue with the same goal of gaining 20 to 25 new sales employees per quarter, within the framework of regular recruitment days and a structured selection test.

Future Markets

With a current market share of 2.1% of new business in private residential mortgages, Interhyp will continue to concentrate on the enormous growth potential which the German market offers for the independent mortgage broker business model.

Future Products

Interhyp will promote the development of new residential mortgage products through intensive discussions with current and potential mortgage partners. Foreign providers who wish to gain entry to the German market may promote product innovations more heavily in the German residential mortgage market in the future. In the long term, this could lead to the provision of financial services options to a broader spectrum of private customers. In particular, older borrowers, prospective borrowers with little or no equity or customers with impaired credit history could benefit from this development.

9.2 Future Frameworks

Future Economic Framework

For 2006, alongside continued robust growth in the USA and Asia we expect a slight improvement in Germany, which should be supported by a small rise in the propensity to consume and stronger business investment. We expect the US Federal Reserve to increase fed rates further to 5.00% in the first half year and a moderate increase to 2.75% by the ECB. This should lead to further increases in long-term capital market interest rates. However, we consider the extent of interest rate increases to be limited by the slowdown which is to be expected in the US economy in the second half of 2006.

In the sector, the high interest in German residential property by international investors, who in past years have acquired sizeable assets from the state and private enterprises, has not yet led to increased activity by German retail investors. However, as a result of continued low new building activity, the increasingly professional approach in the residential property market and more favourable mortgage costs, the possibility of increased property prices exists in the next economic upturn – particularly in the most important metropolitan areas. For new mortgage lending, we expect a market volume of EUR160 bn to EUR 170 bn in 2006.

Future Legal Framework

In 2004 the European Commission published a report on the integration of European residential mortgage markets, which contains recommendations for the harmonisation and regulation of European residential mortgage markets. The report proposes increased disclosure requirements, particularly with regard to fees, compulsory professional indemnity insurance and more comprehensive record-keeping requirements. Although these measures – if they should develop into an EU Directive and become national law – would lead to an increase in costs, due to its leading market position, Interhyp should further strengthen its competitive position following the resulting consolidation in the market.

9.3 Expected Profit Situation

Interhyp expects continued dynamic growth in the important indicators in the 2006 financial year. Thus the volume of closed mortgages in 2006 should increase to about EUR 4.8 bn. On this basis, we think that net revenues of about EUR 60 m and EBIT of about EUR 21 m are realistic. A normalized tax rate of around 42% is to be expected for 2006, so that the net income should be around EUR 13 m.

9.4 Expected Financial Situation

Due to the steep rise in cash and cash equivalents as a result of the stock market flotation, no long-term financing measures are planned in respect of the intake of external capital.

A slight rise in future investment is expected, since further build-up of leasing liabilities in respect of business equipment is not planned, due to the availability of our own capital resources. The liquidity position of Interhyp AG will improve further on achieving the targeted growth due to the operational cash flows attainable.

9.5 Opportunities

Interhyp's growth strategy is based on winning further market share in the broking of private residential mortgages in Germany. The route to this growth lies in controlled organic growth and the related scaling of the business model. On further strengthening market leadership in this segment, advantages may be derived from this position in order to accelerate growth yet further. One key to the utilisation of this growth potential lies in the continuous rise in demand for the services of Interhyp and Prohyp and with it a consequential expansion of communications and marketing actions. The goal is to extend market leadership in both segments and thereby benefit disproportionately from the expected rise in customer demand for independent mortgage services.

Additional opportunities: an expansion of mortgage options, due to new product offers for target groups which are undersupplied at present, would provide Interhyp with a greater volume of mortgage applications and thereby further growth opportunities. An economic upturn in the housing industry or an increase in prices in the property market would represent growth factors for Interhyp. Likewise, increased use of the Internet and its growing acceptance in the population could produce a further strengthening of demand for Interhyp's services. However, these effects are not considered in the above mentioned plans due to the associated uncertainties.

It is Interhyp's goal to further increase the market leadership in both the Direct Channel and the Intermediary Channel and to increasingly benefit from the expected further increase in customer reception of the independent mortgage broker.

Munich, 3 March 2006

R. Haselsteiner

Robert Haselsteiner

Marcus Wolsdorf

The Consolidated Financial Statements

Consolidated income statement of Interhyp Aktiengesellschaft, Munich, as of 31 December 2005

EUR	Explanations	01.01. – 31.12.2005	01.01. – 31.12.2004
Revenues	(12)	46,703,042	18,522,823
Cost of services purchased	(13)	7,346,829	1,945,712
Net revenues		**39,356,213**	**16,577,111**
Personnel expenses	(14)	16,691,419	9,351,017
thereof sales and sales-related		13,722,244	7,108,652
Other operating expenses	(15)	8,776,084	4,338,564
thereof marketing		2,694,909	1,296,808
Amortisation and depreciation		954,268	985,941
Earnings before interest and taxes (EBIT)		**12,934,441**	**1,901,590**
Interest income		300,180	68,479
Interest expense		229,112	293,648
Net interest income	(16)	**71,068**	**(225,169)**
Earnings before taxes (EBT)		**13,005,509**	**1,676,421**
Tax result	(17)	(48,938)	(1,196,071)
Net income		**12,956,571**	**480,349**

Earnings per share IAS 33	Explanations	01.01. – 31.12.2005	01.01. – 31.12.2004
Earnings per share (undiluted)	(18)	2.18	0.09
Earnings per share (diluted)	(18)	2.16	0.08

The accompanying explanations to the consolidated financial statements are an integral part of the consolidated financial statements

Consolidated balance sheet of Interhyp Aktiengesellschaft, Munich, as of 31 December 2005

Assets			adjusted
EUR	**Explanations**	**as of 31.12.2005**	**as of 31.12.2004**
Non-current assets			
Intangible assets	(1)	441,787	572,125
Fixed assets	(2)	1,546,604	629,561
Receivables from commissions	(3)	316,586	90,854
Other assets	(4)	397,649	143,200
Deferred tax assets	(17)	3,520,750	46,910
		6,223,375	**1,482,650**
Current assets			
Receivables from commissions	(3)	11,626,034	4,726,370
Other assets	(4)	253,348	121,933
Securities	(5)	1,003,150	1,009,000
Cash and cash equivalents	(6)	33,945,470	2,933,087
		46,828,003	**8,790,390**
Total assets		**53,051,378**	**10,273,040**

Equations and liabilities

EUR	Explanations	as of 31.12.2005	adjusted as of 31.12.2004
Shareholders' equity	(7)		
Common stock		6,498,350	114,975
Additional paid-in capital		32,528,058	11,981,684
Net accumulated profit/loss		3,338,665	(9,617,906)
		42,365,073	**2,478,753**
Long-term liabilities and provisions			
Other provisions	(8)	279,100	150,000
Non-current financial liabilities	(11)	800	3,157,665
Deferred tax liabilities	(17)	121,173	191,571
Other liabilities	(10)	378,325	262,473
		779,398	**3,761,709**
Short-term liabilities and provisions			
Trade accounts payable		3,404,680	1,501,229
Other provisions	(8)	88,100	100,000
Tax liabilities	(9)	1,321,558	151,683
Current financial liabilities	(11)	352,380	264,435
Other liabilities	(10)	4,740,188	2,015,230
		9,906,906	**4,032,578**
Total equity and liabilities		**53,051,378**	**10,273,040**

The accompanying explanations to the consolidated financial statements are an integral part of the consolidated financial statements

Shareholders' equity of Interhyp Aktiengesellschaft, Munich, as of 31 December 2005

EUR	Common stock	Additional paid-in capital	Net accumulated profit/loss	Total
1 January 2004	**103,754**	**11,951,792**	**(10,098,255)**	**1,957,291**
Net income	0	0	480,349	480,349
Increase in capital from conversion of convertible bonds	11,221	11,221	0	22,442
Expense from the issuance of convertible bonds	0	18,671	0	18,671
31 December 2004	**114,975**	**11,981,684**	**(9,617,906)**	**2,478,753**
Net income	0	0	12,956,571	12,956,571
Increase in capital from conversion of convertible bonds	43,916	(41,932)	0	1,984
Expense from the issuance of convertible bonds	0	322,915	0	322,915
Increase of common stock from conversion of additional paid-in capital	5,639,459	(5,639,459)	0	0
Increase of shareholders' equity from issuance of shares	700,000	28,700,000	0	29,400,000
Settlement of initial public offering expenses with additional paid-in capital less tax effect	0	(2,795,150)	0	(2,795,150)
31 December 2005	**6,498,350**	**32,528,058**	**3,338,665**	**42,365,073**

The accompanying explanations to the consolidated financial statements are an integral part of the consolidated financial statements

Consolidated cash flow statement of Interhyp Aktiengesellschaft, Munich, as of 31 December 2005

EUR	Explanations	01.01. – 31.12.2005	adjusted 01.01. – 31.12.2004
Net income		**12,956,571**	**480,349**
Amortisation and depreciation of non-current assets		954,268	985,941
Loss on the disposal of assets		0	40
Increase in provisions		(11,900)	609,538
Increase in receivables and prepaid expenses		(7,511,259)	(2,314,771)
Increase in liabilities		5,929,985	1,679,982
Change in deferred taxes		(1,437,337)	1,014,367
Other non-cash items		(16,814)	(23,478)
Expense from convertible bonds		322,915	18,671
Net cash from operating activities		**11,186,429**	**2,450,639**
Cash paid for investments in non-current assets		(1,611,873)	(722,739)
Cash paid for investments in securities		0	(1,009,000)
Net cash from investing activities		**(1,611,873)**	**(1,731,739)**
Capital increase due to issuance of shares		29,400,000	0
Cash received for issuance of convertible bonds		1,032	0
Cash paid for the repayment of shareholders' loan		(2,863,211)	0
Cash paid for the acquisition of consolidated entities		(197,941)	(98,971)
Cash paid for initial public offering expenses		(4,902,052)	0
Net cash from financing activities		**21,437,828**	**(98,971)**
Changes in cash and cash equivalents		31,012,383	619,930
Cash and cash equivalents at the beginning of the period		2,933,087	2,313,157
Cash and cash equivalents at the end of the period	(6)	33,945,470	2,933,087

The accompanying explanations to the consolidated financial statements are an integral part of the consolidated financial statements

Assets analysis of Interhyp Aktiengesellschaft, Munich

2005 (EUR)	Acquisition and production costs			
	01.01.2005	**Accrual**	**Disposal**	**31.12.2005**
Intangible assets				
Development costs	526,606	143,656	116,865	553,397
Software and licences	389,445	103,482	3,835	489,093
Customer profiles	172,117	0	0	172,117
Management mandates	0	0	0	0
	1,088,169	**247,138**	**120,699**	**1,214,607**
Fixed assets				
Property, plant and equipment	1,189,790	1,307,546	55,683	2,441,653
Prepayment on fixed assets	0	57,189	0	57,189
Tenant fixtures	150,000	129,100	0	279,100
	1,339,790	**1,493,835**	**55,683**	**2,777,943**
Total	**2,427,959**	**1,740,973**	**176,382**	**3,992,550**

2004 (EUR)	Acquisition and production costs			
	01.01.2004	**Accrual**	**Disposal**	**31.12.2004**
Intangible assets				
Development costs	116,865	409,742	0	526,606
Software and licences	371,064	25,367	6,985	389,445
Customer profiles	172,117	0	0	172,117
Management mandates	688,700	0	688,700	0
	1,348,746	**435,108**	**695,685**	**1,088,169**
Fixed assets				
Property plant and equipment	1,021,638	287,630	119,478	1,189,790
Tenant fixtures	150,000	0	0	150,000
	1,171,638	**287,630**	**119,478**	**1,339,790**
Total	**2,520,383**	**722,739**	**815,163**	**2,427,959**

Analysis of provisions of Interhyp Aktiengesellschaft, Munich

2005 (EUR)	01.01.2005	Claimed
Cancellation risk	30,000	30,000
Restoration liabilities	220,000	70,000
Total	**250,000**	**100,000**

2004 (EUR)	01.01.2004	Claimed
Cancellation risk	0	0
Restoration liabilities	220,000	0
Total	**220,000**	**0**

The accompanying explanations to the consolidated financial statements are an integral part of the consolidated financial statements

	Amortisation and depreciation			Book value
01.01.2005	Accrual	Disposal	31.12.2005	31.12.2005
190,084	261,349	116,865	334,569	218,829
282,984	87,429	3,835	366,578	122,515
42,977	28,698	0	71,674	100,443
0	0	0	0	0
516,044	**377,476**	**120,699**	**772,821**	**441,787**
669,429	552,587	55,683	1,166,333	1,275,320
0	0	0	0	57,189
40,800	24,205	0	65,005	214,095
710,229	**576,792**	**55,683**	**1,231,338**	**1,546,604**
1,226,273	**954,268**	**176,382**	**2,004,159**	**1,988,391**

	Amortisation and depreciation			Book value
01.01.2004	Accrual	Disposal	31.12.2004	31.12.2004
29,216	160,868	0	190,084	336,522
205,838	84,125	6,979	282,984	106,462
14,279	28,698	0	42,977	129,140
229,567	459,133	688,700	0	0
478,900	**732,824**	**695,679**	**516,044**	**572,125**
556,156	232,717	119,444	669,429	520,361
20,400	20,400	0	40,800	109,200
576,556	**253,117**	**119,444**	**710,229**	**629,561**
1,055,455	**985,941**	**815,123**	**1,226,273**	**1,201,686**

Released	Allocated	31.12.2005
0	88,100	88,100
0	129,100	279,100
0	**217,200**	**367,200**

Released	Allocated	31.12.2004
0	30,000	30,000
0	0	220,000
0	**30,000**	**250,000**

Explanations to the

Consolidated Financial Statements

as of 31 December 2005
in accordance with International Financial Reporting Standards

I. General Principles of the Consolidated Financial Statements

Commercial Principles

Interhyp AG (the "Company") is recorded in the Commercial Register at the local court of Munich under HRB 125915. The Company's registered office is in Marcel-Breuer-Straße 18, 80807 Munich, Germany.

Interhyp AG has been listed in the "Prime Standard" market segment of Deutsche Börse AG since 29 September 2005. The shares have been included in the "SDAX" stock index since 19 December 2005. The security identification number is 512170.

The Company brokers and consults in relation to loans, residential mortgages and insurances via the Internet and by telephone.

The Board of Management prepared the consolidated financial statements of Interhyp AG for the financial year to 31 December 2005 on 3 March 2006 and these will be presented to the Supervisory Board on 12 March 2006 with a view to publication.

General Information

The consolidated financial statements of Interhyp AG and its subsidiary companies have been compiled in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The consolidated financial statements have been produced in principle using the historical cost accounting method, with the exception of financial investments available for disposal, which were assessed at current market value.

The consolidated financial statements have been compiled in EUR. Unless otherwise stated, all amounts in the explanations to the consolidated financial statements are given in thousands of EUR (EUR k). Figures contained in the tables may show differences due to rounding to EUR k. The income statement has been compiled in accordance with the total expenditure format.

The accounting and valuation methods applied correspond in principle to the methods employed in the previous year, in particular the Company has voluntarily applied the new/revised standards, which became compulsory for financial years commencing on or after 1 January 2005, in the 2004 financial year.
No early application has been made of standards, in particular the additional disclosure requirements, arising from the amendments to IAS 19 "Services to Employees – Actuarial Profits and Losses, Group Plans and Information" and from IAS 21 "The Effects of Changes in Foreign Exchange Rates", which became compulsory for financial years commencing on or after 1 January 2006.

Neither has the Group applied any of the following standards and IFRIC interpretations, which had already been published but had yet to come into effect:

Amendments to IAS 1 “Presentation of Financial Statements – Capital Disclosures”
IFRS 7 “Financial Instruments: Disclosures”
IFRIC 4 “Determining whether an Arrangement Contains a Lease”
IFRIC 5 “Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds”
IFRIC 6 “Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”
IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”
IFRIC 8 “Scope of IFRS 2”
IFRIC 9 “Reassessment of Embedded Derivatives”

The Group does not anticipate any significant effect on the asset, financial or profit situation as a result of the first-time application of the above standards.

In cases of reclassification, disclosures for the previous year have been adjusted in accordance with disclosures for the present year.

Basis of Consolidation

The accompanying consolidated financial statements contain the results for Interhyp AG and its subsidiary companies. The Company holds 100% of the shares in the subsidiary companies in each case:

Haselsteiner & Wolsdorf GmbH, Munich
Prohyp GmbH, Munich
Hausfinanz Beratungsgesellschaft mbH, Munich

Haselsteiner & Wolsdorf GmbH, Munich, was acquired in 2003. Hausfinanz Beratungsgesellschaft mbH was formed in the 2004 financial year. Its purpose was to create new routes of distribution. Following a review, the strategic decision was taken at the end of 2004 to discontinue all activities in Hausfinanz.

Consolidation Principles

The consolidated financial statements are based on the annual accounts of Interhyp AG and incorporated subsidiary companies, compiled in accordance with uniform Group accounting and valuation methods.
The financial year of Interhyp AG and its subsidiary companies ended on 31 December in each case.
All internal Group accounting balances, transactions, earnings, expenses, profits and losses from internal Group transactions, which are contained in the book value of assets, are fully zeroed out.
Subsidiary companies are fully consolidated from the moment of acquisition, i.e. from the date on which the Group gained control. Incorporation into the consolidated financial statements ends when parent company control no longer exists.

IFRS 3 was applied to all company mergers where the contract was concluded on or after 31 March 2004. Furthermore, the Group values identifiable assets, liabilities and contingent liabilities at full cash value based on the purchase valuation at the time of acquisition.

II. Basic Accounting and Valuation Principles

Assumptions and Estimates

In the consolidated financial statements it is necessary to make estimates and assumptions which have an effect on the amount of and information shown about accounting assets and liabilities, earnings and expenses as well as contingent Liabilities. In individual cases, actual values may differ from the assumptions and estimates made.

In the application of the accounting and assessment methods, the Board of Management has taken the following arbitrary decisions which have a significant impact on the accounting figures. Decisions which include estimates are not considered here:

- ***Liabilities from Operational Leasing Arrangements***

The Group has determined that all substantial risks and rewards related to property and articles leased within the context of operational leasing arrangements are to be assigned to the owner.

- ***Valuation Allowances***

The Group has determined that certain receivables from commissions are to be considered irrecoverable. The value of these receivables has been amortised accordingly.

- ***Estimating Uncertainties***

The most important assumptions related to the future as well as other significant sources of estimating uncertainties existing on the record

date, on the basis of which a considerable risk exists that a significant adjustment of the book values of assets and liabilities may be required, include, in particular, the assumptions in respect of active deferred taxation.
The capitalisation of deferred taxation on loss carryforwards is based on assumptions arising from business planning.

Intangible Assets

On inclusion in the accounts for the first time, individually acquired intangible assets are valued at purchase or production cost. The purchase cost of an intangible asset which was acquired on the basis of a merger corresponds to its actual cash value at the time of acquisition.
After inclusion in the accounts for the first time, intangible assets are included with their purchase or production cost, less accumulated depreciation and all accumulated depreciation costs. Self-generated intangible assets are not capitalised, with the exception of capitalised development costs. Costs related thereto are recorded in the period in which they arise, with immediate effect on the income statement.
First of all, it is determined whether the intangible assets have a limited or indefinite useful life.
Intangible assets with a limited useful life are depreciated over their useful economic life and examined for possible depreciation whenever there is an indication that it might be possible to depreciate the intangible asset. As a minimum, the depreciation period and depreciation method for an intangible asset with a limited useful life are examined at the end of each respective financial year. If the expected useful life of the asset or the expected depreciation course of the asset has changed, a different depreciation period or a different depreciation method is selected. Changes of this nature are treated as changes to an estimate.
There are no intangible assets with an indefinite useful life in the Group.
The accounting principles applied to the intangible assets of the Group are summarised as follows:
Intangible assets acquired in return for payment, essentially software, software licences and the customer base, are allocated to purchase costs and planned to be depreciated on a straight-line basis over their estimated useful economic life as follows:

Software and software licences	3	years
Customer base	6	years

Expenses on depreciation of intangible assets from company acquisitions completed in previous years was EUR 29 k (previous year EUR 488 k).

Research and Development Costs

Research expenses are booked as expenses on accrual. Total expenses on research in the reporting period were 937 k EUR (previous year: EUR 507 k).
An intangible asset is only deemed to be acquired when the Group can demonstrate the technical feasibility to complete the intangible asset in order for it to be available for internal use or for

sale and the intention and capability to complete the intangible asset and to use or sell it. Furthermore, the Group must substantiate the generation of a future utility from the asset, the availability of resources to complete the asset and the ability to calculate reliably the costs attributable to the intangible asset during its development.
Consistent with the provisions of IAS 38 "Intangible Assets", development expenses on the internal software "eHyp", which is the platform for the presentation of all processes relevant to the business of the Interhyp AG Group of Companies, has been capitalised. The software is used for the Company's Internet presence and by the employees as a consultancy and management tool.
Development expenses are capitalised in the year in which they are incurred and amortised over a period of two years. The capitalised amount of development costs is examined for depreciation once per year to establish whether further use is indicated or if indicators for depreciation are present.

Property, Plant and Equipment

Property, plant and equipment is allocated to purchasing or production costs – with the exception of ongoing maintenance costs – less accumulated planned depreciation and accumulated depreciation costs. These costs include the costs for the replacement of a part of such an object at the time when the costs are incurred, if the criteria for inclusion are met. This includes, among other items, capitalised renovations carried out by tenants which result from restoration liabilities. The estimated periods of use of the assets form the basis for planned straight-line depreciation.
Property, plant and equipment basically consists of office equipment and computers and is amortized over a useful economic life of three to thirteen years. The book values of fixed assets are examined for depreciation as soon as there are indications that the book value of an asset has exceeded its realisable amount.

Property, plant and equipment is deleted from the accounts either on disposal or when no further economic utility can be expected from the use or disposal of the asset. Profits or losses resulting from the deletion of the asset are calculated as the difference between the net disposal revenues and the book value and recorded in the period in which the item is disposed of, with immediate effect on the profit and loss account.
The residual values of the assets, useful lives and depreciation methods are examined at the end of each financial year and adjusted where necessary.

External Capital Costs

External capital costs are recorded as expenses in the period in which they were incurred.

Leasing

The definition of whether an agreement is or contains a leasing arrangement is made on the basis of the economic content of the agreement

and requires an estimate as to whether the fulfilment of the contractual agreement is dependent on the use of a certain asset or assets and whether the agreement grants the right to the use of the asset.
Financial leasing arrangements in which all the basic risks and rewards related to ownership of the transferred asset are transferred to the Group are capitalised at the beginning of the leasing arrangement at the actual cash value of the leased object, or the cash value of the minimum leasing payments if this value is lower. Leasing payments are divided into their components of financing expenses and repayment of the leasing liability in such a way that the remaining residual book value of the leasing liability is accounted for against a constant interest rate. Financing expenses are recorded immediately in the income statement.
There are no financial leasing contracts in the Group. Expenses on operational leasing arrangements are recorded directly as expenses in the income statement on a straight-line basis over the term of the leasing arrangement. Related future charging is reported under other financial liabilities.

Depreciation of Assets

On each balance sheet date, the Group assesses whether indicators exist concerning whether an asset might be depreciated. If such indicators exist or an annual examination of an asset for depreciation is required, the Group makes an estimate of the amount realisable. The realisable amount of an asset is the higher of the following two amounts: the actual cash value of an asset or of a funds-generating unit less disposal costs and the utility value.
If the book value of an asset exceeds its realisable amount, the asset is considered to be depreciated and is written down to its realisable amount.

Receivables from Commissions and Other Assets

Receivables from commissions and other assets are allocated against the invoice amount less a value adjustment for irrecoverable receivables. A value adjustment is made when objective, substantive evidence exists that the Group is not in a position to collect the receivable. Receivables are deleted from the accounts as soon as they become irrecoverable.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, bank deposits and short-term, highly liquid financial investments with original maturity dates of less than three months from the date of their acquisition.
For the purposes of the cash flow statement, the financial capital funds include short-term cash and cash equivalents.

The book values of the cash and cash equivalents, receivables, liabilities and other provisions correspond approximately to their current market values, due to their short-term settlement dates.

Financial Investments and Other Financial Assets

Financial assets in the sense of IAS 39 are classified as financial assets which are valued directly in the income statement at actual cash value, as receivables, as investments held until their final maturity date or as financial assets available for disposal. When financial assets are allocated for the first time, they are valued at their actual cash value. In the case of financial investments which are not valued directly in the income statement at their actual cash value, transaction costs which are to be assigned directly to the acquisition of the financial asset are included in addition. The Group defines the classification of its financial assets when they are allocated for the first time and examines this allocation at the end of each financial year, insofar as this is allowable and appropriate.

In the case of customary buying and selling of financial assets, these are accounted for on the trading day, i.e. the date on which the Company entered into an obligation to purchase the asset. Customary purchases or sales are purchases or sales of financial assets which specify the delivery of the assets within a period of time defined by market regulations or conventions.

- ***Financial Assets Valued in the Income Statement at their Actual Cash Value***

Financial assets which are classified as held for trading purposes are included within the category of "Financial Assets valued in the income statement at their actual cash value". Financial assets are classified as held for trading purposes if they are acquired for the purpose of sale in the near future. Profits or losses from financial assets which are held for trading purposes are recorded directly in the income statement.

- ***Receivables***

Receivables are non-derivative financial assets with fixed or definable payments, which are not quoted on an active market. Profits and losses are recorded in the results for the period in which the receivables are deleted from the accounts or written down.

- ***Financial Assets Available for Disposal***

Financial assets available for disposal are those non-derivative financial assets which are classified as available for disposal and are not rated in one of the three above-mentioned categories. After allocation for the first time, financial assets held and available for disposal are valued at their actual cash value, whereby profits or losses are recorded under a separate item of shareholders' equity. On the date on which the financial investment is deleted from the accounts or depreciation is established for the financial investment, the accumulated profit or loss previously recorded under shareholders' equity is now recorded directly in the income statement. The actual cash value of financial investments which are traded in organised markets is calculated by reference to the bid price quoted on the stock exchange on the balance sheet date. The actual cash value of financial investments for which no active market exists is estimated by using valuation methods. Such procedures are based on recently traded transactions at customary market conditions, on the current market value of a fundamentally similar instrument or on the analysis of discounted cash flow and option price models.

Taxation

- ***Effective Tax Assets and Tax Liabilities***

Effective tax assets and tax liabilities for the current period and for earlier periods are to be valued at the amount at which a claim from or payment to the tax authorities is expected. Taxation rates and tax law applicable on the balance sheet date form the basis for the calculation.

- ***Deferred Taxation***

Deferred taxation is generated by applying the asset and liability method to all temporary differences between the valuation of an asset or liability in the balance sheet and the tax valuation existing at the balance sheet date. Deferred tax liabilities are recorded for taxable temporary differences.

Deferred tax assets are recorded for deductible temporary differences, unused tax losses carried forward and unused tax credits, to the extent to which it is probable that taxable income will be available against which deductible temporary differences and unused tax losses carried forward and tax credits can be used.

The book value of deferred tax assets is examined on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable revenues will be available against which the deferred tax assets can be used, at least partially. Unallocated deferred tax assets are examined on each balance sheet date and allocated to the extent to which it has become probable that future taxable revenues will facilitate the implementation of the deferred tax asset.

Deferred tax assets and liabilities are assessed on the basis of the rates of taxation which are expected to apply in the period in which an asset is realised or a liability met. In doing so, the rates of taxation (and tax regulations) which are applicable or notified at the balance sheet date are used as the basis.

Taxes on profits which relate to items which are recorded directly in shareholders' equity are recorded in shareholders' equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has an actionable claim to charge the effective tax refund claims against effective tax liabilities and these relate to taxes on profits of the same taxable unit and under the same tax authority.

Other Liabilities

A liability is allocated when the Group possesses a current (legal or factual) liability on the basis of a past event, the flow of resources with economic utility to meet the liability is probable and a reliable estimate of the amount of liability is possible. Expenses on the establishment of the liability are shown in the income statement after

deduction of the most probable refund. If the effect of interest is significant then the liabilities are discounted. In the event of discounting, the increase in liabilities due to the lapse of time is recorded as interest expense.
Contributions to contribution-based pension schemes are accounted for immediately as expenses. Since there are no further liabilities in addition to the contribution payments, there is no requirement for a provision in this respect.

Financial Liabilities

On recording for the first time, financial liabilities are valued at the actual cash value of the service received, after deduction of the related transaction costs. After the initial recording, the financial liabilities are then assessed as continued purchase costs using the effective interest method. If the liabilities are deleted from the accounts, profits and losses are recorded in the results for the period.

Liabilities

Short-term liabilities are accounted for at their repayment value. After inclusion in the accounts for the first time, long-term liabilities are then assessed in principle as continued purchase costs using the effective interest method.

Derivative Financial Instruments and Hedging Activities

The Company had no derivative financial instruments as at 31 December 2004 and 31 December 2005.

Revenue Recognition

Revenues are made in the Direct and Intermediary Channel. Revenues consist mainly of commissions for residential mortgage brokerage and special bonus payments. Commissions for residential mortgage brokerage are recorded in accordance with IAS 18 "Earnings" following performance of the service, i.e. when the loan agreement becomes binding in law. In addition, Interhyp receives special bonus payments from some larger lenders on the attainment of defined mortgage volumes, which are basically achieved when the relevant milestone has been reached. The amount of income can be reliably measured on the date the revenues are made and the inflow of the economic utility from the transaction is sufficiently probable. In the process, consideration is given to the probability of the exercise of the right to withdraw, the probability of the recall of the underlying loan and the viability of the underlying revenues.

Share-based Remuneration

The employees and former members of the Supervisory Board of the Group receive share-based remuneration, whereby they receive shareholders' equity instruments in compensation for their services ("transactions with compensation by shareholders' equity instruments").

Expenses arising on the basis of transactions with compensation by shareholders' equity instruments are assessed at the actual cash value of the awarded shareholders' equity instruments on the date they are awarded. The actual cash value was calculated using a generally recognised option price model. Expenses from transactions with compensation by shareholders' equity instruments are recorded at the same time as a corresponding increase in shareholders' equity over the period in which the service and/or employment conditions are met. This period ends on the date on which the employee in question becomes irrevocably entitled (date of the first exercise option). Accumulated expenses for transactions with compensation by shareholders' equity instruments reflect, on each reporting date up to the date of the first exercise option, the part of the already lapsed vesting period as well as the number of shareholders' equity instruments which, on the basis of the Group's best estimate, finally become non-forfeitable. The amount by which the income statement is debited or credited reflects the evolution of the accumulated expenditure recorded at the beginning and the end of the reporting period.

III. Explanations to the Consolidated Balance Sheet

(1) Intangible Assets

The evolution of individual intangible asset items is presented in the assets analysis (see page 50).

(2) Fixed Assets

The evolution of individual fixed asset items is presented in the assets analysis (see page 50).

(3) Receivables from Commissions

Receivables from commissions consist of the following:

EUR k	2005	2004
Gross receivables	12,337	4,866
Value adjustments	(394)	(49)
Total	**11,943**	**4,817**
Short-term amount	11,626	4,726
Long-term amount	317	91

Receivables from commissions are allocated free of interest and at nominal value less value adjustments.

(4) Other Assets

Shown under other assets (short-term) are, basically, suppliers with debit balances (EUR 72 k), deposit payments made for rented premises (EUR 14 k), claims from paid out salaries (EUR 7 k), accrued interest on fixed deposits (EUR 6 k), and maintenance contract payments, special leasing payments and subscriptions to periodicals. In the previous year, this item consisted mainly of a refund claim in respect of a rental arrangement in the amount of EUR 43 k.

These other assets (long-term) contain bank deposits in the amount of EUR 398 k (previous year: EUR 143 k) which serve as security for rent. In accordance with IAS 1.57d “Presentation of Financial Statements”, they are disclosed under long-term assets.

(5) Securities

Securities include investments in publicly traded bonds. These are classified as capital investments available for disposal. Interest income is paid in March and May respectively

(6) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances, bank deposits as well as short-term, highly liquid financial investments with original maturity dates of less than three months from the date of their acquisition.
For the purposes of the consolidated cash flow statement the financial capital funds are made up exclusively of short-term cash and cash equivalents.

(7) Shareholders’ Equity

The evolution of shareholders’ equity is presented in the statement of shareholders’ equity on page 48.

Common Stock

The registered capital of Interhyp AG as at 31 December 2005 is EUR 6,498,350.00 (previous year: EUR 114,975.00) and is divided into 6,498,350 registered no-par shares each with a computed share of EUR 1.00 in the registered capital.
Following the conditional increase in the registered capital of the Company by EUR 116.00 (Conditional Capital 2005/II) resolved by the General Shareholders’ Meeting of 29 June 2005, 116 new registered no-par shares in the Company were issued in the current financial year in the total amount of EUR 116.00. By this means, the registered capital of the Company increased by EUR 116.00 from EUR 114,975.00 to EUR 115,091.00. An increase of EUR 115,091.00 in the registered capital, from the Company’s own resources, by means of the issue of no-par shares, by EUR 5,639,459.00 (factor 50) to EUR 5,754,550.00, was also resolved at the General Shareholders’ Meeting. The shares were recorded in the Commercial Register on 30 August 2005. An increase of up to EUR 700,000.00 in registered capital was agreed by resolution of the General Shareholders’ Meeting of 13 September 2005, from EUR 5,754,550.00 to up to EUR 6,454,550.00, by means of the issue of up to 700,000 no-par shares. This increase was fully paid-up and recorded in the Commercial Register on 26 September 2005.
In September 2005, part of the 2000/I conditional capital in the amount of EUR 43,800.00 (value of increase in capital EUR 876.00) was converted

into shareholders' equity by means of the exercise of the conversion option of the convertible bonds.

Authorised Capital

By resolution of the General Shareholders' Meeting of 13 September 2005, the Board of Management, with the agreement of the Supervisory Board, was authorised to increase the registered capital of the Company by up to a total of EUR 2,877,275, by means of the single or multiple issue of new registered no-par shares against cash and/or investment in kind (Authorised Capital 2005/I).

Conditional Capital

The registered capital of the Company was conditionally increased by resolutions of the General Shareholders' Meetings of 22 May 2000, 30 August 2001, 21 November 2002, 29 June 2005 and 13 September 2005. Recording has taken place in the Commercial Register. As of 31 December 2005, the value of the conditional capital under consideration of the capital increase during the period from the Company's own resources (factor 50) is as follows:

EUR	2005	2004
Conditional Capital 2000/I	4,400	964
Conditional Capital 2001/I	0	0
Conditional Capital 2002/I	0	309
Conditional Capital 2005/I	20,000	0
Conditional Capital 2005/IV	172,637	0
Total	**197,037**	**1,273**

Of the conditional capital 2000/I, EUR 876.00 was converted (value after capital increase EUR 43,800.00). The conversion period up to 31 December 2005 has elapsed for the conditional capital 2000/I of EUR 88.00 (value after capital increase EUR 4,400.00).
Conditional capital 2002/I at EUR 309.00 was cancelled upon expiry.

Conditional capital 2000/I and 2005/I serves for the granting of conversion rights to the owners of convertible bonds. A convertible bond with a nominal value of EUR 2.00 certifies the right to convert a bond into one new Company share. Conditional capital 2005/IV serves for the implementation of a management and employee participation programme.

Authorisation to Acquire own Shares

It was resolved at the Extraordinary Shareholders' Meeting of 13 September 2005 to authorise the Company to acquire its own shares. The Company is authorised accordingly to acquire its own shares to a total amount of up to 10% of registered capital at the date of the resolution by 13 March 2007. The shares acquired on the basis of this authorisation, together with other own shares which are in the possession of the Company or which are to be assigned to the Company in accordance with §§ 71a ff. of the Companies Act, may not at any time exceed 10% of the registered capital. Trading in the Company's own shares is excluded.

Management and Employee Participation Programme (Share Option Programme)

In the context of the published share option programme, employees were granted the right to acquire shares in Interhyp from the conditional capital created for this purpose (2005/I), against payment of a contractually fixed price. The maximum number of share options which can be issued under the share option programme is 172,637. 85,000 share options have already been issued to employees. The Supervisory Board takes decisions concerning the issue of share options to members of the Board of Management and further details relating to the issue; the Board of Management takes such decisions in respect of employees. Share options are provided for individuals whose decisions are closely linked to the development and success of the Company. A maximum of half of all share options in the programme is designated for Board of Management members. The shares required for the share option programme originate from conditional capital created by the Extraordinary Shareholders' Meeting of 13 September 2005 (2005/IV). The exercise price of the options corresponds to the average value of the closing prices of Interhyp shares in XETRA trading during the 20 trading days prior to the issue date. For share options issued one month after acceptance of the listing of the Interhyp AG shares on the Frankfurt Stock Exchange, the exercise price corresponds to the placement price of the shares. The options become exercisable when the Interhyp share records a price advance of at least 5% p.a. against the exercise price. If such a price advance does not occur then the options expire. The contract term of each option granted is 10 years. In addition, the share option plan is provided with a waiting period for exercising the option. The waiting period begins on the issue date and ends two years after this date, for one quarter of the share options issued to a beneficiary within one tranche. The remaining 75% of the tranche may be exercised in the course of the three following years at the rate of 25% per year. Cash payment is possible. The Board of Management in consultation with the Supervisory Board (for employees of Interhyp AG) or the Supervisory Board (for members of the Board of Management of Interhyp AG) takes the decision as to whether to grant cash payment. The Group's guidelines do not provide for cash settlement.

The following table illustrates the quantity and weighted average exercise prices (AEP) of the share options awarded during the financial year.

2005	Quantity	AEP
Outstanding at the beginning of the reporting period	0	–
Awarded in the reporting period	85,000	EUR 42,00
Exercised in the reporting period	0	–
Expired in the reporting period	0	–
Outstanding at the end of the reporting period	**85,000**	**EUR 42,00**
Exercisable at the end of the reporting period	0	–

The weighted average residual contract term of the existing share options up to 31 December 2005 is 9.75 years.
The actual cash value of the share options awarded is defined on the date of the award by means of the application of a generally recognised option price model. The calculation was based on the following parameters:

	2005
Expected volatility (%)	25%
Fluctuation p.a. (%)	5%
Risk-free interest rate according to expected term (%)	2.9 – 4%
Dividend yield (%)	0%
Issue price (EUR)	42.00
Market price on the issue date (EUR)	7.81

The expected term of the options is based on the assumption of the Board of Management that the options will be exercised 1 year after expiry of the respective waiting period. This may not be in accordance with the way in which beneficiaries actually exercise their options. The expected volatility is based on the assumption that future trends can be deduced from the historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

Convertible Bonds

In 2005, convertible bonds were issued to employees and to a former member of the Supervisory Board. The employees and the former member of the Supervisory Board paid the nominal amount of EUR 2.00 each for the convertible bonds in 2005. The interest rate on the convertible bonds is 1% p.a. At the end of the term of the convertible bonds, the nominal amount is due for repayment if conversion has not taken place.

The owners of the convertible bonds have the right to exchange the convertible bonds received into no-par shares of Interhyp AG; in this instance, a no-par convertible bond with a nominal value of EUR 2.00 qualifies for conversion into 50 no-par shares of Interhyp AG, each with an allocated share in the registered capital of the Company of a computed nominal amount of EUR 1.00. Following the increase in capital from the Company's own resources in August 2005, the number of no-par shares was increased from 1 to 50.

As at 31 December 2005, the following convertible bonds had been issued:

	Employees *)	Total
1 January 2005	964	964
Newly issued	516	516
Exercised	992	992
Expired	88	88
31 December 2005	**400**	**400**
Exercisable at the end of the reporting period	0	0

*) including one former member of the Supervisory Board

As at 31 December 2004, the following convertible bonds had been issued:

	Employees *)	Investors	Total
1 January 2004	7,236	4,949	12,185
Exercised	6,272	4,949	11,221
31 December 2004	**964**	**0**	**964**
Exercisable at the end of the reporting period	964	0	964

*) including one former member of the Supervisory Board

The convertible bonds issued to employees in 2005 can be converted into shares in the Company in stages over a period of between two and five years following their issue date. The convertible bonds issued to the former member of the Supervisory Board in 2005 could be converted immediately.

The term of the convertible bonds issued to employees in 2005 ends on 31 December 2010.

The actual cash value of the shareholders' equity instruments on the date of acceptance is recorded in the income statements on a straight-line basis throughout the lock-up or waiting period; the counter entry is made in additional paid-in capital.

When calculating the actual cash value of the convertible bonds, the Black-Scholes method was used based on the following parameters:

	2005
Expected volatility (%)	25%
Risk-free interest rate according to expected term (%)	2.9 – 4%
Dividend yield (%)	0%
Issue price (EUR)	2.00
Market price on the issue date (EUR)	1,717.00

The expected term of the convertible bonds is based on the assumption of the Board of Management that the options will be exercised on expiry of the respective waiting period. This may not be in accordance with the way in which beneficiaries actually exercise their options. The expected volatility is based on the assumption that future trends can be deduced from the historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

Expenses on the issue of convertible bonds to employees are recorded as personnel expenses (EUR 72 k) and expenses on the issue of convertible bonds to a former member of the Supervisory Board are recorded as other operating expenses (EUR 199 k).

Additional Paid-in Capital

Changes in additional paid-in capital can be seen in the consolidated statement of shareholders' equity.

(8) Other Provisions

Changes in provisions are presented in the analysis of provisions on page 50.
Liabilities related in particular to holidays, acquisition and audit costs were shown under other provisions in 2005. The disclosure for the previous year was adjusted accordingly.

Restoration Liabilities for Rented Premises

Contractual restoration liabilities exist in respect of rented office space. The restoration costs for the offices in Marcel-Breuer-Straße, Munich, are estimated at EUR 220 k; the restoration costs for the newly opened regional offices in Hamburg, Frankfurt and Cologne are estimated at EUR 60 k. The restoration costs will fall due on completion of the rental arrangements, whereby the rental contract terms run until 2009/2010 respectively.

(9) Tax Liabilities

The tax liabilities contain liabilities in respect of current taxes on profits. Tax liabilities rose noticeably in comparison to the previous year due to increased profits before tax and low prepayments in the financial year.

(10) Other Liabilities

Other liabilities consist of the following:

EUR k	2005	2004
Salary bonuses	1,216	697
Sales commissions	805	255
Social contributions	392	192
Wage/Church tax	294	159
Outstanding invoices	481	217
Acquisition and audit costs	254	74
Bonus commissions for brokers	566	0
Rent-free periods	378	263
Outstanding holidays	346	185
Severance payments	114	0
Other	272	236
Total	**5,118**	**2,278**
Short-term component	4,740	2,015
Long-term component	378	263

In contrast to the previous year, special commissions were awarded to brokers in the 2005 financial year.
The "other" item basically includes liabilities towards employer's liability insurance and intermediaries with credit balances.
Liabilities with particular respect to holidays, acquisition and audit costs were shown under other liabilities for the first time in 2005. The disclosure for the previous year was adjusted accordingly.

Liabilities in Respect of Contracts with Rent-free Periods

The closed rental contracts grant Interhyp AG rent-free periods at the beginning of the rental arrangements. In order to amortise rental expenses over the entire rental period, the Company creates a liability at the commencement of the rental arrangement and uses this across the anticipated rental period, in accordance with SIC 15 “Operating Leases – Incentives”.

The liability rose disproportionately in comparison with the previous year due, in particular, to the opening of new regional offices in 2005.

(11) Financial Liabilities

EUR k	2005	2004
Long-term		
Convertible bonds	1	0
Earlybird loan	0	2,956
Purchase price for Haselsteiner & Wolsdorf	0	198
Other	0	4
	1	**3,158**
Short-term		
Interest on Earlybird loan	158	50
Purchase price for Haselsteiner & Wolsdorf	194	198
Convertible bonds	0	2
Other	0	14
	352	**264**
Total	**353**	**3,422**

The loans granted by Earlybird Pre-Seed Beteiligungskommanditgesellschaft, Munich and Earlybird Venture Capital GmbH & Co. KG, Munich, attract an interest rate of 7% p.a. In addition to the fixed interest rate, the borrower is liable to make a profit-related payment to the lender, in accordance with the following conditions:

The profit-related payment is 5% p.a. of the assessment basis, however a maximum of 3% p.a. of the loan amount in question. The assessment basis is calculated from the net income/loss for the year (§ 275 (2) No. 20 of the German Commercial Code [HGB]), which results from the borrower’s net income/loss for the year as determined under commercial law, before consideration of the fixed payment and before taxes on profits. The profit-related payment is deferred interest-free until the date of repayment of the loan.

Long-term liabilities reduced by EUR 2,956 k due to the repayment of the shareholder’s loan, plus interest, in the course of the stock market flotation. Short-term interest was EUR 159 k due to fixed and profit-related payments to the loan providing shareholders, Earlybird Pre-Seed Beteiligungskommanditgesellschaft, Munich and Earlybird Venture Capital GmbH & Co. KG, Munich.

IV. Explanations to the Income Statement

(12) Revenues

The calculated commissions for services rendered by contract partners in the context of normal business activity are shown in the revenues – reduced by revenue reductions and cancellation costs.

(13) Cost of Services Purchased

Expenses on commissions to sub-brokers are recorded under this item.

(14) Personnel Expenses

Personnel expenses consist of the following:

EUR k	2005	2004
Wages and salaries	14,071	7,914
Social contributions and expenses on pension schemes and support	2,620	1,437
of which for pension schemes	84	61
Total	**16,691**	**9,351**

Of the expenses on personnel, EUR 13,722 k (previous year EUR 7,109 k) was in the area of sales. This amount includes expenses (salary and ancillary costs) on both pure sales units and sales support units (service line, credit experts, etc.) This item also includes expenses on the issuing of convertible bonds (72 k EUR) and share options (52 k EUR).

Expenses on pension schemes include expenses on contribution-based pension schemes in the amount of EUR 84 k (previous year: EUR 61 k). In addition, the Group pays contributions to the German pension insurance scheme, which is also contribution-based.

(15) Other Operating Expenses

Other operating expenses consist of the following:

EUR k	2005	2004
Marketing	**2,695**	**1,297**
Office and administration expenses		
Rental and ancillary costs	1,015	842
Telecommunications expenses	529	330
Leasing	324	122
Office materials	209	114
Postages	213	107
	2,290	**1,515**
External programming services	**176**	**135**
Hiring costs	**478**	**301**
Legal and professional fees	**1,409**	**521**

EUR k	2005	2004
Other		
Hardware and software maintenance	305	119
Travel expenses	154	47
Insurances	42	28
Staff conferences	98	95
Vehicle expenses	60	40
Provisions for convertible bonds	394	0
Expenses on the issue of convertible bonds	199	0
Other	476	241
	1,728	**570**
Total	**8,776**	**4,339**

(16) Net Interest Income

Interest expenses are basically the result of a profit-related payment in respect of a shareholder's loan, which was fully paid in 2005. Interest earned rose due to the yield on accrued cash from the stock market flotation.

(17) Tax Result and Deferred Taxation

Expenses are divided between taxation on income and taxation on profits, dependent on the source, as follows:

EUR k	2005	2004
Current tax result	(1,486)	(182)
Deferred tax result	1,437	(1,014)
of which time-related valuation differences	109	(138)
of which tax loss carryforwards	1,328	(876)
Tax result	**(49)**	**(1,196)**

Theoretical tax expenses based on the result before tax of EUR 13,006 k (previous year: EUR 1,676 k) and the applicable taxation rate of 42.95% (effective business tax 16.57% and corporation tax including solidarity tax 26.38%) is carried over into tax expenses as follows:

EUR k	2005	2004
Theoretical tax expenses	5,586	720
Tax increases due to non-deductible expenses	216	211
Liquidation/increase of valuation adjustment of loss carryforward	(3,646)	265
Tax effect of cost of stock market flotation	(2,107)	0
Taxation on income and profits (actual tax expenses)	**49**	**1,196**

Active and passive deferred taxes from temporary differences between the book value and the tax valuation of assets and liabilities are presented in the following table:

EUR k	2005	2004
Passive deferred taxes		
Development costs	94	145
Capitalisation of restoration liabilities	0	47
Lump-sum allowance	27	0
Total passive deferred taxes	**121**	**192**

Active deferred taxes		
Loss carryforward	3,435	3,646
Less valuation reduction	0	3,646
Active deferred taxes on loss carryforwards, net	3,435	0
Provisions for future expenditure	86	0
Lump-sum allowance	0	47
Total active deferred taxes	**3,521**	**47**

Adjustments are made to the book value of active deferred taxes if it is not sufficiently probable that the expected advantages from deferred taxation will be realised. The estimates made in the process may be subject to changes over time, which may lead to dissolution of the value adjustment in subsequent periods.

In accordance with § 8 Clause 4 of the German Corporation Tax Law (KStG), the possibility existed in 2004 that, due to the planned stock market flotation, the loss carryforwards of the Company may not be retainable as a result of future share transfers and allocations of predominantly new assets. In order to make allowance for this risk, the value of deferred taxation on loss carryforwards up to 31 December 2004 was fully adjusted.

Since the actual transfer of shares in the context of the stock market flotation remained clearly below 50%, the regulation of § 8 Clause 4 of the German Corporation Tax Law (KStG) is not applicable. For this reason, the value adjustment was completely liquidated in 2005.

As far as loss carryforwards were not adjusted, it is assumed that this tax reduction potential will be used against taxable income in the coming years, which based on the company's projections can be considered to be probable.

In 2005, active and passive deferred taxes were offset against the restoration liability.

(18) Earnings per Share

Undiluted earnings per share were calculated from the net income and the average number of outstanding shares during the year.

Undiluted earnings per share	2005	2004
Net income	12,956,571	480,349
Weighted average of outstanding shares	5,944,225	5,562,150
Earnings per share in EUR	**2.18**	**0.09**

In accordance with IAS 33, the value for the previous year also changes retrospectively as a standard of comparison due to the capital increase from the Company's own resources in 2005. The weighted number of shares changes from 111,243 shares in 2004 to the comparative value of 5,562,150 shares and the weighted potential number of shares from 115,939 to the comparative value of 5,796,950, due to the increase in common stock from additional paid-in capital, by a factor of 50. For this reason, undiluted earnings per share in 2004 change from 4.32 to 0.09 and diluted earnings per share in 2004 change from 4.14 to 0.08.

In order to calculate diluted earnings per share, the average number of outstanding shares during the year is to be increased by the weighted average number of all potential shares with dilution effect. For further details concerning the convertible bonds and share options issued, we refer to the explanations given under "shareholders' equity".

	2005	**2004**
Weighted average of outstanding shares for calculation of undiluted earnings per share	5,944,225	5,562,150
Dilution effects:		
Convertible bonds	42,966	234,800
Share options	6,993	0
Weighted average of shares adjusted by the dilution effect	**5,994,184**	**5,796,950**

Diluted earnings per share	**2005**	**2004**
Net income for the year	12,956,571	480,349
Weighted average of outstanding shares	5,994,184	5,796,950
Earnings per share in EUR	**2.16**	**0.08**

No transactions have taken place with shares or potential shares in the time between the balance sheet date and the compilation of the consolidated financial statements.

V. Other

Financial Risks

Interest risks result from changes to interest rates which may have negative effects on the Group's asset and profit situation. Interest rate fluctuations lead to changes in interest income and expenses and changes in the balance sheet values of interest bearing assets and liabilities.
Classical non-payment risks may basically be viewed as low, since the receivables of the Company are exclusively due from highly creditworthy banks and insurance companies. However, a different type of non-payment risk exists in the shape of the potential cancellation of a loan arrangement by the borrower. The lender (bank), in part waives the contractually fixed non-acceptance indemnity towards the end customer for goodwill reasons. The lender thereupon demands the return of a part of the commission already paid to the mortgage broker (Interhyp AG). In order to allow for this risk, the Company has created a provision for non-payment risks of this kind.

The risk that could arise from the termination of a business relationship with one large lender is reduced by the fact that the Company cooperates with more than 40 banks and insurance companies. The Company can react quickly to changed conditions in relation to individual banks. Enquiries for financing can be negotiated with competing lenders within a short period of time.
For this reason, the loss or curtailment of a business relationship with one of the lenders would not give rise to any noticeable reduction in revenues.

Segment Reporting

Business fields are the primary format for Group segment reporting, since the risks and the return on shareholders' equity are influenced by differences in the services provided. The business fields are organised and managed independently of each other based on the nature of the service provided. Geographical segmentation is not relevant, since the Group is active exclusively in the German market.

The two principle business fields of Interhyp AG in 2004 and 2005 were the Direct Channel and the Intermediary Channel. In the Direct Channel segment, broking services are offered directly to the prospective loan customer and in the Intermediary Channel segment, the service offering is made available through local residential mortgage brokers and independent financial advisers.

The receivables and liabilities between the segments were not presented as segment assets or liabilities in this financial year. The figures for the previous year were adjusted accordingly. The transfer prices between the business fields are calculated on the basis of standard market conditions between external third parties.

External revenues by segment (EUR k)	2005	2004
Direct Channel	30,512	13,777
Intermediary Channel	16,191	4,746
Group	**46,703**	**18,523**

Depreciation by segment (EUR k)	2005	2004
Direct Channel	954	986
Intermediary Channel	0	0
Group	**954**	**986**

Earnings before interest and taxes by segment (EUR k)	2005	2004
Direct Channel	9,267	1,675
Intermediary Channel	3,668	226
Group – earnings before interest and taxes	**12,935**	**1,901**
Group – interest result	71	(225)
Group – tax result	(49)	(1,196)
Group – net income	**12,957**	**480**

Assets by segment (EUR k)	2005	2004
Direct Channel	44,940	10,333
Intermediary Channel	8,136	965
Consolidation	(25)	(25)
Group assets	**53,051**	**10,273**

Liabilities by segment (EUR k)	2005	2004
Direct Channel	7,005	3,151
Intermediary Channel	3,328	1,221
Financial liabilities	535	3,422
Group liabilities	**10,686**	**7,794**

Investment by segment (EUR k)	2005	2004
Direct Channel	1,612	723
Intermediary Channel	0	0
Group	**1,612**	**723**

Consolidated Cash Flow Statement

The following items are contained in cash flow from current business activity: interest paid in the amount of EUR 163 k (previous year: EUR 201 k), interest received 275 k EUR (previous year: EUR 42 k) and paid tax on profits in the amount of EUR 165 k (previous year: EUR 14 k).

Litigation

Neither Interhyp AG nor its Group companies are involved in legal or arbitration proceedings which could have a significant impact on the Group's business situation.

Related Parties

According to IAS 24 "Disclosure of Related Party Transactions", transactions with persons or companies which may be influenced by the reporting company, or which may have an influence on the company, must be disclosed, provided that they are not already included as consolidated companies in the consolidated financial statements.

In this context, we refer to the following transactions:

- ***Purchase of Haselsteiner & Wolsdorf GmbH, Munich***

Interhyp AG acquired this company on 1 July 2003. The main shareholders of Haselsteiner & Wolsdorf GmbH, Munich, were Robert Haselsteiner and Marcus Wolsdorf, who are also Co-Chief Executive Officers of Interhyp AG. The transaction was duly approved by the Supervisory Board of Interhyp AG.
The purchase price in the amount of EUR 194 k, which as at 31 December 2005 had yet to be paid, becomes due for payment in 2006.

- ***Issue of Convertible Bonds to a Former Member of the Supervisory Board***

In the context of the General Shareholders' Meeting, 116 convertible bonds were issued in the financial year to the former member of the Supervisory Board, Dr Martin Schütte. Dr Schütte exercised the convertible bonds in 2005.

- ***Remuneration of Management Bodies***

We refer to the details presented under the organisational structure.

Other Financial Liabilities

- ***Leasing Arrangements***

Liabilities from rental and leasing contracts basically include rental contracts for office space and leasing arrangements for various items of hardware and software. The leasing contracts have a term of between one and five years and do not include any extension options. The following payments become due in relation to non-redeemable rental and leasing arrangements in the coming years:

EUR k	2005	2004
Within one year	1,512	1,045
thereof from leasing contracts	456	326
Within two to five years	5,239	2,552
thereof from leasing contracts	251	251
After five years	0	0
thereof from leasing contracts	0	0
Total	**6,751**	**3,597**

Payments of EUR 378 k in respect of leasing arrangements and EUR 732 k in respect of rental arrangements were recorded in the income statement for the financial year.

Organisational Structure Board of Management

Robert Haselsteiner
Businessman – Munich

Marcus Wolsdorf
Businessman – Munich

Dr Christian G. Nagel
Member of the Supervisory Board of bridgeCo AG (Switzerland) and member of the Supervisory Board of Tipp24 AG

Thomas Geiger
No further Supervisory Board activities

Remuneration paid to members of the Board of Management in the financial year just completed was:

EUR k	Robert Haselsteiner	Marcus Wolsdorf	Total	Previous year
Basic remuneration	211	218	429	200
Performance-related remuneration	100	100	200	196
Short-term benefits	**311**	**318**	**629**	**396**
thereof contributions due to contribution-based pension schemes	5	5	10	

Supervisory Board

The Supervisory Board was made up of the following:

Dr Christian G. Nagel
Businessman – Hamburg, Chairman

Thomas Geiger
Businessman – Wiesbaden, Deputy Chairman

Christian Siegele
Businessman – Stuttgart,
member since 29 June 2005

Dr Martin Schütte
Lawyer – Lochham,
member until 28 June 2005

The members of the Supervisory Board hold additional mandates from the following companies:

Christian Siegele
Member of the Supervisory Board of Saperion AG, Deputy Chairman of the Supervisory Board of abaXX Technology AG,
Chairman of the Advisory Board within the Supervisory Board of ICIDO GmbH and member of the Administrative Board of Webpay Holding AG

From 16 January 2006 the Supervisory Board is made up of the following:

Peter Mark Droste
Businessman – Munich, Chairman

Dr Roland Folz,
Businessman – Munich, Deputy Chairman

Herr Thomas Geiger
Businessman – Wiesbaden, member

The members of the Supervisory Board hold additional mandates from the following companies:

Peter Mark Droste
Chairman of the Supervisory Board of Ferrari Electronic AG,
member of the Supervisory Board of Intershop Communications AG

Dr Roland Folz
No further Supervisory Board activities

Thomas Geiger
No further Supervisory Board activities

In the reporting year, EUR 59 k was awarded in fixed salaries and attendance fees (previous year: EUR 0 k).
In 2005, convertible bonds in the amount of EUR 232 were awarded to a former member of the Supervisory Board, which were converted into 116 shares in 2005 (prior to the capital increase from the Company's own resources). The actual cash value on the date of issue was EUR 199.

Employees

In the financial year just completed, there were on average 254 employees (previous year: 157).
This included, on average, 29 temporary and part-time personnel and 1 trainee.

VI. Disclosures in Accordance with § 315a of the German Commercial Code (HGB)

Audit and Professional Fees

The auditor's fees recorded as expenditure in the financial year amount to EUR 110 k or the audit, EUR 491 k for other validation and valuation services and EUR 9 k for tax consultancy services.

Statement in Accordance with § 161 of the German Stock Corporation Act (AktG) Concerning the Corporate Governance Code

Interhyp AG has issued the prescribed statement for 2005 in accordance with § 161 of the German Stock Corporation Act (AktG) and has made this available to the shareholders.*

Munich, 3 March 2006

Robert Haselsteiner Marcus Wolsdorf

*) The statement and explanations are presented in the Corporate Governance report on page 81 below.

The Corporate Governance Report

The Board of Management and Supervisory Board of Interhyp AG identify themselves with the goals of the German Corporate Governance Code to promote responsible, transparent business management and control aimed at sustained growth in company value.

In accordance with these goals, Interhyp AG publishes on its website not only Declarations of Compliance in relation to the Code but also explanations of the individual points and explanations about compliance with the suggestions of the Government Commission which are also listed in the Code.

Declaration of Compliance with Explanations

In their Declaration of Compliance of 12 March 2006, the Board of Management and Supervisory Board of Interhyp AG declared that the Company meets the recommendations of the "Government Commission for the German Corporate Governance Code" in the version of 2 July 2005, published by the German Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger), with the following exceptions:

Contrary to Item 3.8 of the Code, Interhyp AG has taken out D&O insurance (Directors and Officers insurance or liability) without deduction, for the Board of Management and the Supervisory Board. This insurance will be continued without deduction, as effecting a new policy with deduction would not generate any financial advantages compared to the existing policy. The Board of Management and Supervisory Board negotiate responsibly on the basis of their office and their negotiations are aimed towards an increase in the value of the Company. Since Interhyp is managed by the founders, and the founders at the same time own substantial shareholding in the Company, there is no conceivable conflict of interest in relation to the decisions of the Board of Management which a deduction could mitigate or prevent.

Contrary to Item 4.2.1 of the Code, the Board of Management of Interhyp AG has two spokesmen. In this way, the management structure is based on a format of Co-CEOs (Co-Chief Executive Officers), which is more common in British-American business.

Contrary to Item 5.3 of the Code, the formation of qualified committees is not planned. Since the Supervisory Board of Interhyp AG consists of only the statutory three members, the formation of special committees is not necessary.

Contrary to Item 5.3.2 of the Code, the Supervisory Board does not dispose of an Audit Committee. This is also due to the number of members of the Supervisory Board.

Contrary to Item 5.4.7 of the Code, the members of the Supervisory Board of Interhyp AG do not receive results-based compensation. At present, remuneration consists of a fixed rate and a variable amount linked to participation in meetings of the Supervisory Board. The Supervisory Board decided against results-based compensation, since the Supervisory Board ought to fulfil its supervisory duties without financial incentive.

Explanations Concerning the Suggestions of the Government Commission

Contrary to Item 2.3.4 of the Code, the Annual General Meeting of Interhyp AG will not be available for viewing via modern communications media such as the Internet. Comprehensive information about the Annual General Meeting will be made available to shareholders of Interhyp AG on the Internet, however online transmission will not take place for cost-benefit reasons.

Contrary to Item 4.2.3, the remuneration of the Board of Management does not contain components with long-term incentive and risk effects. Since the Co-Chief Executives of Interhyp AG are also at the same time the founders of the Company and own a substantial proportion of the share capital, they already participate to a large extent in the Company's long-term success.

Contrary to Item 5.3.3, the Supervisory Board does not refer specialist subject areas to committees, since the statutory number of three Supervisory Board members makes the formation of committees unreasonable.

Contrary to Item 5.4.6, scheduled Supervisory Board elections with different periods of office have not taken place. This is again due to the small, statutory size of the Supervisory Board.

With regard to the compensation and incentive systems deployed by Interhyp, particularly the employee share programme and the share option programme, detailed information can be found in Section III of the explanations to the consolidated financial statements of this annual report.

Auditors' Report

We have issued the following auditors' report to the consolidated financial statements and Group management report:

"We have examined the consolidated financial statements – consisting of consolidated balance sheet, consolidated income statement, cash flow statement, consolidated statement of shareholders' equity and explanations to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2005, as prepared by Interhyp AG, Munich. The preparation of the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRS), as such are to be applied in the EU, and the additional provisions under commercial law to be applied in accordance with § 315a Clause 1 of the German Commercial Code (HGB), is the responsibility of the Company's legal representatives. It is our responsibility to submit an assessment of the consolidated financial statements and Group management report on the basis of the examination we have carried out. In addition, we were also appointed to assess whether the consolidated financial statements, in general, meet IFRS.

We have conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB), taking account of the principles for the proper auditing of financial statements, as defined by the Institute of Auditors in Germany (IDW). Accordingly, the audit is to be planned and carried out in such a way as to identify, with sufficient certainty, any inaccuracies and irregularities which have a significant effect on the presentation of the picture of the asset, financial and profit situation expressed by the consolidated financial statements and the Group management report, taking account of the accounting regulations to be applied. Knowledge of the Group's business activity, its economic and legal circumstances and expectations of possible errors are taken into consideration when defining the auditing activities. In the context of the audit, the effectiveness of the internal control system, as relating to accounting, and the evidence for the data contained in the consolidated financial statements and Group management report are assessed mainly on the basis of random inspection. The audit comprises the assessment of the financial statements of the companies included in the consolidated financial statements, the demarcation of the basis of consolidation, the applied accounting and consolidation principles, the important estimates made by the legal representatives and the evaluation of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit provides a sufficiently secure basis for our assessment.

Our audit has not given rise to any objections.

In our judgement, on the basis of the information gathered during the course of the audit, the consolidated financial statements are in accordance with IFRS, as applied in the EU, with IFRS overall and with the additional provisions under commercial law to be applied in accordance with § 315a Clause 1 of the German Commercial Code (HGB) and, taking account of these provisions, express a picture of the asset, financial and profit situation of the Group which is in accordance with the actual circumstances. The Group management report is consistent with the consolidated financial statements, expresses a true picture of the overall position of the Group and correctly presents the opportunities and risks of future developments."

Mannheim, 3 March 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Herrwerth	Schmitt
Auditor	Auditor

Further Information

Multiple Year Review

EUR m	2005	2004	2003	2002
Revenues	46,703	18,523	9,301	5,180
Cost of services purchased	7,347	1,946	639	383
Net revenues	39,356	16,577	8,662	4,798
Personnel expenses	16,691	9,351	5,934	3,539
thereof sales and sales-related	13,722	7,109	4,692	2,468
Other operating expenses	8,776	4,339	2,355	1,583
thereof marketing	2,695	1,297	294	185
EBIT	12,934	1,902	(158)	(763)
Net interest income	71	(225)	(147)	(71)
Income taxes	(49)	(1,196)	95	80
Net income	12,957	480	(211)	(755)
Non-current assets	6,223	1,483	2,689	1,263
Current assets	46,828	8,790	4,820	4,929
thereof cash and cash equivalents	33,945	2,933	2,313	3,557
Total assets	53,051	10,273	7,509	6,193
Shareholders' equity	42,365	2,479	1,957	2,146
Long-term liabilities and provisions	779	3,762	3,622	2,964
Short-term liabilities and provisions	9,907	4,033	1,930	1,083
Net cash from operating activities	11,186	2,451	(246)	(763)
Net cash from investing activities	(1,612)	(1,732)	(1,001)	(294)
Net cash from financing activities	21,438	(99)	3	10
Cash and cash equivalents at the end of the period	33,945	2,933	2,313	3,557
Number of applications received	108,035	51,445	35,345	20,672
Number of closed mortgages	18,273	8,118	5,250	3,460
New residential mortgage volume	3,022	1,332	876	558

Product Overview

Product	Short description	Fixed interest period	Max. loan-to-value	Prepayment option
Annuity loan	Initial fixed interest period with constant rate, made up of interest and repayment (min. 1%), by which the loan is repaid in stages	1 to 30 years	up to 106%	up to 10% p.a.
Full repayment loan	Identical to the annuity loan, however with higher redemption for repayment within the initial fixed interest period	5 to 30 years	up to 100%	up to 10% p.a.
Constant loan	Identical to the full repayment loan, however with longer term and therefore lower monthly rate	approx. 28 years	up to 72%	up to 100% p.a. (after approx. 10 years)
Fixed loan	Loan with no ongoing repayment and constant interest charge. Repayment via separate savings plan (life insurance, building savings agreement, etc.)	5 to 30 years	up to 105%	Not possible
Forward loan	Annuity loan whereby the interest rate is set today but the loan paid out after up to 42 months (ideal for refinance)	5 to 15 years	up to 100%	up to 10% p.a.
Combined loan	Combination of annuity loan and flexible loan with variable interest rate	5 to 20 years	up to 100%	up to 100% on variable, 10% p.a. on fixed interest tranche
Constant combined loan	Combination of constant loan and flexible loan with variable interest rate	approx. 28 years	up to 72%	up to 100% on variable, 100% p. a. after approx. 10 years on constant tranche
Flexible loan	Variable loan with very low interest rates and 100% prepayment option	3 months	up to 100%	up to 100%
Flexible-plus loan	Variable loan with very low interest rates, 100% prepayment option and interest rate cap	6 months	up to 100%	up to 100%

Commitment – interest-free	Advantages	Inclusion of subsidised funds offered by KfW
up to 15 months	Constant rate over the initial fixed interest period	Possible
up to 12 months	Generally lower interest rates than an annuity loan	Possible
up to 6 months	Constant rate until complete repayment of the loan, thereby no risk of interest rate change; prepayment option up to 100% after approx. 10 years	Possible
up to 15 months	Tax optimisation for buy-to-let; opportunity for faster repayment in the event of outperforming savings plan	Possible
up to 42 months	Hedging of future refinance against interest rate increase	Not possible
up to 12 months	Lower interest rate and thereby lower monthly payment; up to 50% prepayment option; conversion of variable tranche to fixed interest rate possible at any time	Possible
up to 6 months	Total interest rate security until full loan repayment for the long-term tranche; maximum repayment flexibility for the variable tranche	Possible
up to 12 months	Very favourable interest rate and thereby lower monthly payment; prepayment option up to 100%; conversion of variable interest to fixed interest possible at any time	Possible
up to 12 months	More favourable interest rate and thereby lower monthly payment; prepayment option up to 100%; conversion of variable interest to fixed interest possible at any time; security due to interest rate cap	Possible

Imprint and Calendar

Imprint

Board of Management
Robert Haselsteiner
Marcus Wolsdorf

Supervisory Board
Peter Mark Droste (Chairman)
Dr Roland Folz (Deputy Chairman)
Thomas Geiger

Postal Address
Interhyp AG
Parkstadt Schwabing
Marcel-Breuer-Str. 18
80807 Munich
Germany

Concept and Design
PrasserSander Markengestaltung
Hamburg

Company Calendar

Event	Date
Quarterly report Q1 2006	9 May 2006
General Shareholders' Meeting	30 May 2006
Half-year report 2006	10 August 2006
Quarterly report Q3 2006	9 November 2006

For further up-to-date information on Interhyp shares, please visit
www.interhyp.de/ir

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