Annual Report 2006

A Revolution in Mortgages:
We screen the banking market in search of the best mortgage solution for our customers.

interhyp

Key Figures *(in EUR m)*

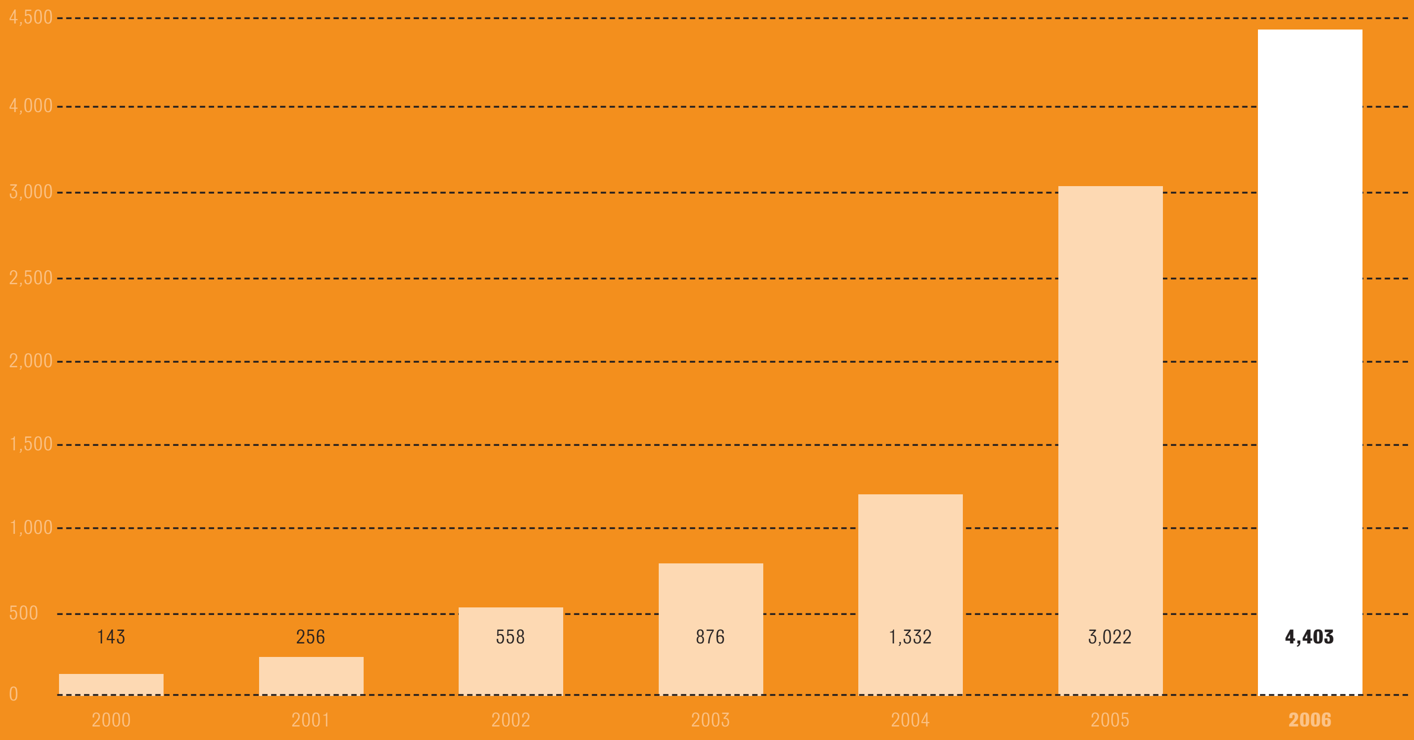
	2006	2005 adjusted*	+/-
New residential mortgage volume	4,403	3,022	+46%
Net revenues	60.1	39.4	+53%
EBIT	22.4	12.9	+73%
Net income	13.7	10.8	+26%
EBIT margin (in %)	37.3%	32.9%	
Earnings per share in EUR (undiluted)	2.11	1.83	
Dividend per share in EUR	1.60	0.00	
Number of applications received	122,597	108,035	+13%
Number of closed mortgages	28,072	18,273	+54%

* The adjustments in the tax result are explained in detail on page 36.

Interhyp effected a sustained change in the German residential mortgage market:
Our customers benefit from the broadest product variety in the marketplace and from attractive terms. Our employees are mortgage specialists and give advice over the Internet, by phone or in face-to-face meetings in our regional offices. Our success with customers shows that the future lies with the independent mortgage broker.

Summary

Closed mortgage volume *in EUR m*



A Revolution in ***Mortgages***

With its broker approach, Interhyp is a pioneer and the critical locomotive for a new model in Germany's mortgage market. In contrast to traditional branch-based retail banks which usually only offer their own products, brokers have access to the mortgage products of a wide range of financial institutions and thus create competition and transparency for their customers – which ultimately results in better rates for customers. On top of this, the big brokers today offer banking products which traditional banks themselves usually cannot deliver. In short, customers have more choice and receive better value for money.

The broker model wins more and more recognition – as documented by awards like ***"Best Residential Mortgage Provider 2006"***

With a brokered mortgage volume of EUR 4.4 billion in 2006, Interhyp is by far the market leader among independent mortgage providers. And a glance abroad reveals the tremendous potential inherent in the broker segment. While in the US already almost 70% of all mortgages are taken out with independent brokers, the corresponding figure in Germany is currently only some 13%. Market observers and independent experts forecast market potential of 30% and more alone in the next five years for independent brokers in Germany.

Although Interhyp was only founded in 1999 by today's Co-CEOs Robert Haselsteiner and Marcus Wolsdorf, it has established itself successfully with a very distinct approach: the Company builds on a symbiosis of independent provider and product choice, efficient technology and independent and competent advice by over 200 mortgage specialists at present. This formula for success is applied in both business segments – the Direct Channel under the Interhyp brand and the Prohyp Intermediary Channel.

The advantages of this model – a broad product spectrum, attractive rates and independent advice – are also confirmed by objective sources: last year, for example, Interhyp was selected by business magazine €uro as the best residential mortgage broker in 2006 – also and especially far ahead of prominent retail banks.

Customised advice for private customers

In the Direct Channel, Interhyp offers prospective builders, real estate buyers and owner-occupiers whose mortgages must be extended an alternative to traditional retail banks or building societies. We deliver not only far more attractive interest rates but also customised mortgages tailored to the customer's needs and outstanding advisory and service quality. A critical factor in our success is the combination of Internet technology and competent advice.

*A wide range of information and various calculation tools: The website **www.interhyp.de** provides orientation and allows the customer to establish contact*

The website www.interhyp.de offers the widest range of information on residential mortgages in the German-speaking Internet. Interested parties can check current interest rates around the clock, calculate their mortgage requirements, compare products – and much more. Internet is thus a key instrument for offering information and winning customers.

Anyone interested in a personal advice and a concrete offer can submit an application, providing all the information required for an in-depth mortgage consultation. The application can be submitted online, by phone, by regular mail or personally in one of our regional offices.

*When it comes to the **advice,** customers can choose between phone, e-mail, or a face-to-face meeting in one of our regional offices*

*Opening 2007

The customer is then referred his or her personal Interhyp mortgage consultant who guides the customer through the entire mortgage process. It is up to the customer to decide whether to communicate by phone or by e-mail or if he wants to meet his or her consultant locally in one of Interhyp's regional branch offices. By the end of 2007, Interhyp will maintain a nationwide presence with a total of 17 regional offices in all important metropolitan areas, thus becoming a multichannel provider.

In the advisory process itself, the Interhyp consultant benefits from being a mortgage specialist as opposed to the generalist employed by many banks or independent financial service providers. He is specialised in private residential mortgages, can access the products of 50 banks and thus offer a broad spectrum of solutions for a wide variety of situations – mortgages without equity at good rates, combination loans with flexible prepayment options, mortgage optimisation by using KfW funds or loans with an integrated protection against prepayment penalties – to name but a few of the options available. The result: Interhyp offers a broad range of solutions on favourable conditions and can thus make it easier for people to purchase their own homes and in particular when it comes to remortgaging, leverage the potential for optimisation.

Full range of services for professional brokers

Under the Prohyp brand, Interhyp AG offers other financial service providers and brokers the full range of possibilities in the mortgage business, enabling them to position themselves as brokers and profit from the trend towards independent advice in motgages.

The traditional focus in this segment is on independent financial consultants and brokers who wish to offer their customers all conceivable mortgage services without themselves being mortgage specialists. These Prohyp partners have access to the product world of Interhyp AG, can utilise the mortgage platform eHyp and are supported by Prohyp mortgage consultants when it comes to advising customers. This core target group consists mainly of small brokers who usually pursue an “Allfinanz” approach and therefore offer other financial products and services and wish to use mortgages as a customer acquisition or retention instrument.

Among the individual brokers, another group has crystallised – that of mortgage specialists who act as independent brokers locally. This new segment of free mortgage brokers is growing rapidly because brokers are increasingly taking the place of traditional bank branches when it comes to mortgages. These providers do not require any more special training; they are usually knowledgeable mortgage specialists seeking a comprehensive range of services and a strong system support at very competitive conditions in order to be able to offer their services. “Prohyp Professional” targets this segment.

A new, but increasingly important target group for Prohyp consists of institutional partners for whom Prohyp takes over the entire mortgage offering as an outsourcing provider. Increasingly, direct banks, e-finance portals and large financial institutions are taking advantage of the broker model when offering mortgages. Their customers have registered interest, but these institutions are themselves not yet – or only at great cost – able to deliver what their customers need. Accordingly, Prohyp has designed a complete package for institutional providers: from mortgage tools for its own private customer website and the full product range process capabilities to outsourcing the complete customer advisory service, Prohyp can offer customised solutions which turn institutional partners into true residential mortgage brokers without having to go to the expense themselves.

***Prohyp** offers single financial advisors and institutional partners fully fledged mortgage capabilities*

Success factor technology

A key element for both business segments is the eHyp technology platform. This system, developed by Interhyp, enables customers to access – directly and in real time – the terms and lending criteria of most of the 50 institutions on the proprietary platform. Interhyp residential mortgage specialists, Prohyp advisors and partners in the Prohyp Professional sector and in the institutional segment can thus check mortgage applications precisely, verify whether they meet the bank’s requirements and then submit them. In this way, customers receive binding information about the feasibility early on, while banks receive new business which fits in a predefined framework or which can, for the most part, be excluded in advance if it does not meet the requirements.

Success factor advisory skills

Advisory skills are critical for being perceived as an ideal partner for mortgages. The product spectrum and the technology platform create the prerequisites for delivering top-notch advice to the customer. Together with the expertise of our consultants, an above-average quality of our mortgage advice should be ensured. Most Interhyp consultants accordingly have banking experience and many hold university degrees. In addition, Interhyp offers

*Specialist advice: **Over 200 consultants** help our customers to deal with the complexity of mortgages*

an in-depth six week introductory programme and has its own team for training and continuing education to ensure that the Interhyp principle is observed consistently. It is therefore no surprise that an unusually high proportion of over 90% of Interhyp's customers recommend us to others.

A revolution in mortgages: Strong brand identity in the real estate environment

Success factor marketing

Also rather unusual in this sector and for the company's size is a firm commitment to an independent, distinctive brand. Interhyp has selected the colour orange and unusually direct, straightforward language as the leitmotiv of the revolution in mortgages. This unmistakable profile is also so critical because communication channels and the media selection are clearly prescribed: As a residential mortgage specialist, Interhyp has positioned itself in the real estate environment – from the online real estate portal to regional daily newspapers to real estate fairs.

This conviction is also reflected in the Prohyp segment. With its unusually clear look and feel and its comprehensible language compared with other financial service providers and brokers, Prohyp distinguishes itself by its unique selling proposition.

Consistent win-win-win situation

Behind these offers with their unique brand profiles is a strategy of positioning ourselves as a mortgage specialist and broker that permanently changes what has so far been seen as a traditional bank transaction. In this way, Interhyp responds to growing demand from customers for a selection of independent providers and products and for customised advice by specialists at transparent terms.

At the same time, the model rests on the growing separation of sales and production in today's mortgage industry. The Interhyp model has consequently generated a consistent win-win-win situation: our private customers profit – in the Direct Channel as well as in the Intermediary Channel – from the independent product spectrum, attractive terms and sound advice. Interhyp is an attractive distribution channel for mortgage producers because we take over the job of winning customers, providing advice and pre-checking applications. This division of roles accommodates in particular the specialists among the banks. As a result, Interhyp is granted excellent interest rates. This in turn makes the company interesting for international mortgage providers as well who are seeking a cost-effective entrance to the German mortgage market. If we add to this the consumer trend toward brokers and the ever accelerating changes in the banking industry, the dimensions of further growth potential immediately become apparent – in short, the revolution in mortgages is far from over.


Sonnabend/Sonntag, 19./20. August 2006

IMMOBILIEN – VERKÄUFE

www.immonet.abendblatt.de 61

Reihenhäuser Region OST

Reihenhäuser mit Fertigstellungen noch in diesem Jahr

Sommer-Aktion 2.500,00 Euro* Küchengutschein

Olande Ein schönes Stück Glinde

www.olande.de

040/ 766 199 17

Ammersbek-Hoisbüttel KW 60 Energiespar Reihenhäuser

ROBINIEN

Überraschung! Musterhaus-Eröffnung So. 20.8. von 12-16 Uhr

Ein- u. Zweifamilienhäuser Region NORD

Poppenbüttel / Höherweg

Klassisches Bauen

TUDSEN Volksdorf DHH

7-8-Zi.-Landhaus Sasel

Sasel / Traumgrdst.

Top Qualität zum Hammerpreis ab € 368.000,-

BERGSTEDT KFW 60

Jagersredder

Ökologische Doppelhaushälfte, HH-Bergstedt

Poppenb. 130 m², € 228.700,-

16% statt 19% Mwst?

GROSS BORSTEL DHH im Toskanastil

Volksdorf mit Badeteich

Poppenbüttel

Niedrigenergiehaus in Sasel

Stadtvilla sucht

Wellingsbüttel · 8-Zi.-Villa

Duvenstedt, Ortskern

ca. 400 Objekte 53 88 88 88

7-Zi.-DHH-Villa/Poppenbüttel

BERGSTEDT, beste Lage

Wellingsbüttel

Wohldorf-Ohlstedt

Sie haben große Pläne?

Wir die kleinen Zinsen!

3,94%

interhyp

GÜNSTIGER FINANZIEREN

4,30%

1. Platz

FREIE HYPO

HH-Poppenbüttel

Großes Grdst. in Niendorf

GRUNDSTÜCKSBESICHTIGUNG

Sasel / Hasenweg Baugebinn kurzfristig

Neuwertig in Poppenbüttel

Repräsentatives EFH Erstbezug/Lemsahl

Niendorf

SASEL 7-8 Zi., 200 m²

Sasel, beste Lage

TUDSEN Villa Volksdorf

Ohlstedt - Fachwerk

Alstertal

Hummelsbüttel · Von Privat

Ohlstedt - schönste Villenlage

Poppenbüttel

Gr. Borstel

Günstig finanzieren!

4,30%

ING DiBa

Ein- u. Zweifamilienhäuser Hamburg Central

Winterhude

KANTWEG

Sparen beim Testsieger!

ING DiBa

Interhyp marketing is efficient and focused.

Not even mentioning our good interest rates (see above).

Fig.: "Hamburger Abendblatt" 19/20 August 2006

Preface by the Management Board

Dear Shareholders,

We are very pleased to present you with an Annual Report that reflects another extremely successful year: in the past year, 28,000 people have relied on Interhyp for their mortgage. This means that they have recognised and profited from the advantages of an independent product range, attractive terms and qualified advice and thus fulfilled their dream of having their own home or saved a considerable amount when remortgaging.

We have made great progress compared with 2005 and firmly established our business model as an alternative to local high street banks for residential mortgages – despite the market environment being anything but bullish with a decline in real estate transactions. However, the trend towards the residential mortgage broker model remains intact, enabling us to expand our market share considerably to 2.85%. This speaks for a real success story and at the same time shows the further growth potential of the business model.

Robert Haselsteiner
Co-CEO

Marcus Wolsdorf
Co-CEO

The **Shares**

Prices of Interhyp shares have paralleled the Company's successful performance since the initial public offering in September 2005. The price level at the end of February 2007 was approximately twice as high as the issue price of EUR 42 per share.

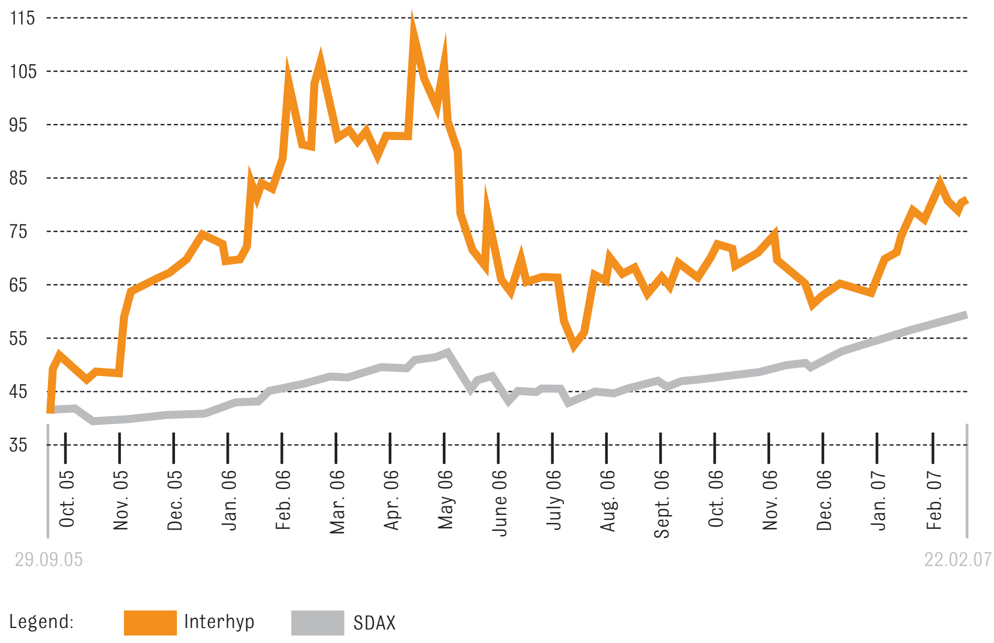
Over the past year, the share price performance was quite volatile. At the beginning of fiscal 2006, the Interhyp share was quoted at EUR 75.25, but rose as high as EUR 115.10 by the beginning of May, reaching its peak for the year.

In the wake of a strong correction in the stock market and a more cautious outlook for the second quarter, the share price weakened to an annual low of EUR 54.00 in July 2006. At year-end, Interhyp shares closed somewhat higher compared with the low but could not match the prior-year level.

Compared to the issue price of EUR 42, ***Interhyp shares*** *doubled by the end of February 2007*

In the course of the year, the shares registered a decline of 13% which, however, was more than offset in the first quarter of 2007 by a very positive development, bringing the price to around EUR 80. The gratifying trend in 2007 must be seen in connection with Interhyp's ability to achieve or surpass its ambitious goals in terms of sales and profits despite a weak market.

Share price performance Interhyp vs SDAX *(indexed)*



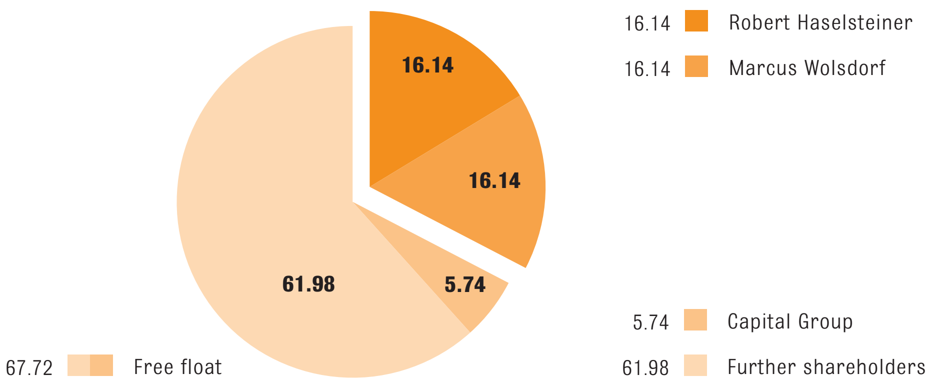
Shareholder Structure

With the disposal of Earlybird Venture Capital's stake of 15.03% since the initial public offering and by reducing the share of the 3i Group of 9.50% to 3.34% (as of 8 February 2007), the percentage of Interhyp shares in the free float rose from 37.97% to 67.72%. In accordance with the guidelines of Deutsche Börse AG, the free float contains both the shareholdings of the 3i Group and that of 5.74% of the Capital Group. Other institutional shareholders in the free float are mainly based in Germany, England and the US The shares of private investors are broadly held within Germany.

The following diagram shows the shareholder structure:

Shareholder structure *as of 8 February 2007, holdings in %*

The co-founders hold about ***1/3 of the shares***



Investor Relations Activities

In the second year of our stock market listing, our investor relations activities continued to focus on winning national and international investors and on intensifying our relationships with current investors. Emphasis was placed on attracting more analysts who regularly publish reports on the company and continually follow and analyse our corporate performance. The table below shows an overview of the institutions which publish at least quarterly:

Overview of Interhyp stock analysts

Company	Analyst	Published since
Citigroup	Michael Gallagher	October 2006
Deutsche Bank	Alexander Hendricks	November 2005*
equinet	Thomas Häßler	June 2006
HypoVereinsbank	Kerstin Vitvar	November 2006
Metzler	Guido Hoymann	February 2006
Sal. Oppenheim	Thomas Rothäusler	November 2005*
SRC Research	Andre Hüsemann	January 2006

* Initiation of coverage; already issued a report at the IPO in September 2005.

***The management** meets with institutional investors on a regular basis*

In 2006 we held various roadshows, gave presentations at European capital market conferences and conducted numerous one-on-one meetings with institutional investors.
In addition, our Investor Relations department holds regular discussions with private investors.

The Interhyp financial calendar for 2006 provides an overview of our activities:

***Interhyp financial calendar** 2006*

Date	Activity
26 January 2006	Roadshow 01/2006 (Vienna)
13 February 2006	HSBC Real Estate Conference 2006 (Frankfurt)
02 March 2006	Preliminary results for FY 2005
03–08 March 2006	Roadshow FY 2005 (London, Frankfurt, New York)
28 March 2006	Press conference on annual results 2005
30 March 2006	Deutsche Bank Pan-European Small- and Mid-Cap Conference (London)
09 May 2006	Report on Q1 2006
10–11 May 2006	Report on Q1 2006 (London, Frankfurt)
17 May 2006	Roadshow 05/2006 (Brussels, Paris)
24 May 2006	Sal. Oppenheim German Select Forum (Milan)
30 May 2006	Interhyp AG Annual General Meeting of Shareholders 2006 (Munich)
31 May 2006	Deutsche Bank German Corporate Conference (Frankfurt)
01 June 2006	Roadshow 06/2006 (Zurich)
22 June 2006	Citigroup Jour Fixe (London)
08 August 2006	Report on first half 2006
09–11 August 2006	Roadshow Q2 2006 (London, Frankfurt)
06 September 2006	SRC Stock Day Financials 2006 (Frankfurt)
26 October 2006	Société Générale Real Estate Conference (London)
09 November 2006	Report on Q3 2006
10–14 November 2006	Roadshow Q3 2006 (London, New York, Frankfurt)
28 November 2006	Analyst Conference – German Equity Forum (Frankfurt)

Our annual event for analysts was held once again before a broad audience in the context of the German Equity Forum in Frankfurt on 28 November 2006.

Another key component of our Investor Relations activities in 2006 was the relaunch of our website with information about Interhyp shares. At www.interhyp.ag, interested parties, investors and analysts can find information about key facts, shares price performance, current ad hoc reports and press releases, the financial calendar and corporate presentations.

*The Internet plays an important role in **capital markets communication***

Moreover, with our new news service, interested parties will be sent capital market information related to Interhyp and updates by e-mail. Information for shareholders with current news and an online order service for annual reports have been introduced. Prior to each Annual General Meeting of Shareholders, we publish a special section with extensive information about this event for our shareholders.

Share Data

German securities identification number (WKN)	**512 170**
ISIN:	DE0005121701
Stock exchange:	Frankfurt Stock Exchange
Trading segment:	Amtlicher Markt
Indexes	SDAX; CDAX; Prime All Share, Classic All Share; GEX
Type of share:	No-par registered shares
Symbol:	IYP
Reuters:	IYPGn.DE
Bloomberg:	IYP GR
Common stock:	EUR 6,498,350.00 divided into 6,498,350 shares
Designated Sponsors:	Deutsche Bank; Sal. Oppenheim
IPO:	29 September 2005

Dividends

The Board of Management and the Supervisory Board will propose to the General Meeting of Shareholders an initial dividend of EUR 1.60 per share for fiscal 2006. This corresponds to a payout rate of 75% of the net accumulated profit of Interhyp AG.

*Interhyp pays a dividend for the first time for **fiscal 2006***

Interhyp service. *Plant a tree, father a child, negotiate a mortgage. We relieve our customers of something thereof.*

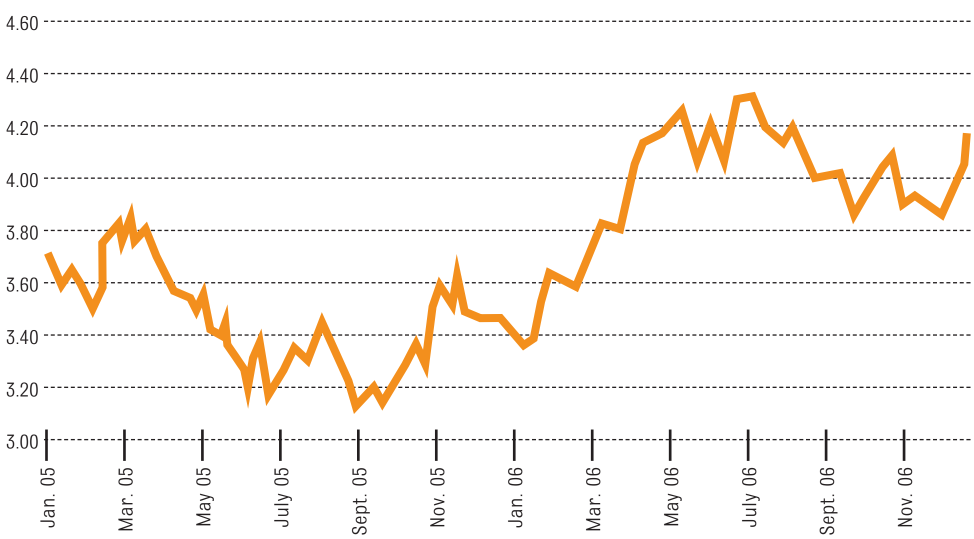
Group Management Report

General Economic Conditions

Economic development

In 2006, market participants had a volatile perception of the economic situation, which was also reflected in bond yields. While the US Federal Reserve (Fed) raised federal fund rates to 5.25% until June against the background of strong economic growth and rapidly rising oil and commodity prices, mid-term growth expectations of investors in the bond market became increasingly negative. Since oil prices backed off considerably in the second half of the year, yields for 10-year US bonds remained clearly below 5% – an inverted yield curve was the result. Since in 2006 the economy in the largest eurozone market Germany surprisingly grew by 2.7%, the European Central Bank (ECB) was also able to raise key interest rates up to 3.50% and thus move in the direction of what it considers to be a neutral level. Against the background of these interest hikes, yields for 10-year covered bonds in the first half of the year rose by some 100 basis points, but failed to continue this trend in the second half due to the development of US interest rates. This has also led to a flat yield curve in the eurozone. As there are still signs of the long-awaited interest rate cut by the Fed, investors in long-term bonds have grown increasingly nervous, resulting in rising capital market yields at the end of the year.

10-year covered bond yields *in %*



Sector development

*The abolition of the **state housing subsidy** leads to a weaker transaction market in the first half of 2006*

The volume of new business amounting to EUR 188 billion in 2006 as reported by the Bundesbank offers a very positive picture of general market development at first glance. However, a closer look brings to light special events in the course of the year: the volume for the first half-year is approximately EUR 100 billion and thus – in contrast to the classical cycle – distinctly more than half the figure for the entire year. The main causes are the late bookings of loans following abolition of the state housing subsidy at the end of 2005 and a very strong response to the special loan programmes sponsored by KfW. We estimate these special effects at around EUR 15 billion, of which some EUR 10 billion are probably accounted for by real estate transactions which were closed by the end of 2005. The second half of the year, with a volume of EUR 88 billion, returned to the average level of past years.

In 2006, the German real estate ***market stagnated***

For a full picture of the demand adjusted for special effects, we must analyse the market for real estate transactions by private households in 2006. Here the data of the surveyors' councils in 11 large German cities show a 16% decline in activity compared with 2005. The number of transactions was similar to the level in 2004, but even below the level for 2002 and 2003. Only in the fourth quarter did the transaction market return to normal after nine very weak months. Nor were any de facto price increases noticeable for new and existing properties in the German market in 2006. Exceptions here are selected popular locations in urban centres and parts of Berlin where sharp price hikes in some areas were observed. Rents in Germany, which rose 1% in 2006, increased less than the rate of inflation. In popular urban centres with strong employment, however, preliminary tendencies toward higher rents were registered. We therefore still see the German residential property market as being in the late phase of a bear market. However, with rising employment, a brighter consumer sentiment and drastic changes in ownership structure on the market for rented apartments by professional investors, the foundation for a market recovery over the medium term has been laid.

Interhyp – Business and Strategy

Business Activities and Group Structure

Business activities

Interhyp AG is Germany's leading independent broker for residential mortgages. As a broker, Interhyp does not grant loans itself but chooses the best mortgages for its customers from a selection of 50 banks. To this end, we rely on our competence and personal, independent advice provided by our more than 200 mortgage specialists. The core customer target group consists of private customers looking to build or buy real estate and seeking customised mortgage solutions. In addition, once the initial fixed rate period expires, we help borrowers adjust the structure of the follow-up mortgage to any new individual circumstances and the interest rate environment.

*Personal **customer service** is of high importance*

The prerequisite for customised advice is a mortgage application containing all important information about the customer's financial situation and the property itself. In the advisory process, customers can rely on a personal consultant who will support them throughout the entire advisory procedure. Our consultants use our proprietary software platform eHyp, which ensures a high degree of efficiency and an absolute focus on the customer in the discussion with the mortgage consultant. With the aid of eHyp, every consultant can match customer data with the individual credit criteria of the lending partners for matching criteria in real time and calculate the terms for an optimum mortgage structure. Our customer is involved in this process, either over the telephone or in a face-to-face meeting in one of our eight regional offices in key cities throughout Germany.

This procedure substantially increases the likelihood of concluding a transaction for the 50 lenders with whom we cooperate, since the applications are not submitted simultaneously to several institutions. Thus for mortgage providers, collaboration with Interhyp replaces or supplements traditional, cost-intensive sales channels. Moreover, lenders can define their offer precisely for certain target groups by means of lending criteria. If a mortgage is successfully closed, the lender pays Interhyp for arranging the transaction when the loan agreement is signed. Banks thus profit from an effective sales channel for their products on a purely variable cost basis. Commissions for our brokerage activities are not distributed over the life of the loans, but are recognised as up-front cash payments when a loan agreement is signed. Moreover, financial institutions pay additional compensation for economies of scale which are achieved through large volumes (volume rebates).

Legal structure

In addition to Interhyp AG, three other companies belong to the Interhyp Group. All three companies are wholly owned subsidiaries of Interhyp AG.

The subsidiary 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. Prohyp combines powerful system support with comprehensive product selection, attractive 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 2006, this segment of the business accounted for 29.9% of the mortgage volume brokered by Interhyp.

Haselsteiner & Wolsdorf GmbH is registered as an asset manager pursuant to Section 32 of the Banking Act with BaFin, the German financial services regulator, and serves high-net-worth customers, advising them in all matters relating to investment and financial planning. H&W focuses on investment funds of the world's leading asset managers. The company was founded in 1996 by Interhyp's Co-CEOs Robert Haselsteiner and Marcus Wolsdorf. The corporate goal of Haselsteiner & Wolsdorf GmbH is to offer independent, competent and fair advice to affluent private customers and to select the best available products on the market. Haselsteiner & Wolsdorf GmbH was wholly acquired by Interhyp AG in 2003.

Hausfinanz Beratungsgesellschaft GmbH does not conduct any business activities at the moment.

Sales channels

Interhyp has two different sales channels for its brokerage services:

Interhyp AG offers its brokerage services to prospective mortgage customers directly under the Interhyp brand name ("Direct Channel").

*Interhyp addresses **private customers and professionals** in mortgages*

Our subsidiary Prohyp GmbH is geared to independent financial advisors offering mortgages, local mortgage specialists and institutional partners who, with assistance from Prohyp, act as independent mortgage brokers and have access to our range of products ("Intermediary Channel"). This segment operates under the independent Prohyp brand.

These two sales channels constitute the segments of financial reporting.

Regional offices

*Through our **regional offices**, we are on-site for our customers*

In 2006 we forged ahead with our regional office strategy after having opened the first four locations in 2005. Four additional regional offices were launched in Berlin, Stuttgart, Düsseldorf and Nuremberg. By the end of 2007, we will conclude the second phase of the regional office strategy which began with Nuremberg and in which nine additional regional offices in important cities in Germany will be established. A detailed overview of existing and planned regional offices can be found on page 25.

In this way, prospective customers in these metropolitan areas can access personal, specialist advice locally in the form of an appointment at a regional office. This option means that we can make our service more tangible and thus reach those customers who inform themselves over the Internet but do not wish to conclude a transaction without personal contact. In addition, Interhyp can position itself in these regions better as a sound alternative to traditional high street banks, take advantage of local bank partners and collaborate closely at a regional level with partners in the real estate industry. Our experience in regions where we are already active shows that customers are more likely to recommend us locally and that the relationship with the customer is enhanced without sacrificing efficiency. On top of this, constant observation and optimisation of the process facilitates a "one-price policy" which in turn means that our customers can rely on local mortgage consulting while enjoying the best terms. Interhyp has thus created an effective multichannel sales approach.

Processes

Our customer acquisition efforts in the Direct Channel business are strongly geared to Interhyp's website (www.interhyp.de). Here prospective customers find detailed information and calculation tools dealing with building, buying, renovating and remortgaging and thus receive the information they need in the orientation phase. In advertisements in local print media, the focus is on the respective Interhyp regional office with opportunities for direct contact, while in superregional marketing initiatives the emphasis is on contacting us via a toll-free service number. By opening regional offices since the middle of 2005 and expanding capacities for supporting first-time customers by phone, we have extended our customer acquisition activities accordingly.

If the prospective customer has specific mortgage requirements and wishes to take advantage of Interhyp's services, he first provides us with the personal data needed for consultation and a subsequent loan decision. This information contains details on his projected mortgage, the desired financing structure, any specific requirements, and also on the customer's income and assets position. Thereafter, the prospective customer contacts his personal Interhyp mortgage consultant who guides our customer through the entire mortgage process and clears up initial questions. In the course of the consultation, the customer's objectives are discussed and the personal circumstances of his life are also taken into account. The remaining steps in the application procedure and the requisite documents are then discussed and a preliminary indication of possible interest rates is provided.

The strong, proprietary software platform eHyp enables our mortgage consultants to assess the feasibility of applications on an individual basis and to find and compare in real time the best lending partner for the desired mortgage. This analysis is based on several hundred lending criteria per lender – all of which are stored in the system.

The eHyp system, which is continually updated and offers the consultant strong support for the workflow, also makes it possible for us to make a binding offer as soon as we have received all the documents required for making a decision. For bank partners who already have these interfaces, we can even issue the final loan contract. Once the contract has been signed by the borrower and the lender, the loan is paid out in accordance with the borrower's requirements.

*We identify **the best lending terms** for our customers in real time with the powerful eHyp system*

Steps in the process as seen by customers

In the Intermediary Channel, Interhyp provides customised 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 the best offers in real time, as do mortgage consultants in the Direct Channel. Furthermore, our Prohyp mortgage consultants are on hand with their expertise to support brokers in closing the mortgages. In this way, with no additional expenditure, brokers become fully fledged 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 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. Since August 2006, we have also been offering our service in the Intermediary Channel to institutional cooperation partners. Prohyp can offer a broad spectrum of customised service packages, depending on the strategic orientation: from pure system support and access by the cooperation partner´s own sales teams to complete outsourcing of the entire sales process as a white label solution.

Products

In 2006, Interhyp generated 97.7% of all net revenues – in other words, sales less the commissions paid in the Intermediary Channel – from brokering residential mortgages. Both in the Direct and the Intermediary Channel, a number of fixed-rate, (partly) variable rates and other special types of mortgages from various lenders are available. An overview of the types of mortgages developed for the German market in the past year can be found on page 102.

The remaining share of 2.3% of total net revenues is accounted for by complementary insurance products related to properties and their financing – in particular mortgage and construction insurance. Haselsteiner & Wolsdorf GmbH also offers asset management services.

Sales markets

As the market leader in Germany, Interhyp has a market share of 2.85% of all new business in residential mortgages in Germany. At the same time, the brokerage market for residential mortgages is growing rapidly. Accordingly, we still see our best opportunities for growth in the domestic market.

*The mortgage brokerage market shows **significant growth***

However, we are currently in an initial phase of evaluating potential long-term options which could be promising for our business model in other markets in the EU. The main prerequisites for what we consider an attractive sales market are a low broker penetration, the existence of potential lending partners who aim to pursue for themselves a clearly defined growth strategy in residential mortgages, and a good condition of the real estate market with regard to price trends and the volume of transactions.

Competitive environment

Interhyp competes primarily with local financial institutions, building societies and high-street banks – nationwide and in particular with regional banks in areas in which Interhyp's regional offices are located. Other competitors are direct banks like ING-DiBa and online mortgage brokers like Dr. Klein & Co. (part of Hypoport AG) and PlanetHome (100% subsidiary of HypoVereinsbank) as well as independent financial services companies.

A number of competitors from the banking sector have, however, recognised the added value of complementing their existing traditional sales channels with independent broker distribution and are exploiting their growth opportunities by cooperating with Interhyp and offering their products through us.

Corporate Management

Key operating indicators

In mortgage consulting (Direct Channel and Intermediary Channel business) the following indicators are used as a basis for judging performance:

- Number of mortgage applications
- Number of mortgage packages passed on to the lending partners
- Number of successfully closed mortgages
- The resulting conversion rates for the individual steps in the sales process
- Margin earned
- Mortgage volumes
- Referral rates from customers

Based on the above factors, quantitative and qualitative earnings indicators for management purposes can be derived. Also considered are the workload of the advisors, customer satisfaction as established in customer feed-back, and other qualitative measurement standards.

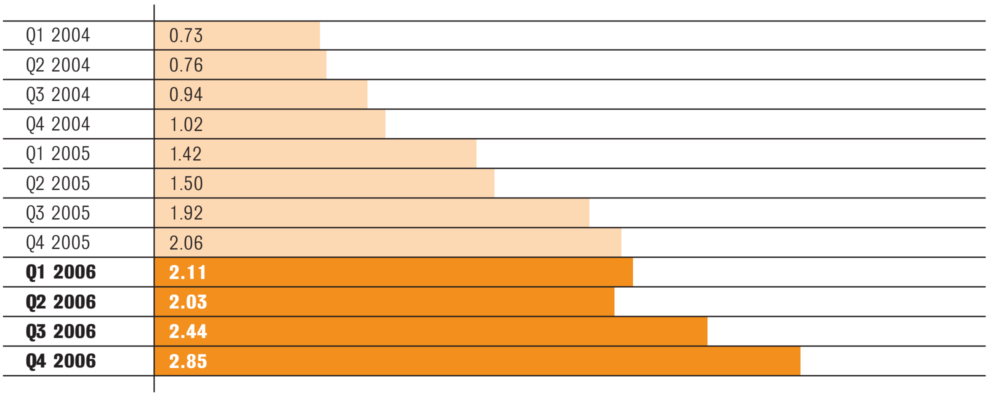
Key strategic indicators

Since Interhyp AG is geared to an organic growth strategy in brokering mortgages, market share as a percentage of the total volume of new business with residential mortgages to private individuals in Germany is a key strategic indicator. Quantification is made on the basis of the information published by the Deutsche Bundesbank. The bar graph on the next page shows the development of Interhyp's market share since 2004. The closed mortgage volume also constitutes a means of comparison for quantifying the competition situation. Since direct competitors in the mortgage brokerage market are not disclosing detailed data, a direct survey is for the most part impossible.

However, it is possible to analyse the development of Interhyp in the mortgage brokerage market since the volumes of new mortgage business of our partner banks are known to a great extent. If the share of new business generated through other sales channels is deducted from these totals, market share per annum can be fairly well estimated for mortgage brokers in Germany. The market share of brokers in 2006 was around 12 to 13.5% (previous year: 10 to 12%).

*Interhyp continues to gain **market share** in the new residential mortgage business*

***Market share in new residential mortgage business** (quarterly, in %)*



Financial indicators

In considering revenue, we focus purposely on net revenues since commission for partners in Prohyp's intermediary business is contained in (gross) revenues which does not impact Interhyp's earnings but is only a pass-through of outside sales commission being paid to the partners.
This is why the net revenue margin is calculated with reference to the volume of closed mortgages as well as in the profitability estimate the EBIT margin is also measured in terms of net revenue.

An important early indicator for operative business is the number of applications received from various market channels. Since mortgages are usually closed an average of six weeks from the time of application, assumptions about average loan sizes, conversion rates, and the time required for processing by banks, permit us to estimate the yield flow from commission proceeds. Long-term early indicators refer to general economic factors which can influence transaction frequency in the residential mortgage market, such as price trends, consumer behaviour, unemployment rates and interest rate trends, particularly at the long end of the market.

Financial targets

In March 2006, Interhyp published its guidance for the entire year with reference to the following performance figures:

- closed mortgage volume
- net revenues
- earnings before interest and taxes (EBIT).

Below is a target/actual comparison of these indicators:

Performance figure	Expected result	Actual result	Difference in %
Closed mortgage volume	EUR 4.8 bn	EUR 4.4 bn	(8.3%)
Net revenues	EUR 60 m	EUR 60.1 m	+0.2%
EBIT	EUR 21 m	EUR 22.4 m	+6.7%

Thus the closed mortgage volume is somewhat lower than expected. This is due mainly to the special effects from the abolition of the state housing subsidy.

Despite this special situation for new business in residential mortgages in Germany in 2006, the originally projected net revenues of EUR 60 million were achieved with a mortgage volume of some EUR 4.4 billion. The revised volume target was published with the results for the third quarter of 2006 at the beginning of November.

*Interhyp has achieved its **financial goals***

Through Interhyp's continued strong growth and the related positive economies of scale on the cost side (the percentage of fixed costs grew more slowly than net revenue), earnings before interest and taxes at EUR 22.4 million even exceeded expectations by 6.7 %

Our planning for the above performance figures is shown in the forecast report on page 48.

Non-financial goals

The business model, geared to providing competent advice to our customers coupled with our rapid growth means that we are attaching higher priority to employee training and qualification. Not only does an in-house training and qualification team ensure that new colleagues are prepared for their assignments in mortgage consulting but continuing education modules for employees and managers were created, and resources at management level, particularly in human resources development, were strengthened.

*Interhyp is **"Best Residential Mortgage Provider 2006"***

Along with other awards, we were the overall winner in 2006 as "Best Residential Mortgage Provider" in a broadly based mortgage test conducted by the business magazine €uro. Interest rates and the advisory and service quality of 15 renowned institutions were rated. Extensive test purchases were made by an independent financial service provider to establish a standard of assessment. We are very gratified that we can distinguish ourselves from other providers in the market. The award confirms that we are on track with our requirements and goals when it comes to the quality of the service we deliver.

In addition, we have succeeded in establishing ourselves in Munich and the regions where our regional offices are located through strong, organic growth and the accompanying personnel requirements as an employer offering attractive, highly qualified jobs. This is proven by our repeated high ranking in the Europe's Top 500 list and inclusion in Bavaria's Best 50 list which is compiled by the Bavarian Ministry of Economic Affairs.

Segment Strategies

Direct Channel

In business with private customers under the Interhyp brand, we concentrate on achieving further strong, organic growth. We do this by steadily expanding and regularly evaluating our central marketing activities and through constantly optimising our sales processes. In addition, we have narrowed the focus of our salesforce by establishing specialist teams for the remortgage business and the so-called investor business – in other words, for buy-to-let, for the properties business and for complex large-scale financing solutions.

*Interhyp increases its local presence with **nine new locations in 2007***

On the other hand, the regionalisation strategy launched in mid-2005 was a critical step towards deeper penetration of a broader range of customers. Population density in Germany is strongly centred around big cities, and our demand stems in large part from these areas. As a result, we have decided for a regional presence through offices. In the first phase of regionalisation up to the middle of 2006, regional offices were opened in the seven largest cities in the country. In the second phase we will have opened another ten offices by the end of 2007 – now in towns with a population of approximately 500,000 inhabitants. These locations will have fewer employees initially.

The decision for the second phase was based on the positive experience with the first locations. Specifically, the following advantages were noted:

- a larger volume of applications from the region generated by customers who obtain their information via the Internet but want personal contact with a mortgage specialist when it comes to such an important transaction as mortgages
- greater likelihood of closing a mortgage for those customers who have used the option of making an appointment at an Interhyp regional office
- stronger regional referral business
- greater marketing efficiency

The table below provides an overview of the locations of our current and planned regional offices.

*With **17 regional offices**, we have optimal coverage to serve our customers locally*

Interhyp regional offices

City	Opening	Address
Munich	July 2005	Marcel-Breuer-Str. 18 80807 München
Frankfurt	July 2005	Baseler Straße 10 60329 Frankfurt/Main
Hamburg	July 2005	Stadthausbrücke 1–3 20355 Hamburg
Cologne	November 2005	Im Mediapark 4e 50670 Köln
Berlin	April 2006	Leipziger Str. 121 10117 Berlin
Stuttgart	June 2006	Heilbronner Str. 156 70191 Stuttgart
Düsseldorf	September 2006	Hans-Böckler-Str. 1 (Eingang Roßstraße 92) 40476 Düsseldorf
Nuremberg	December 2006	Theresienstraße 9 90403 Nürnberg
Mannheim	March 2007	Dynamostraße 17 68165 Mannheim
Wiesbaden	April 2007	Schiersteiner Str. 86 65187 Wiesbaden
Hannover	April 2007	Aegidientorplatz 2b 30159 Hannover
Leipzig	mid-2007	
Bremen	mid-2007	
Dortmund	Q3 2007	
Karlsruhe	Q3 2007	
Essen	Q4 2007	
Bielefeld	Q4 2007	

*Opening 2007

Interhyp regional offices. *The fastest way to personal advice is over the phone or online. Who wants to meet his or her consultant in person is cordially invited to our regional offices*

Intermediary Channel
Within the scope of a clearly defined growth strategy, individual brokers and institutional partners have emerged as the core target groups.

For one thing, Prohyp acts as a partner for independent financial service providers and brokers who wish to offer their customers residential mortgage solutions. These independent advisors are usually not themselves mortgage specialists and enjoy, thanks to Prohyp, a complete brokerage functionality: the product range of a large number of banks, the capabilities of the leading residential mortgage platform, and customised specialist counselling through Prohyp's mortgage experts. With support from Prohyp, independent financial service providers can position themselves as mortgage brokers at little expense.

Along with the spread of the brokerage model, a growing number of independent mortgage specialists is emerging who operate regionally, provide competent advice based on experience, and need a strong product offering to service their customers. Prohyp also supports this group by providing direct access to the eHyp system and direct submission of applications to banks.

In addition, we have repositioned ourselves by winning the first institutional cooperation partners for collaboration with Prohyp in a segment in which we were previously not active. Here we offer a complete mortgage package as an outsourcing solution, which can extend from website integration to outsourced customer advisory service. Accordingly, in 2006 we upgraded Prohyp's technological capabilities and organisational structure in line with this new positioning. Details are shown on page 43 in the Supplementary Report.

Prohyp's organisational structure *was upgraded*

The aim of this strategy with institutional partners is first to win new large cooperation partners in this early phase for our Prohyp platform and to leverage the opportunities with our current cooperation partners.

The aim of the strategy in the other segment, namely business with local residential mortgage specialists and independent financial advisors, is growth by winning further active partners and increasing the mortgage volume brokered by Prohyp on a per partner basis.

Thereby we are relying on a strong, distinct brand which is positioning itself as the partner of choice in mortgages for professional independent financial consultants. The brand presence is based on an advertising campaign in trade magazines, active PR work and a selective local presence – such as in roadshows and training sessions. Moreover, Prohyp participates in the most important trade fairs for independent financial advisors. The number of active partners (brokers who in the past twelve months have closed at least one mortgage using the services of Prohyp) rose 82% in 2006 to 2,418.

Number of active Prohyp partners

The number of ***Prohyp partners has quadrupled*** *since 2004*

2004	599
2005	1,325
2006	**2,418**

Strategic holdings
We did not acquire any strategic minority or majority holdings in 2006.

Research and Development

The emphasis in our activities in software development in 2006 was on expanding the software platform by adding white label functions in order to provide outsourcing solutions for institutional cooperation partners in Prohyp's brokerage business. To this end, the proprietary software architecture had to be made flexible enough to enable both the workflow for application formalities on external servers and the transfer to Interhyp under different system environments and with changeable contents (forms, views, registration of origin).

*For optimising the workflow a new **"partner portal"** has been introduced*

Our research and development activities also focused on providing further workflow support for internal processes in all corporate departments. To ensure links with bank partners, a "partner portal" was introduced to improve synchronisation of processing and the external aspects of handling (document management, monitoring, credit decision) with our system.

In internal workflow management as well, the Company undertook significant expansions which support smooth, well-structured workflows and make both our sales teams and internal departments more effective.

Expenditure for research and development totalled EUR 1.2 million in the reporting period as opposed to EUR 937 thousand in 2005. The R&D ratio thus came to 2.0% of net revenues.

Development costs for our proprietary software eHyp were capitalised as an asset and written down over a useful life of three years.

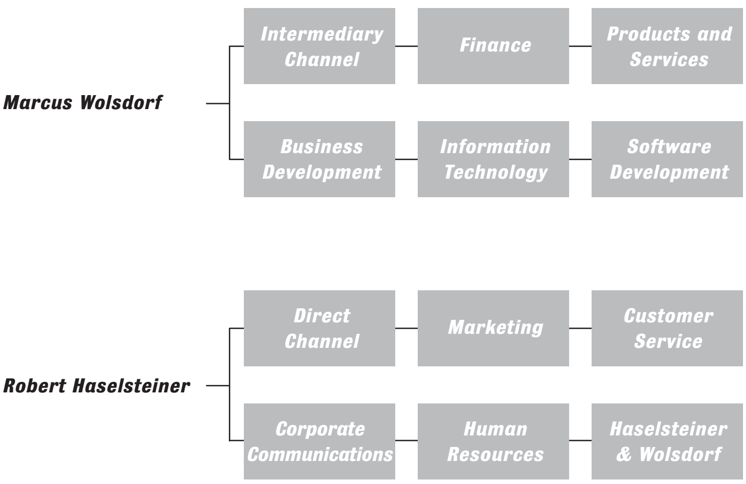
Also expanded were resources on the product management side and in business development that should ensure that our own proprietary software remains the best special solution on the market.

Organisation

Interhyp has a central management structure with two Co-CEOs of equal rank, but at the same time with a clear separation of responsibility for individual departments and the two main business segments.

Organisational structure scheme

__The founders__ head the company as Co-CEOs of equal rank



Compensation system

The Co-Chief Executive Officers receive a compensation consisting of fixed and variable components. The compensation for Supervisory Board members contains fixed components which vary depending on the office held and are contingent on attendance at meetings.

Interhyp has an __attractive compensation system__

The compensation system in the sales areas in both the Direct Channel and the Intermediary Channel foresees a fixed base salary and possible additional variable payments. The variable part of compensation is based on the extent to which the mortgage consultant participates in the monthly commission revenues generated by the closure of mortgage deals.

In the first months in which new mortgage consultants do not yet advise customers, they are excluded from this incentive system. We consider this period an investment phase in which our staff members receive sound specialist training. After six to twelve months, in agreement with the team manager, they are put on the commission system.

Activities in other areas of Interhyp are compensated by a base salary and a variable performance bonus which may be awarded annually.

Incentive Programmes

No new incentive programmes were introduced during the reporting period. The paragraphs below show current employee share ownership and share option programmes.

Employee share ownership programmes

***The employees** have participated in the IPO*

In the context of the initial public offering of Interhyp AG in September 2005, 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 Section 19a of the German Income Tax Act (EStG) and were 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 and a taxable discount of 15% on the purchase price. Thee shares were also subject to a lock-up period until 31 March 2006.

Finally, in the third tranche, a limited number of shares was allocated preferentially without a 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 ownership programme was highly popular, 189 employees having subscribed for one or more tranches. No further employee shares have been issued since the initial public offering.

Share option programme

The share option programme, which was also launched during the course of the IPO, was offered to 47 employees (most of them 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 will run for ten years. Time limits for exercising 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, bonds 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 announced 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 share options can only be exercised 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 fewer than 20 trading days prior to the issue date, reference will be made to the issue price. The complete version of the share option programme approved at the General Meeting of Shareholders on 13 September 2005 is available for inspection as part of the authenticated records of this General Meeting of Shareholders and at the Commercial Register in Munich.

Information pursuant to Section 315a, German Commercial Code

Holdings of over 10% in the Company

	Ordinary shares per end of 2006 (units)	Percentage of common stock	Ordinary shares per end of 2005 (units)	Percentage of common stock
Robert Haselsteiner	**1,048,800**	16.14%	1,048,800	16.14%
Marcus Wolsdorf	**1,048,800**	16.14%	1,048,800	16.14%
Other Shareholders	**4,400,750**	67.72%	4,400,750	67.72%
Total	**6,498,350**	**100.00%**	**6,498,350**	**100.00%**

Appointment and dismissal of members of the Management Board and amendments to the Articles of Association

The Supervisory Board appoints the members of the Management Board and fixes their number. The Supervisory Board can revoke the appointment of a member of the Management Board and the appointment as Chairman of the Management Board for good cause.

All amendments to the Articles of Association are subject to the approval of the Shareholders' Meeting with at least three quarters of the common stock represented when the resolution is approved. The Supervisory Board has been authorised to make changes exclusively with regard to the version of the Articles of Association.

Authorisation to issue and buy back shares

Authorised capital

By resolution of the General Meeting of Shareholders of 13 September 2005, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's registered capital by up to a total of EUR 2,877,275 by a single or multiple issue of new registered no-par shares against cash and/or investment in kind (authorised capital 2005/I). The authorised capital is valid until 13 September 2010.

***The General Meeting of Shareholders** created the possibility of a capital increase*

Conditional capital

The registered capital of the Company was conditionally increased by resolutions of the General Meetings of Shareholders of 29 June 2005 and 13 September 2005. The corresponding entries were made in the Commercial Register. Conditional capital 2005/I serves to grant 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. Condition capital 2005/IV serves to implement management and employee participation programmes.

Authorisation to acquire the Company's own shares
At the General Meeting of Shareholders on 30 May 2006, it was resolved to authorise the Company to purchase its own shares. The Company is thus empowered to purchase its own shares until 30 November 2007 in an amount of up to 10% of the capital stock at the time the resolution was adopted. Shares purchased on the basis of this authorisation may, together with other shares owned by the Company or those which may be attributed to the Company according to Section 71a ff. of the German Stock Corporation Act, at no time exceed 10% of the capital stock. Trade with proprietary shares is excluded.

There are no agreements by the Company in the event of a change of management following a takeover offer.

No compensation agreements exist for members of the Management Board or employees in the event of a takeover offer. Statutory laws apply.

General Legal Conditions

The core activity of residential mortgage brokerage in Germany is regulated in principle by the Trade, Commerce and Industry Regulation Act with its related ordinances, in particular the Real Estate Agent and Property Developer Ordinance. The Company and its subsidiary Prohyp are registered as loan and mortgage brokers. Since the beginning of 2005, neither the parent company nor the subsidiary is now required to undergo an annual audit according to Section 16 (1) of the above ordinance. The most important legal regulations refer to the disclosure of certain information to the authorities and to proper record retention.

The subsidiary Haselsteiner & Wolsdorf GmbH has a permit to operate as a financial services institution and is therefore authorised to offer investment services and financial portfolio management. It is subject to the general oversight of BaFin, Germany's financial sector regulator and the German Bundesbank pursuant to the German Banking Act and the related ordinances, guidelines and decrees.

All loan agreements offered through Interhyp are subject to the two-week cancellation period pursuant to Germany's Civil Code, which therefore influences the point in time at which Interhyp receives commission payments from its lending partners.

Interhyp is also subject to the regulations of the German Data Protection Regulation (German Data Protection Act, Teleservice Data Protection Act) and therefore must appoint a data protection officer who monitors handling of private information and ensures compliance with the provisions of the law.

No major changes in the underlying legal conditions occurred in the reporting period which would affect our business.

Summary of Business Performance

Interhyp could further increase its ***market share in 2006***

Interhyp experienced dynamic growth both in the Direct and Intermediary Channel segments. Growth is driven by continued expansion of market share in private residential mortgage brokerage in Germany. The figure here increased substantially from 2.06% at the end of 2005 to 2.85% in the fourth quarter.

Our projection as published at the beginning of 2006 for the entire year with regard to a mortgage volume of approximately EUR 4.8 billion failed to materialise, in part due to the pre-emptive effect of the abolition of the state housing subsidy on the transaction market. This became apparent after the third quarter of 2006, and we lowered our expectation to EUR 4.4 billion despite gaining a greater market share.

Despite the weak transaction market, we succeeded in achieving and even exceeding our original annual targets for revenues and earnings before interest and taxes (EBIT).

Revenues after deducting broker commissions to third parties (net revenue) came to EUR 60.1 million, almost exactly the target of EUR 60 million. Profitability was further optimised; EBIT, at EUR 22.4 million, was up 6.7% over our target of EUR 21 million.

Interhyp in 2006 again showed ***strong growth***

Behind the positive trend in our profitability stand first and foremost the economies of scale from our growth, which reduce the key cost factors in relation to net revenue. An overview of the individual expense items is shown on page 35. Noteworthy is marketing spending which we raised to around 10% of net revenues, as guided at the beginning of 2006.

Another noteworthy cost trend is the slight percentage increase in the item “Office and administration” from the previous year’s 5.8% to 6.2% in 2006. Part of the reason for this rise is that some cost factors are concealed in this item which grow linearly with our revenues (such as online and telephone expenses, office and postage costs). Moreover, this cost picture already contains eight regional offices which, in terms of space, are geared to a growing number of employees and thus generate disproportionate expenses for rent and office space.

Nevertheless, by scaling the other cost factors, we succeeded in raising our EBIT margin to 37.3% (with reference to net revenue). As a result, it is distinctly higher than the target of 35% set for 2006.

Overall business performance

Overall, we have positioned ourselves very successfully as an important player in the market in what was a difficult year for the mortgage market. By the end of 2006 we are once again the clear market leader among independent mortgage intermediaries. We are pleased to present Interhyp as a very profitable and rapidly growing company which has generated net income in the reporting period of EUR 13.7 million.

Company Development

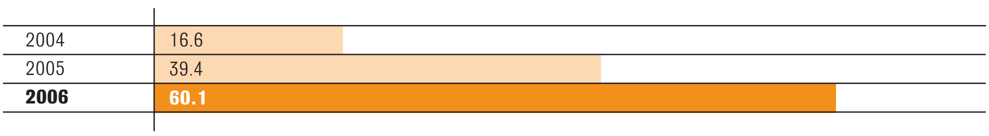
Development of Revenues

In 2006 we succeeded in raising revenues to EUR 70.6 million, up 51% from the previous year (EUR 46.7 million). This growth was exclusively achieved organically and in domestic business. No acquisitions were made.

After deduction of expenses for commission payments to Prohyp partners, Interhyp generated net revenues of EUR 60.1 million in the past year. This key figure, which is more relevant for our operative business than revenues, thus grew by 53% compared with the prior-year period (EUR 39.4 million).

Revenues increased by ***more than 50%***

Net revenues *(in EUR m)*



Distinct growth in closed mortgage volume, which increased to EUR 4.403 billion, formed the basis for that revenue growth. This equates to a rise of 46% compared with the previous year. In 2005, on the back of the special impact caused by the announcement of the abolition of the state housing subsidy, the closed mortgage volume totalled

EUR 3.022 billion. In 2006, 28,072 residential mortgages were brokered (2005: 18,273). The average value of each mortgage was therefore EUR 157 thousand. This represents a slight decline of 5.2% compared with the average volume of EUR 165 thousand in 2005. This trend is due to a larger share of remortgage business which by definition results in lower loan amounts than new business because of the already effected repayments in the initial fixed rate period. The bar graph below shows the development of our closed mortgage volume since 2004.

The closed ***mortgage volume*** *gained about 46%*

Closed mortgage volume *(in EUR m)*

2004	1,332
2005	3,022
2006	**4,403**

In the Intermediary Channel, the 82% increase in the number of active partners to 2,418 drove the expansion of the total volume, as did the contribution of new institutional cooperation agreements which were launched in August and October 2006 respectively, and produced first operative results already in the second half of 2006.

Development of Earnings

Net revenue margin

For the past year, Interhyp achieved a net revenue margin of 1.33% in relation to its closed mortgage volume. This indicator thus distinctly exceeded the originally expected band of 1.20% to 1.25% at the upper end of which the net revenue margin was seen last year. This margin increase is a reflection of the value put on our sales performance in the weak market environment in 2006.

Earnings before interest and taxes

Due to further economies of scale on the cost side which accompanied increasing growth of the Company, we achieved a further surge in earnings before interest and taxes (EBIT) which rose by 73% to EUR 22.4 million over the corresponding figure for 2005 (EUR 12.9 million).

EBIT *increased by over 70%*

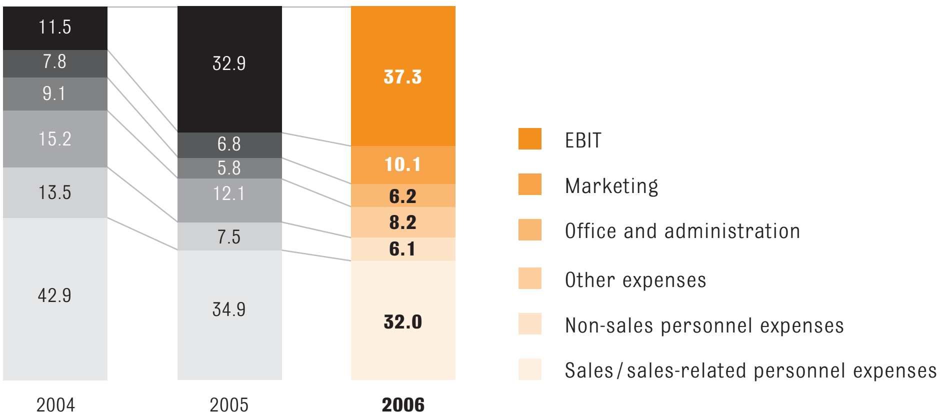
Earnings before interest and taxes, (EBIT), *(in EUR m)*

2004	1.9
2005	12.9
2006	**22.4**

Costs

The graph below shows the development of individual cost components as percentages of net revenues. No special effects occurred on the cost side in the reporting period. More detailed explanations of important items can be found on page 33.

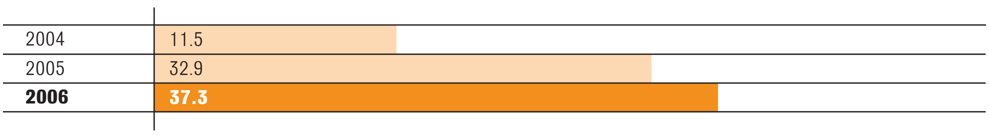
Cost breakdown *(in % of net revenues)*



EBIT margin

The EBIT margin based on net revenues was 37.3% in the reporting period and therefore exceeded the level of 32.9% in 2005. The EBIT margin as a measure for our profitability not only reached the target region of some 35%, which we guided at the beginning of last year, but substantially overshot it. This was achieved despite opening four new regional offices and a marketing budget that was raised to some 10% of net revenue.

EBIT margin based on net revenues *(in %)*



Financial result

The financial result for 2006 came to EUR 1.0 million compared with the result of EUR 71 thousand in 2005. This rise is due to interest income from the investment of liquid funds in covered bonds with a maximum residual maturity of six months on money market accounts and term deposits.

*Earnings before taxes rose 80% in the **reporting period***

Earnings before taxes (EBT) rose to EUR 23.5 million, up 80% from the prior-year figure of EUR 13.0 million.

Net income

Net income of EUR 13.7 million once again demonstrates the profitability of our business model while we continue to achieve strong revenue growth. In the tax result for 2006, net income no longer contains any special effects from the initial public offering, although this must be noted in comparing figures directly with those of the past year. The adjusted net income for 2005 amounting to EUR 10.8 million was still influenced by special tax effects and is thus only 26% lower than in the reporting period. This comparison is therefore not very meaningful.

Income taxes

*The planned **corporate tax** reform would have a positive impact on Interhyp*

A normalised tax rate of 41.6% was applied in the 2006 reporting period. Tax expense amounted to EUR 9.8 million. On page 48 of the Forecast Report, we explain possible positive effects of the planned corporate tax reform on our tax rate with effect from 2008.

The special tax effect in 2005 was due mainly to using the existing loss carryforwards from previous years. Once the placement ratio for the IPO was fixed, these loss carryforwards could be claimed, thus affecting net income.

Moreover, net income is indicated as "adjusted" in the consolidated financial statements on page 50. Already when preparing the quarterly statements for the third quarter of 2006, we decided to opt for booking in compliance with IAS 8, which is seen as adequate judging by today's standards, and adjusted net income for all of 2005 accordingly.

Benefits in terms of tax on earnings from capital procurement costs were deducted from the equity transaction in line with IAS 32.37 in 2005. Since the tax carryforwards and thus capital procurement costs in 2005 were partially deductible, the release of deferred tax assets on capital procurement costs was adjusted on an accrual basis. In 2005 this adjustment resulted in a reduction of deferred tax assets and an increase in deferred tax expense amounting to EUR 2,106 thousand each.

This tax expense recorded is non-cash in nature.

In the course of a random examination by the Deutsche Prüfungsstelle für Rechnungslegung (DPR) we have addressed these adjustments. In its examination, the Panel came to the same conclusion and we published a corresponding notice of error.

Earnings per share

Based on the average number of 6,498,350 outstanding shares, a profit of EUR 2.11 per share was generated. In 2005, per-share earnings came to EUR 1.67 with reference to the same number of shares.

Proposal for profit distribution

*For the first time, **the payout** of a dividend will be proposed*

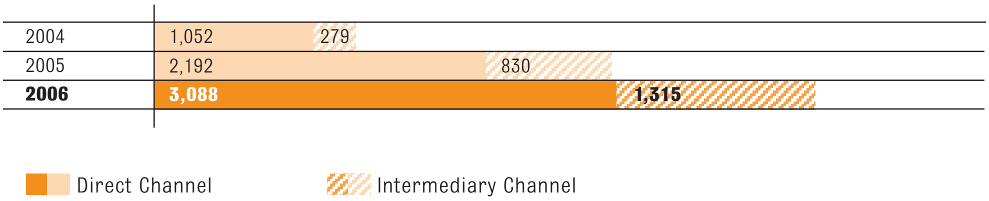
Our business model is profitable even in the phase of strong growth and a positive cash flow was achieved which was not used so far for acquisitions or investments. Therefore, the Management Board and Supervisory Board will propose a dividend payment of EUR 1.60 per share at the Annual General Meeting of Shareholders on 1 June 2006. This corresponds to a payout of EUR 10.4 million and a payout rate of 75% of the net accumulated profit for Interhyp AG of EUR 13.8 million. All issued shares of Interhyp AG are eligible for a dividend.

Accounting policy
The consolidated financial statements are prepared according to the International Financial Reporting Standards set by the International Accounting Standards Board (IASB) in London.

Development of Segments

Both business segments in our core business – Direct Channel business under the Interhyp brand and the business with brokers and institutional cooperation partners under the Prohyp brand (Intermediary Channel) – displayed dynamic growth in the past fiscal year. An overview of the volume of mortgages closed in the respective segments in a year-on-year comparison is shown below.

Mortgage volume per segment *(in EUR m)*



Direct Channel
In the Direct Channel under the Interhyp brand last year, a 41% higher mortgage volume amounting to EUR 3.088 billion (2005: EUR 2.192 billion) was placed.

Net revenue in the Direct Channel amounted to EUR 45.1 million in 2006, up 48% from the previous year's EUR 30.5 million.

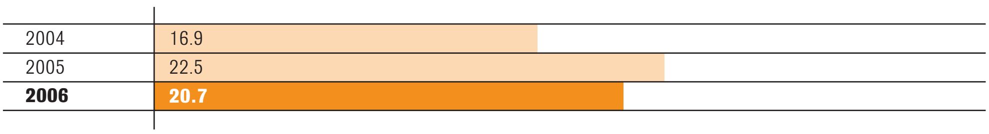
As a result, 75.1% (2005: 77.5%) of net revenue was accounted for by the Direct Channel in the past fiscal year.

Further information on the segments is contained in Section V in the Notes to the consolidated financial statements on page 86 of this report.

*The net **revenue margin** increased further*

A look at the most important operational indicators for the Direct Channel reveals a slightly lower per consultant productivity. The number of successfully brokered mortgages per consultant in the Direct Channel contracted slightly to EUR 20.7 million or 8% below the prior-year figure of EUR 22.5 million. Net revenues per consultant at EUR 293 thousand are also slightly lower (2%) than the EUR 299 thousand generated in the previous year. However, this is not due to lower productivity of our mortgage consultants or our processes, but instead to underutilisation of capacities due to a weak market environment. Against the background of the sluggish German transaction market, it is all the more gratifying that we succeeded in raising our net revenue margin in the Direct Channel from 1.33% last year to the current 1.42%. This increase is the result of sharper competition among producers for the mortgage volume in the unfavourable market environment.

Closed mortgage volume per consultant – Direct Channel *(in EUR m)*



Net revenues per consultant – Direct Channel *(in EUR thousand)*

2004	203
2005	299
2006	**293**

***The Direct Channel** has become even more profitable*

Net revenue margin – Direct Channel *(in %)*

2004	1.21
2005	1.33
2006	**1.42**

Intermediary Channel

In the Intermediary Channel, the closed mortgage volume came to EUR 1.315 billion (2005: EUR 830 million), representing an even steeper climb of 59%.

Thus once again our Intermediary Channel has grown faster than our Direct Channel. This is partly because this younger segment is growing from a lower basis and partly because of the great potential in the intermediary market. This situation is backed by effective positioning combined with a very strong system support. In addition, newly won institutional partnerships have made first positive contributions in the later part of the year.

In absolute figures, net revenue in the Intermediary Channel came to EUR 15.0 million (+69% over the previous year). This shows that Prohyp can achieve attractive net revenue margins in an environment in which a growing number of independent brokers and local mortgage specialists have access to Prohyp's services and institutional market participants recognise the added value of the model and are prepared to utilise it.

The Intermediary Channel thus registered an increase from 22.5% to 24.9% of net revenue.

Further segment key figures are found in the Notes on page 87 of this report.

***The brokered mortgage volume** came close to EUR 30 million*

In Intermediary Channel business, productivity declined slightly for the same reasons as stated for the Direct Channel: at EUR 29.2 million, the volume of mortgages closed was down 8% from the prior-year figure of EUR 31.7 million per consultant. Net revenue per mortgage consultant also declined a modest 1.5% from EUR 335 thousand in 2005 to EUR 330 thousand in the reporting period. As in the Direct Channel, this change has to do with the weak market and lower capacity utilisation in 2006. In the Intermediary Channel, the net revenue margin also developed positively from the previous year (1.07%) to the current 1.14%.

Closed mortgage volume per consultant – Intermediary Channel *(in EUR m)*

2004	23.4
2005	31.7
2006	**29.2**

Net revenues per consultant – Intermediary Channel *(in EUR thousand)*

2004	233
2005	335
2006	**330**

Net revenue margin – Intermediary Channel *(in %)*

2004	1.00
2005	1.07
2006	**1.14**

In the asset management business under the Haselsteiner & Wolsdorf brand name, assets under management increased by 15% in 2006 from EUR 83.0 million to EUR 95.2 million.

*The asset **management** showed further gains*

Assets under management *(in EUR m)*

2004	58
2005	83
2006	**95**

Net revenues of EUR 1.3 million (2005: EUR 1.1 million) were achieved from 379 management mandates (prior year: 341 mandates). The contribution of Haselsteiner & Wolsdorf to total net revenues corresponds to some 2.1% (2005: 2.9%).

Financial and Assets Position

Financial management principles and goals

Interhyp operates under a central financial management system in which the subsidiaries are included. Through this internal equalisation in cash management, the Group's capital investments can be optimised and any cash surpluses bundled. The same applies to management of trade accounts payable. This bundling also allows Interhyp to optimise its accounting. At present, no currency risks must be hedged as business is conducted exclusively in Germany.

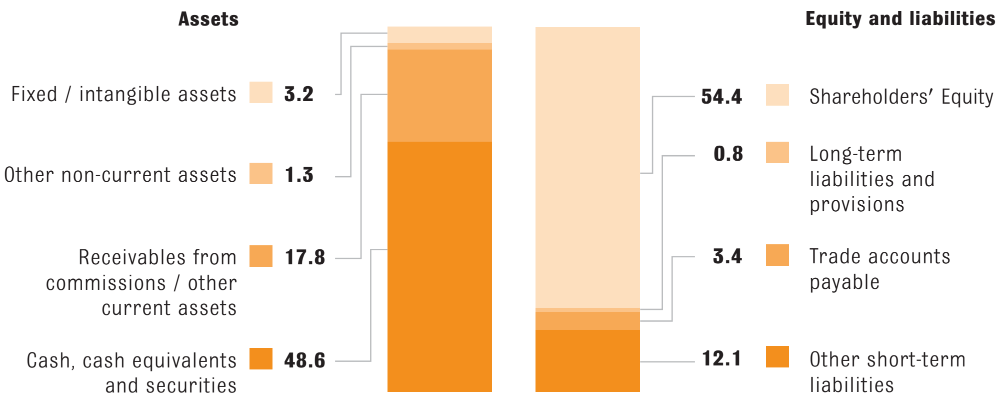
Balance Sheet

***Total assets** again increased significantly*

The balance sheet of Interhyp AG in 2006 was strongly marked by continued organic growth of the consolidated companies. Through the rapid growth of business, the balance sheet total rose from EUR 50.9 million at the end of 2005 to the present EUR 70.8 million.

Below you will find an overview of the balance sheet structure, the balance sheet itself is on page 51 of the consolidated financial statements, and the Notes starting on page 68.

Balance sheet structure *(in EUR m)*



Holdings of cash and cash equivalents through business activity in 2005, operative cash flows and in no small measure the capital increase from the initial public offering led to very solid holdings of cash and cash equivalents amounting to EUR 37.6 million (compared with EUR 33.9 million at the end of 2005). Moreover, in assessing the change in cash and cash equivalents, the growing volume of securities totalling EUR 11.0 million must also be taken into account (previous year: EUR 1.0 million).

Deferred tax assets of EUR 304 thousand are explained in more detail in Section IV of the Notes to the consolidated financial statements.

The common stock of Interhyp AG as at December 2006 was at EUR 6,498,350.00, unchanged from the previous year. It is divided into 6,498,350 registered no-par shares with an arithmetical share of the common stock of EUR 1.00 each.

The increase of fixed assets by 61% from EUR 1.5 million to EUR 2.5 million is primarily due to the establishment of a redundant server system in Berlin which enhances system stability and security.

The largest items under "Other assets" in the balance sheet are deposit payments for rented premises under long-term assets and accrued interest from cash and cash equivalents under short-term assets.

The 48% higher short-term receivables from commission payments (EUR 17.2 million as opposed to EUR 11.6 million in 2005) result from sharply increased revenues. Receivables include those from banks, insurance companies and building societies with high credit standing.

The largest item under "Other provisions" is provisions for restoration liabilities for rented office space.

Short-term financial liabilities were completely repaid in the period under review. Other short-term liabilities consist mainly of performance bonuses for employees, commission claims of sales employees and for partners in the Intermediary Channel. In the reporting period, this item rose by 37% from EUR 4.7 million to EUR 6.5 million as business activity expanded.
A precise breakdown of other liabilities is listed on page 78 of the Notes to the consolidated financial statements.

Interhyp repaired the short-term ***financial liabilities***

Other financial liabilities include leasing liabilities for property, plant and equipment amounting to EUR 358 thousand, of which EUR 260 thousand are due within one year. These have to do exclusively with operating leasing agreements.

Cash Flow

Strong cash flow from ongoing business activity (EUR 15.6 million as opposed to EUR 10.9 million in 2005) is due primarily to greater sales activity and the related increase in consolidated net income.

Cash flow from investing activities which came to an expense of EUR 11.6 million in 2006 (2005: expense of EUR 1.3 million) was strongly influenced by purchases and sales of securities. Investments were made in covered bonds with a maximum residual maturity of six months.

Cash flow from financing activities in 2006 came to an expense of EUR 0.4 million, resulting from the repayment of financial liabilities. In contrast, in the prior year, the cash flow was marked by the increase of funds from the issue of new shares in the amount of EUR 29.4 million in the course of the initial public offering.

The free cash flow for 2006 came to EUR 4.0 million compared with EUR 9.6 million in the previous year. In comparing these figures, net investments in securities totalling EUR 9.9 million in 2006 must be considered. No such investments were made the year before.

Cash and cash equivalents at 31 December 2006 amounted to EUR 37.6 million, while the corresponding figure at the beginning of the reporting period was EUR 33.9 million. Here too, mortgage activity is reflected. At the end of the year, securities holdings stood at EUR 11.0 million.

Investments

***Investment spending** climbed to EUR 2.5 million*

In addition to the above-mentioned investments in securities, cash flow from investment activities also includes investments in furniture and equipment for new regional offices and setting up a redundant server system at a second location, as a result of which investment in non-current assets rose to EUR 2.5 million (compared with EUR 1.6 million in 2005).

Non-financial Assets

In the mortgage process, Interhyp receives detailed information about the income and assets position of its customers, about the property in question and the mortgage which is ultimately closed. Utilisation of this customer profile and information about the mortgage is available to Interhyp for the purpose of further consultation. Interhyp is thus able to offer the customer advice on an appropriate follow-up mortgage before the originally concluded interest period expires. Since when an prolongation (extension of a loan from the same lender) or remortgaging with another lender is agreed, Interhyp again receives commission from the lending partner for its advisory and brokerage service, customer information constitutes a non-financial asset.

Other Intangible Assets

A high degree of customer satisfaction generates referrals from customers and forms positive associations with the Interhyp brand. Both are important requirements for new earnings opportunities and further growth. Our most valuable asset are the good relationships, based on trust, between our mortgage consultants and our customers.

Since its foundation, Interhyp AG has maintained close direct contact to its lending partners. This is ensured by a product management team which is responsible for maintaining and further developing cooperation agreements and for winning new lending partners. The experience acquired over many years and fruitful cooperation are extremely important for our Company's success.

***New lending partners** are rapidly integrated*

In addition, Interhyp possesses sound expertise and broad experience when it comes to organisation and procedures for top-notch, efficient brokering of mortgages to our lending partners. This expertise makes possible rapid, mutually profitable integration of new lending partners, which in turn generates further opportunities for growth.

Overview of business position

All important earnings indicators reached record highs in 2006. The positive result is based exclusively on our strong organic growth in the increasingly important market segment of independent mortgage brokers. A comparison of the two distribution channels and business segments – Direct Channel and Intermediary Channel – reveals that the latter showed more rapid growth, thus expanding its contribution to business as a whole. This reflects the potential of this service for independent financial service providers as well as for institutional cooperation partners.

Employees

*In 2006 Interhyp **created 108 new jobs***

In the period under review, our staff grew by 108 salaried employees to a total of 377, constituting an increase of 40% over last year's comparable figure at the end of 2005 (269 employees). Once again, we focused on recruiting junior staff and experienced mortgage consultants.

Personnel expenses in the reporting period came to EUR 22.9 million. This represents an increase of 37% over 2005 (EUR 16.7 million).

Employees by function and segments *(year-end)*

	2006	2005
Sales and sales-related*	301	244
thereof consultants	214	151
- Direct Channel	163	119
- Intermediary Channel	51	32
Non-sales	76	45
Total employees	**377**	**269**

*Sales and sales-related employees are mortgage consultants and sales support employees

Innovation

Since Interhyp acts as an intermediary between mortgage lenders and end customers, the Company has an influence on the development of product innovations through active involvement in product design and close contact with lending partners via the product management team. However, the products are implemented and priced by the mortgage lenders. In the innovation process, Interhyp concentrates on supplying ideas and introducing them into the sales channels. Developments which expand Interhyp's product range and which have appropriate sales potential are evaluated and integrated into the software platform. Our own salesforce and Prohyp partners are trained and the product is marketed with ongoing support for the salesforce. An overview of the product innovations with regard to types of loans introduced alone in the German market in 2006 is shown on page 102.

*In the **innovation process**, Interhyp serves as a supplier of ideas*

Supplementary Report

No events of particular significance have occurred after the close of the fiscal year which would have a major impact on the profit, financial or assets situation.

In February 2007 we adjusted the organisation of Prohyp's Intermediary Channel to new business activities. We introduced a team which exclusively takes care of existing and future institutional cooperation agreements and their more technology focused needs.
The teams with key accounting and support functions for local mortgage specialists and independent financial advisors will be promoted locally in the course of the year in six regions in Germany (North, West, Central, East, South-West, South-East) since we see strong growth opportunities for this segment by going regional.

Risk Report

Risk and Opportunity Management

In addition to our internal monitoring and control system, Interhyp has introduced an early warning system to identify, analyse, assess and manage risks. This is a component of our risk and opportunity management system.

This risk and opportunity management system also covers Interhyp's consolidated subsidiaries.

The components of the monitoring system in the Interhyp Group are group controlling systems including planning and an early risk detection system related to the workflow.

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.

The goal of the opportunity management system is to selectively and successfully identify and leverage opportunities. The combined risk and opportunity management system is intended to secure current and future earnings potential over time, to make use of competitive advantages and avoid the loss of assets. In the course of the 2006 audit, the auditor examined the structure and functions of our opportunity and risk management system and confirmed that it is both adequate for the size of our Company and in good order.

Individual Risks

Potential risks with regard to business activity and possible legal and regulatory risks were explained in detail 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 exhaustive. Nor does the selection of 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 *also depends on the acceptance of the Internet*

Interhyp's future success also 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 of data privacy risks, in spite of comprehensive technical security measures taken by Interhyp.

Despite comprehensive, multilevel redundancy, faults in or interference with the security of the IT system could under certain circumstances lead to interruption of 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 affect the German economy, the German residential property market and lending practice in Germany.

Growth risks

To date, Interhyp has pursued a very successful recruiting and training strategy in order to guarantee the build-up of personnel. At present, it is not foreseeable that it will be unable to implement the further planned expansion of personnel which is necessary to achieve the Company's growth objectives.

Interhyp is endeavouring 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 initiatives.

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 Notes to the consolidated financial statements on page 86 in this report.

Legal and regulatory risks
No regulations or changes in the law are identifiable for 2007 which would substantially affect Interhyp's business activity.

Short-term changes in tax legislation could have a negative effect on Interhyp's business.

Should it be impossible to defend intellectual property rights against third-party attacks or should data privacy regulations be violated, the Interhyp and Prohyp brands and business could be damaged.

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. 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 potential for threats and risks to our reputation as limited and manageable.

*Because of the **positive business development** of Interhyp, the risk potential is limited*

Since the Company was founded, we have been able to finance our organic growth alone through the capital of Venture Capital providers and the founders and did not need to tap the capital market for third-party funds. Interhyp AG has not been rated by a rating agency. Through the positive cash flow contributions from operative business, we do not presently foresee any necessity for external funding for operating activities even if strong organic growth continues.

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

Forecast Report

Future Business Policy

Direct Channel
Direct Channel business will remain geared to organic growth. Targeted marketing initiatives to strengthen the Interhyp brand and a clear positioning in the competitive environment will continue to ensure growing demand for Interhyp's services in 2007. Rising demand will be handled by recruiting mortgage consultants in line with this growth. In view of our positive experience in 2006, we plan to open nine additional regional offices in leading German cities.

Both business segments should show continued ***strong growth***

Intermediary Channel

In 2007, Prohyp will focus on two customer groups: for independent financial service providers and regionally active mortgage intermediaries, Prohyp will increasingly become an indispensable solution for workflow management, consulting and scoring. Through key accounting activities and support from Prohyp mortgage consultants, existing partnerships will be intensified and expanded. For institutions like banks, insurance companies, broker pools and financial service providers who aim to offer an open architecture solution for mortgages, Prohyp is positioning itself as an effective outsourcing partner with a broad spectrum of service packages. In the Intermediary Channel as well, targeted personnel growth will ensure that we have sufficient capacity to handle growing demand for services.

Haselsteiner & Wolsdorf

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

Employees

The emphasis as we continue to increase our staff will remain on mortgage consultants. At the same time, central functions like finances, human resources, IT and software development will be expanded in order to support growth.

Future markets

With a current market share of 2.85% 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. Opportunities for growth here lie in further acquisition of market share in competition with traditional sales models and in stronger leveraging of the flow of applications through expanded product solutions offered by new lending partners.

Interhyp will promote the ***development of new products***

Future products

Interhyp will promote the development of new mortgage products through intensive discussions with current and prospective lending partners. Interhyp assumes that from 2007, more foreign providers who wish to gain a foothold in the German market will promote product innovations in the German residential mortgage market. Over the long term, this could lead to providing a broader group of private customers with mortgage opportunities. In particular, older borrowers, prospective customers with little or no equity, and customers with an impaired credit history could profit from this trend.

Future dividends

For future fiscal years and without taking account of possible extraordinary earnings or investments, we are aiming in the long term at an annual dividend payout to our shareholders of at least 50% of the net accumulated profit of Interhyp AG.

Future Economic Conditions

For 2007, we expect a slightly weaker economy in the US, continued strong growth in Asia and a continuation of the positive trend in Germany based on strong exports, brisker consumption and a pick-up in investment behavior. We expect that the US Federal Reserve will leave key lending rates at the current 5.25% in the first half of 2007. Long-term capital market interest rates in the US, caught between slower growth and the threat of inflation, will fluctuate more sharply. We expect the ECB to raise key interest rates to 4.00% by mid-year. Long-term interest rates will depend heavily on the trend in the US. Measured in terms of yields for ten-year covered bonds, we foresee a fluctuation band ranging from 4.00% and 4.50%.

After contracting for ten years, residential construction grew for the first time some 2% in 2006 following abolition of the state housing subsidy. Nevertheless, new construction is still considerably below the theoretical equilibrium level. Against the background of the recovery of the economy and improved outlook for household income, we expect a slight increase in activity in 2007. Demand for existing property will depend to a great extent on the sustainability of improvements in the labour market and consumer confidence. Thanks to low interest rates, affordability – in other words, acquisition and mortgage costs in relation to the net household income – has increased substantially in recent years. This should mean that demand and price effects will become noticeable in the years ahead. Measured in terms of the volume of new business according to Bundesbank statistics, we expect, on the basis of the run rate in the second half of 2006, an annual volume of EUR 175 to 185 billion.

Future Legal Environment

In 2005, the European Commission issued a Green Paper on mortgage lending in the EU, as a result of which a government group of experts for mortgage loans was set up and a European discussion between representatives from the mortgage lenders and consumers was initiated. Under consideration is whether and to what extent European legislators should regulate European mortgage markets. In the Green Paper on Financial Services Policy (2005–2010), the European Commission announced its intention to undertake a detailed examination of loan brokerage. Although these measures – if they lead to a corresponding EU directive and become national law – might drive up costs, the resulting market adjustment should reinforce Interhyp's relative competitive strength.

***A market** adjustment should reinforce Interhyp's position*

German tax authorities treat the services of sub-brokers in arranging loans as subject to tax. The question as to how far this interpretation is compatible with European law has been submitted to the European Court of Justice in 2006 for a preliminary ruling. The Court is expected to render a decision in 2007.

Expected Performance

For the current fiscal 2007, we expect growing market share and profitable growth for Interhyp. We foresee an increase of mortgage volume to more than EUR 6.0 billion. On this basis, we consider net revenue of over EUR 80 million realistic. We also consider it realistic to achieve EBIT of approximately EUR 32 million in 2007.

We continue to expect a normalised tax rate for 2007 of around 42%. For fiscal 2008, it should be noted that the corporate tax reform in Germany – provided it is approved and implemented as drafted – would have a positive impact on our net income. According to our own estimates, the current tax rate of roughly 42% would therefore fall to a level of around 36%.

Expected Financial Position

Due to the steep rise in cash and cash equivalents as a result of the IPO in 2005 and positive contributions from operative business, no long-term financing measures by means of external capital are planned.

*Interhyp plans an **ongoing payout** ratio of at least 50 per cent*

The liquidity position of Interhyp AG will improve further on achieving the targeted growth as a result of the operative cash flows attainable. We plan to steadily raise the dividend we pay our shareholders and achieve a payout ratio of at least 50%.

Opportunities

Interhyp's growth strategy is based on acquiring further market share in brokering private residential mortgages in Germany. The path to this expansion lies in controlled organic growth and the corresponding 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 leveraging this growth potential lies in the continuous rise in demand for the services of Interhyp and Prohyp and thus in consistent expansion of communication and marketing initiatives.

From the results of the first phase of our regionalisation strategy, we see in the Direct Channel opportunities to make local specialists readily accessible for customers in the region: greater demand for our services, more closed mortgages after a local appointment in one of our regional offices, and the possibility to leverage enthusiastic local referrals from customers.

In the Intermediary Channel, we see opportunities in the general trend towards independent financial advisors who wish to expand their range of services by offering mortgages. We also see opportunities in the increasing acceptance of open architecture solutions in offering mortgages by banks and financial service providers who in turn are seeking opportunities in cooperating with mortgage specialists and wish to profit from economies of scale.

*Interhyp wants to contribute to **better consumer education***

Through the specialisation of our mortgage consultants such as in remortgage business and business with investors, we see additional benefits and the possibility for greater penetration of the entire market by convincing customers of the potential added value offered by our specialisation. In addition, we can contribute to better consumer education with regard to mortgage options, particularly when it comes to the remortgage business.

Additional opportunities
Expanding mortgage options through offering new products for target groups still inadequately provided for today would result in a greater volume of mortgage applications for Interhyp and thereby further opportunities for growth.

Recovery in the housing industry and higher prices in the real estate market would constitute growth factors for Interhyp.

In addition, more widespread use of the Internet and its growing acceptance by the population at large would generate stronger demand for Interhyp's services. However, these factors are not taken into account in our above-mentioned plans due to associated uncertainties.

Interhyp aims to expand its market leadership both in the Direct Channel and in the Intermediary Channel and thus profits at an above-average rate from the expected rising demand from customers for independent mortgage brokers.

Remarks on prospective development
The Management Board assumes that the performance of Interhyp AG will continue to develop favourably in future. The Company operates in a rapidly growing market for independent residential mortgage brokerage. In addition, opportunities are arising from the regionalisation of the Direct Channel within the scope of our regional office strategy and further potential for service in the Intermediary Channel with independent financial advisors, local mortgage specialists and also through institutional cooperation agreements in this sector. The Management Board sees the Company as extremely well-positioned in order to consistently leverage future growth potential.

The ***Consolidated Financial Statements***

Consolidated income statement *of Interhyp AG as at 31 December 2006*

	Notes	01.01.–31.12.2006	adjusted 01.01.–31.12.2005	+/-
Revenues	(13)	70,630,321	46,703,042	51%
Cost of services purchased	(14)	10,546,797	7,346,829	44%
Net revenues		**60,083,524**	**39,356,213**	53%
Personnel expenses	(15)	22,922,339	16,691,419	37%
thereof sales and sales-related		18,722,697	13,722,244	36%
Other operating expenses	(16)	13,522,416	8,776,084	54%
thereof marketing		6,086,204	2,694,909	126%
Amortisation and depreciation		1,225,776	954,268	28%
Earnings before interest and taxes (EBIT)		**22,412,994**	**12,934,441**	73%
Interest income		1,151,087	300,180	283%
Interest expense		110,445	229,112	(52%)
Net interest income	**(17)**	**1,040,642**	**71,068**	
Net income before income taxes (EBT)		**23,453,636**	**13,005,509**	80%
Income taxes	(18)	(9,759,135)	(2,155,840)	
Net income		**13,694,501**	**10,849,669**	26%

Earnings per share IAS 33	Notes	01.01.–31.12.2006	adjusted 01.01.–31.12.2005
Net income		13,694,501	10,849,669
Weighted average of shares outstanding		6,498,350	5,944,225
Earnings per share (undiluted)	**(19)**	**2.11**	**1.83**
Weighted average of potential shares		6,557,797	5,994,184
Earnings per share (diluted)	**(19)**	**2.09**	**1.81**

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

Consolidated balance sheet *of Interhyp AG as at 31 December 2006*

Assets

	Notes	as at 31.12.2006	adjusted as at 31.12.2005
Non-current assets			
Intangible assets	(1)	664,316	441,787
Fixed assets	(2)	2,494,184	1,546,604
Receivables from commissions	(3)	472,885	316,586
Other assets	(4)	494,523	397,649
Deferred tax assets	(18)	304,259	1,413,848
		4,430,167	**4,116,473**
Current assets			
Receivables from commissions	(3)	17,163,054	11,626,034
Other assets	(4)	609,057	253,348
Securities	(5)	10,992,450	1,003,150
Cash and cash equivalents	(6)	37,593,782	33,945,470
		66,358,343	**46,828,003**
Total assets		**70,788,510**	**50,944,476**

Equity and liabilities

	Notes	as at 31.12.2006	adjusted as at 31.12.2005
Shareholders' equity	**(7)**		
Common stock		6,498,350	6,498,350
Additional paid-in capital		33,008,021	32,528,058
Revaluation surplus		(2,782)	0
Net accumulated profit		14,926,265	1,231,763
		54,429,854	**40,258,171**
Long-term liabilities and provisions			
Other provisions	(8)	160,967	279,100
Non-current financial liabilities	(12)	800	800
Deferred tax liabilities	(18)	90,686	121,173
Other liabilities	(11)	583,349	378,325
		835,802	**779,398**
Short-term liabilities and provisions			
Trade accounts payable	(10)	3,371,904	3,404,680
Other provisions	(8)	126,800	88,100
Tax liabilities	(9)	5,520,061	1,321,558
Current financial liabilities	(12)	0	352,380
Other liabilities	(11)	6,504,089	4,740,188
		15,522,854	**9,906,906**
Total equity and liabilities		**70,788,510**	**50,944,476**

Shareholders' equity *of Interhyp AG as at 31 December 2006 (adjusted)*

	Common stock	Additional paid-in capital	Revaluation surplus	Net accumulated profit	Total
1 January 2005	**114,975**	**11,981,684**	**0**	**(9,617,906)**	**2,478,753**
Increase in capital by conversion of convertible bonds	43,916	(41,932)			**1,984**
Expense from the issuance of convertible bonds and stock options		322,915			**322,915**
Increase of common stock from conversion of additional paid-in capital	5,639,459	(5,639,459)			**0**
Increase of shareholders' equity from issuance of shares	700,000	28,700,000			**29,400,000**
Settlement of initial public offering expenses with additional paid-in capital less tax effect		(2,795,150)			**(2,795,150)**
31 December 2005 (adjusted)	**6,498,350**	**32,528,058**		**(9,617,906)**	**29,408,502**
Net income				10,849,669	**10,849,669**
Total result				10,849,669	**10,849,669**
31 December 2005 (adjusted)	**6,498,350**	**32,528,058**	**0**	**1,231,763**	**40,258,171**
Expense from the issuance of convertible bonds and stock options		479,963			**479,963**
Sum of items recorded directly in shareholders' equity:					
Result			(2,782)		**(2,782)**
Group result				13,694,501	**13,694,501**
Total result			**(2,782)**	**13,694,501**	**13,691,719**
31 December 2006	**6,498,350**	**33,008,021**	**(2,782)**	**14,926,265**	**54,429,854**

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

Consolidated cash flow statement *of Interhyp AG as at 31 December 2006*

	Notes	01.01. – 31.12.2006	adjusted 01.01. – 31.12.2005
Consolidated net income		13,694,501	10,849,669
Income tax		(9,759,135)	(2,155,840)
Earnings before income tax		**23,453,636**	**13,005,509**
Adjustments:			
Amortisation and depreciation of non-current assets		1,225,775	954,268
Financial result		(1,040,642)	(71,068)
Expense from the issuance of convertible bonds and stock options		479,963	322,915
Increase in receivables and other assets		(5,822,346)	(7,511,259)
Increase in provisions		(79,433)	(11,900)
Increase in liabilities		1,936,148	4,744,262
Income tax paid		(4,585,375)	(316,400)
Interest paid		(97,219)	(207,414)
Other non-cash items		90,689	(176)
Net cash from operating activities		**15,561,195**	**10,908,737**
Cash paid for investments in non-current assets		(2,493,145)	(1,611,873)
Interest received		883,542	277,692
Cash paid for investments in securities		(25,041,250)	0
Cash received from disposal of securities		15,094,500	0
Net cash from investing activities		**(11,556,354)**	**(1,334,181)**
Cash paid for the repayment of debt		(356,531)	(3,061,152)
Capital increase due to issuance of shares		0	29,400,000
Cash received for issuance of convertible bonds		0	1,032
Cash paid for initial public offering expenses		0	(4,902,052)
Net cash from financing activities		**(356,531)**	**21,437,828**
Changes in cash and cash equivalents		3,648,311	31,012,383
Cash and cash equivalents at the beginning of the period		33,945,470	2,933,087
Cash and cash equivalents at the end of the period	**(6)**	**37,593,782**	**33,945,470**

Notes to the Consolidated Financial Statements

as at 31 December 2006 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 (the German stock exchange based in Frankfurt) since 29 September 2005. The shares have been trading in the "SDAX" index since 19 December 2005. The German security identification (WKN) number is 512170.

The Company brokers and consults in relation to residential mortgages, building society savings plans and insurances via the Internet and by telephone.

The Management Board prepared the consolidated financial statements of Interhyp AG for the fiscal year to 31 December 2006 on 22 February 2007 and these will be presented to the Supervisory Board on 16 March 2007 with a view to publication.

In principle, the consolidated financial statements can still be amended even after they have been approved by the General Meeting of Shareholders.

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 Notes 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 with the following exceptions:

The Group applied the new and amended IFRS standards and interpretations listed below during the fiscal year. The use of these new or amended IFRS standards and interpretations had no effect on the consolidated financial statements.
However, additional disclosures are required.

IFRS standards and interpretation *new and revised*

IAS 19	Amendment – Services to Employees
IAS 21	Amendment – The Effects of Changes in Foreign Exchange Rates
IAS 39	Amendment – Financial Instruments: Recognition and Measurement
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

The fundamental effects of these amendments are as follows:

IAS 19 Services to Employees

The Group applied the amendments to IAS 19 for the first time from 1 January 2006. They did not lead to any additional disclosures or changes in the accounting and valuation methods applied because the Group is not committed to performance-based pension schemes.

IAS 21 The Effects of Changes in Foreign Exchange Rates

The Group applied the amendments to IAS 21 for the first time from 1 January 2006. The application of this Standard had no effect on the asset, finance or profit situation because there were no foreign business transactions in the Group.

IAS 39 Financial Instruments: Recognition and Measurement

Accounting for financial guarantees, hedging internal group transactions and the fair value option. The application of this amendment had no effect on the consolidated financial statements.

IFRIC 4 Determining whether an Arrangement contains a Lease

The Group applied IFRIC 4 for the first time from 1 January 2006. This interpretation contains guidelines for determining whether an arrangement contains a lease on which the accounting regulations for leasing arrangements are to be applied. This amendment to the accounting and valuation methods had no significant effect on the asset, finance or profit situation of the Group in the periods to 31 December 2006 and 31 December 2005.

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

The Group applied IFRIC 5 and IFRIC 6 for the first time from 1 January 2006. The application of these standards had no effect on the consolidated financial statements.

Furthermore, the Group did not apply any of the following standards and IFRIC interpretations, which had already been published but had yet to come into effect.

Standard/ interpretation		**To be applied from**	**Planned application at Interhyp**	**Date of EU endorsements**
IAS 1 Amendments – Capital Disclosures	*	1 January 2007	FY 2007	11 January 2006
IFRS 7 Financial Instruments: Disclosures	*	1 January 2007	FY 2007	11 January 2006
IFRS 8 Operating Segments	*	1 January 2009	FY 2007	outstanding
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	*	1 March 2006	FY 2007	8 May 2006
IFRIC 8 Scope of IFRS 2	*	1 May 2006	FY 2008	8 September 2006
IFRIC 9 Reassessment of Embedded Derivatives	*	1 June 2006	FY 2007	8 September 2006
IFRIC 10 Interim Financial Reporting and Impairment	*	1 November 2006	FY 2007	outstanding
IFRIC 11 IFRS 2 Group and Treasury Share Transactions	*	1 March 2007	FY 2008	outstanding
IFRIC 12 Service Concession Agreement	*	1 March 2007	FY 2007	outstanding

* The Company expects no significant effects on the asset, finance or profit situation of the Group as a result of the application of these standards.

The Group prepared the cash flow statement for 2006 in accordance with the classification proposed in IAS 7. The disclosure for the previous year was adjusted accordingly. This had an effect on the cash flow from current business activity, which resulted higher by EUR 278 k. By contrast, cash flow from investment activity was reduced by EUR 278 k.

The aim of segment reporting is to facilitate a better understanding of the Group's profitability to date, a better estimate of the Group's risks and profits and a better overall assessment of the Group. The Group decided to change the presentation in 2006 in order to meet the objectives of IAS 14 (Segment Reporting). The disclosure for the previous year was adjusted accordingly. Thus the heading of significant non-cash items by segment (EUR 497 k, previous year: EUR 323 k) was newly introduced, among others, and the segment liabilities amended by the disclosure on non-assignable liabilities (EUR 5,612 k, previous year: EUR 1,675 k).

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.

Prohyp GmbH, Munich, makes use of the exemption rule of § 264 Clause 3 of the German Commercial Code in the fiscal year 2006.

Hausfinanz Beratungsgesellschaft mbH was formed in fiscal 2004. 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 fiscal year of Interhyp AG and its subsidiary companies ends on 31 December in each case.
All internal Group accounting balances, transactions, earnings, expenditure, 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 potential 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 expenditure as well as any accounts payable. In individual cases, actual values may differ from the assumptions and estimates made.

In the application of the accounting and assessment methods, the Management Board 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.

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 within the next fiscal year, include, in particular, the assumptions in respect of provisions for restoration liabilities.

The amount for restoration liabilities is calculated on the basis of experience values and estimates. In order to estimate the liability, the Group must estimate the anticipated costs of restoration measures. It must also choose an appropriate discounting rate in order to calculate the cash value of the liability.

The Group estimates that some receivables from provisions are to be considered irrecoverable. The value of these receivables has been amortised accordingly.

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.

In subsequent periods the intangible assets are included with their purchase or production cost, less accumulated depreciation and all accumulated depreciation costs. With the exception of capitalisable development costs, the costs of self-generated intangible assets are recorded in the income statement in the period in which they arise. Differentiation is made between intangible assets which have a limited useful life and those which have an 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. The required amendments to the depreciation method and the useful life 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

Expenditure on depreciation of intangible assets from company acquisitions completed in previous years was EUR 29 k (previous year: EUR 29 k).
Profits or losses from the deletion of intangible assets are calculated as the difference between the net disposal revenues and the book value of the asset and recorded in the income statement in the period in which the item is deleted.

Research and development costs

Research and development costs are booked as expenditure in the period in which they accrue. Total expenditure on research in the reporting period was EUR 1,157 k (previous year: EUR 937 k).

An intangible asset which arises from the development of an individual project is only capitalised 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.

During the development period the asset value is checked once annually for recoverability. After inclusion in the accounts for the first time, the purchase cost model is applied to the development costs. In accordance with this model, the asset value is to be charged to purchase costs less accumulated depreciation and accumulated costs of depreciation. Depreciation begins on completion of the development when the asset is ready for use. Depreciation takes place over the period in which income can be expected. The asset is checked annually for recoverability during the period in which it is not yet in use.

Consistent with the provisions of IAS 38 “Intangible Assets”, development expenditure 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 expenditure is capitalised in the year in which it is incurred and amortised over a period of three years.

Fixed assets

Fixed assets are 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 as tenant which result from restoration liabilities. The estimated periods of use of the assets form the basis for planned straight-line depreciation.

Fixed assets basically consist of office equipment and computers and are amortised over a useful economic life of three to thirteen years.

Fixed assets are 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 of the asset and recorded in the period in which the item is disposed of, with immediate effect on the income statement.
The residual values of the assets, useful lives and depreciation methods are examined at the end of each fiscal year and adjusted where necessary.

External capital costs

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

Leasing

The definition of whether an agreement 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.

Reassessment of whether an agreement contains a leasing arrangement is only required after the leasing arrangement has begun, if one of the following conditions is given: (a.) There is an amendment to the contract conditions which relates to something other than a renewal or extension of the agreement; (b.) A renewal option is exercised or an extension is granted, unless the conditions for renewal or extension were originally considered during the term of the leasing arrangement; (c.) There is a change in the determination of whether fulfilment depends on a specific asset; (d.) There is a significant change in the value of the asset.

Accounting for the leasing arrangement must begin or end if a new estimate is made: (I) in the case of items a), c) or d) from the date of the change in circumstances which gave rise to a renewed assessment; (II) in the case of item b) from the beginning of the renewal or extension period.
In the case of leasing agreements that were made before 1 January 2005, in accordance with the transitional regulations of IFRIC 4 the applicable date for the closure of the leasing agreement is 1 January 2005.

The Group as lessee
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 thus divided into their components of financing expenditure 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 expenditure is recorded immediately in the income statements.

If transfer of ownership to the Group at the end of the term of the leasing arrangement is not sufficiently certain, the capitalised leased objects are completely written off over the shorter of the two periods of expected useful life and the term of the leasing arrangement.

There are no financial leasing contracts in the Group.

Expenditure on operational leasing arrangements is recorded directly as expenditure 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 non-financial 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. The realisable amount is to be determined for each individual asset unless an asset produces no cash flows that are largely independent of those of other assets or other groups of assets.

On each balance sheet date, an assessment is made of all assets, with the exception of goodwill, concerning whether there are indicators that a previously recorded depreciation cost no longer exists or has decreased. If such an indicator exists, the Group makes an estimate of the amount realisable. A previously recorded depreciation cost is only cancelled if, since the recording of the last depreciation cost, there has been a change in the estimates that were used to determine the realisable amount. If this is the case, the book value of the asset is increased to its realisable amount. However, this amount must not exceed the book value that would result after taking account of depreciation if no depreciation cost had been recorded for the asset in previous years. Such a value clarification is recorded immediately in the results for the period.

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 and short term investments on the balance sheet 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. The cash and cash equivalents in the consolidated cash flow statement are in accordance with the above definition.

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

Depending on the individual case, financial assets in the sense of IAS 39 are classified as financial assets which are valued directly in the profit and loss accounts 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 other financial investments such as those which are valued directly in the profit and loss accounts 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 assessment of whether a contract contains an embedded derivative is made at the time when the Company first becomes party to the contract. The embedded derivative is separated from the base contract if it is not recorded in the profit and loss account at actual cash value and an analysis shows that the financial characteristics and risks of the embedded derivative are not closely associated with the financial characteristics and risks of the base contract.

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, in the respect that this is allowable and appropriate. The financial assets are designated to the assessment categories after they have been allocated for the first time. Reallocations are made at the end of each fiscal year, insofar as this appears 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 profit and loss accounts at their attributable present value

The group of financial assets valued in the profit and loss accounts at their attributable present value contains financial assets held for trading purposes and financial assets which are classified as financial assets to be assessed at their attributable present value when they are allocated for the first time. 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 profit and loss accounts.

If a contract contains one or more embedded derivatives, the entire contract must be classified as a financial asset valued in the profit and loss accounts at its attributable present value, unless the embedded derivative(s) change the otherwise accruing cash flows from the contract only negligibly or separation of the embedded derivative is not allowed.

Financial assets must be designated as financial assets valued in the profit and loss accounts at their attributable present value when they are allocated for the first time, if the following criteria are met: (I) classification removes or significantly reduces incongruities which would result from the valuation of assets that would otherwise have to be made; or (II) the assets are part of a group of financial assets which are controlled according to a documented risk management strategy and whose performance is assessed on the basis of the attributable present value; or (III) the financial asset contains an embedded derivative to be recorded separately. As at 31 December 2006, no assets were designated as valued in the profit and loss accounts at their attributable present value (previous year: 0).

Financial investments held until the end of their term

Financial investments held until the end of their term are non-derivative financial assets with fixed or at least ascertainable payment amounts and fixed maturity dates which the Group intends to hold until the end of their term and is in a position to do so. Financial investments held until the end of their term are assessed as continued purchase costs according to their initial recording in the accounts. This is the amount at which a financial asset was assessed on first being recorded in the accounts, less amortisation, plus or minus the accumulated amortisation of any difference between the amount originally assessed and the amount payable at the end of the term using the effective interest method and less the value adjustment for depreciation. This calculation includes all fees and other considerations paid or received between the contract parties which are an integral part of the effective interest rate, transaction costs and all other agios and disagios. Profits and losses are recorded in the results for the period if the financial investments are deleted from the accounts or depreciated, or in the context of amortisation. As at 31 December 2006, there were no financial investments held until the end of their term (previous year: 0).

Receivables

Receivables are non-derivative financial assets with fixed or definable payments, which are not quoted on an active market. After their initial recording in the accounts, receivables are assessed as continued purchase costs using the effective interest method less the value adjustment for depreciation. Continued purchase costs are calculated taking into consideration all disagios and agios on their acquisition and include all costs that are an integral part of the effective interest rate and the transaction costs. Profits and losses are recorded in the results for the period in which the receivables are deleted from the accounts or written down and in the context of amortisation.

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 unrealised profits or losses are recorded directly in shareholders' equity, in the provision for unrealised profits. On disposal of financial investments, the accumulated profit or loss previously recorded under shareholders' equity is now rebooked directly in the profit and loss accounts. Interest received or paid on financial investments is shown as income or expenditure on interest. The effective interest method is used. Dividends from financial investments are shown in the profit and loss accounts as "Dividends received" with effect from the date of origination of the legal claim for payment.

Attributable present value
The attributable present value of financial investments that are traded on organised markets is defined by the market price (bid price) quoted on the balance sheet date. The attributable present value of financial investments for which no active market exists is estimated by using valuation methods. These valuation methods include the use of recent transactions between competent, willing and independent business partners, comparison with the current market value of a fundamentally similar financial instrument, the analysis of discounted cash flows and the use of other valuation models.

Depreciation of financial assets

On each balance sheet date, the Group assesses whether there is a case for depreciation of a financial asset or group of financial assets.

Assets accounted for on the basis of their continued purchase costs
If there is objective evidence of depreciation on credits and receivables accounted for on the basis of continued purchase costs, the amount of the loss results from the difference between the book value of the asset and the cash value of the expected future cash flows (with the exception of expected credit losses in the future), discounted by the original effective interest rate of the financial asset (i.e. the effective interest rate calculated at the time of the first allocation in the accounts). The book value of the asset is reduced by means of a value adjustment account. The depreciation loss is recorded in the profit and loss accounts.

It is then determined whether there is objective evidence of depreciation on financial assets which are considered to be significant individually, and on financial assets which are not considered to be significant, individually or collectively. If the Group determines that there is no objective evidence of depreciation on an individually examined financial asset, whether it is significant or not, it allocates the asset to a group of financial assets with comparable non-payment risk profiles and examines these collectively for depreciation. Assets which are examined individually for depreciation and for which a value adjustment is recorded are not included in the all-inclusive depreciation assessment on a portfolio basis.

If the amount of the value adjustment is reduced in one of the subsequent reporting periods and if this reduction can be traced objectively to a situation which occurred after recording the depreciation, the value adjustment recorded earlier is annulled. The amount of the value clarification is limited to the continued purchase costs at the time of the value clarification. The value clarification is recorded in the profit and loss account.

If there is objective evidence in accounts receivable (e.g. the probability of insolvency or significant financial difficulties on the part of the debtor) that not all amounts due will be received in accordance with the originally agreed invoice conditions, depreciation is carried out using the value adjustment account. Depreciation amounts are deleted if they are classified as irrecoverable.

Financial investments available for disposal
If the value of an asset that is available for disposal is reduced, an amount recorded in shareholders' equity is rebooked to the profit and loss account in the sum of the difference between the purchase costs (less any amortisation) and the actual cash value, less any value adjustments previously made to this financial asset and recorded in the profit and loss accounts. Value clarifications on shareholders' equity instruments that are classified as available for disposal are not recorded in the profit and loss accounts.

Value clarifications on debt instruments that are classified as available for disposal are recorded in the profit and loss accounts if the rise in the actual cash value of the instrument results objectively from an event which occurred after the depreciation was recorded in the profit and loss accounts.

Taxation

Effective tax assets and tax liabilities
Effective tax assets and tax liabilities for the current period and for earlier periods are 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.
Actual taxes relating to items which are recorded directly in shareholders' equity are recorded in shareholders' equity and not the income statement.

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 profit and loss account.

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 provisions

A provision 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. If the Group is expecting at least a partial refund in respect of a deferred liability (e.g. in the case of an insurance contract), the refund is recorded as a special asset provided that the inflow of the refund is as good as guaranteed. Expenditure on the establishment of the provision is shown in the income statement after deduction of the refund. If the interest effect resulting from discounting is significant, the provisions are discounted at a rate of interest before tax which, if necessary in the individual case, reflects the risks specific to the debt. In the event of discounting, the increase in provisions due to the lapse of time is recorded as interest expenditure.

The effects of changes in the estimates were recorded in the profit and loss accounts on an ongoing basis.

Contributions to contribution-based pension schemes are accounted for immediately as expenditure. 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 attributable present 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.

Financial liabilities assessed in the profit and loss accounts at attributable present value

Financial liabilities assessed in the profit and loss accounts at attributable present value include financial liabilities held for trading purposes and other financial liabilities to be assessed at their actual market value when they are allocated for the first time. Financial liabilities are classified as held for trading purposes if they were acquired with the intention of sale in the near future. Derivatives, including separately recorded embedded derivatives, are also classified as held for trading purposes, with the exception of derivatives that were designated as security instruments and are effective as such. Profits or losses from financial liabilities which are held for trading purposes are recorded directly in the profit and loss accounts.

If a contract contains one or more embedded derivatives, the entire contract must be classified as a financial liability valued in the profit and loss accounts at its attributable present value, unless the embedded derivative(s) change the otherwise accruing cash flows from the contract only negligibly or separation of the embedded derivative is not allowed.

Financial liabilities must be designated as valued in the profit and loss accounts at their attributable present value when they are allocated for the first time, if the following criteria are met: (I) the classification removes or significantly reduces incongruities which would result from the valuation of liabilities that would otherwise have to be made or from the recording of profits and losses using different assessment methods; or (II) the liabilities are part of a group of financial liabilities which are controlled according to a documented risk management strategy and whose performance is assessed on the basis of the actual market value; or (III) the financial liability contains an embedded derivative to be recorded separately. As at 31 December 2006, no financial liabilities were designated as valued in the profit and loss accounts at their attributable present value (previous year: 0).

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 2005 and 31 December 2006.

Deletion of financial assets and financial liabilities

Financial assets
A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is deleted if one of the three following conditions is fulfilled: (I) the contractual rights to draw cash flows from a financial asset have expired; (II) the Group retains the rights to draw cash flows from a financial asset but has entered into a contractual liability for the immediate payment of cash flows to a third party in the context of an agreement which meets the conditions of IAS 39.19 ("pass-through arrangement"); (III) the Group has transferred its rights to draw cash flows from a financial asset and in doing so has either (a) fundamentally transferred all opportunities and risks associated with the financial asset or (b) neither fundamentally transferred nor retained all opportunities and risks associated with the financial asset but has transferred the authority to dispose of the asset.

If the Group transfers its contractual rights to cash flows from an asset but neither fundamentally transfers nor retains all opportunities and risks associated with the ownership of this asset and in doing so also retains the authority to dispose of this asset, the Group continues to record the transferred asset as part of its ongoing commitment. If the type of ongoing commitment guarantees the transferred asset, the extent of the ongoing commitment corresponds to the original book value of the asset or the highest value of the service received in return, whichever is the lesser amount that the Group might be required to pay back.

If the type of ongoing commitment is an option to sell and/or acquired option (including an option fulfilled by cash settlement or similar) on the transferred asset, the extent of the Group's ongoing commitment corresponds to the amount of the transferred asset that the company can buy back. In the case of an option to sell (including an option fulfilled by cash settlement or similar) on an asset which is valued at the current market price, however, the extent of the Group's ongoing commitment is limited to the current market price of the transferred asset or the preferential price of the option, whichever is the lower.

Financial liabilities
A financial liability is deleted if the obligation on which it is based has either been fulfilled, cancelled or has expired. If an existing financial liability is exchanged for another financial liability from the same creditor with substantially different credit terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as a deletion of the original liability and the introduction of a new liability. The difference between the respective book values is recorded in the profit and loss accounts.

Revenue recognition

Earnings are recorded if it is probable that the economic utility will flow into the Group and the amount of earnings can be reliably determined. Earnings must be assessed at the actual cash value of the service received in return. Cash discounts and allowances are not taken into consideration. Furthermore, recognition of earnings requires that the criteria for inclusion listed below are met.

Provision of services

Revenues are made in the Direct and Intermediary Channel business segments. Revenues consist mainly of commissions for residential mortgage broking and special bonus payments. Commissions for residential mortgage broking 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.

Interest income

Income from interest is recorded when it is generated (using the effective interest method, i.e. the interest rate with which estimated future inflows of payments are discounted on the net book value of the financial asset over the expected term of the financial instrument).

Dividends

Earnings are recorded when the legal claim to payment arises.

Share-based remuneration

Some employees and former members of the Supervisory Board of the Group receive share-based remuneration, whereby the employees receive equity instruments in compensation for their services ("Transactions with Compensation by Equity Instruments").

The value of the goods and services – which cannot be identified individually or collectively – received in exchange for equity instruments is calculated as the difference between the actual cash value of the share-based remuneration and the actual cash value of the received identifiable goods and services at the time of their provision.

Expenditure arising from the awarding of equity instruments is assessed at the attributable present value of the awarded equity instruments on the date they are awarded. The attributable present value was calculated using a generally recognised option price model.

Recording of the expenditure and corresponding increase in shareholders' equity resulting from the awarding of equity instruments takes place over the period in which the exercise or performance conditions must be fulfilled (the so-called vesting period). This period ends on the date of the first exercise option, i.e. the date on which the employee in question becomes irrevocably entitled ("date of the first exercise option"). The cumulated expenditure from the awarding of equity instruments shown on the balance sheet date up to the time of the first exercise option reflects the already lapsed part of the vesting period and the number of equity instruments which, in the Group's best estimate, will actually become exercisable on expiry of the vesting period. 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.

No expenditure is recorded for remuneration rights which do not become exercisable. Remuneration rights the exercising of which requires the fulfilment of certain market conditions are an exception. These are considered to be exercisable irrespective of whether the market conditions are fulfilled, provided that all other performance conditions are met.

If the contract conditions of an equity based remuneration agreement are changed, expenditure is recorded at least in the amount which would have accrued if the contract conditions had not been changed. In addition, the company is required to record the effects of changes which increase the overall present value of the share-based remuneration agreement or are associated with a different benefit for the employee as measured at the time of the change.

If an equity based remuneration agreement is cancelled, this is treated as though it had been exercised on the date of cancellation. Expenditure previously not recorded is recorded immediately. However, if the cancelled remuneration agreement is replaced by a new remuneration agreement and the new remuneration agreement is declared to be a replacement for the cancelled remuneration agreement on the date that it is awarded, the cancelled and the new remuneration agreements are accounted for as a change to the original remuneration agreement.
The dilution effect of outstanding stock options is considered as additional dilution for the purpose of calculating earnings per share.

III. Notes to the Consolidated Balance Sheet

Preliminary remark: adjustment of the previous year's accounts

The tax deductible capital procurement costs related to the equity transaction in 2005 were deducted directly from equity in accordance with IAS 32.37. As the tax loss carryforwards and thus also the capital procurement costs were partially tax-deductible in 2005, we have adjusted the utilisation of the deferred tax asset relating to the capital procurement costs to correspond respectively. This adjustment leads to a reduction in deferred tax assets and an increase in deferred tax expenses of EUR 2,106 k in 2005.

The tax expense recorded is non-cash in nature.

Adjusted Group earnings for 2005 are EUR 10,850 k. Earnings per share in 2005 (undiluted) changed from EUR 2.18 to EUR 1.83.

The correction is made in accordance with IAS 8.

(1) Intangible assets

The evolution of individual intangible asset items is presented in the assets analysis (see page 70).

(2) Fixed assets

The evolution of individual fixed asset items is presented in the assets analysis (see page 70).

***Assets analysis** for 2006 (EUR)*

			Purchase or production costs		
	01.01.2006	**Accruals**	**Disposals**	**Transfer**	**31.12.2006**
Intangible assets					
Development costs	553,397.32	52,500.00	409,741.67	0.00	196,155.65
Software and licences	489,092.96	400,358.95	0.00	102,312.00	991,763.91
Customer profiles	172,117.03	0.00	0.00	0.00	172,117.03
	1,214,607.31	**452,858.95**	**409,741.67**	**102,312.00**	**1.360,036.59**
Fixed assets					
Property, plant and equipment	2,441,653.12	1,781,620.42	205,269.61	150,927.95	4,168,931.88
Prepayments on fixed assets	57,189.39	258,666.02	0.00	(253,239.95)	62,615.46
Tenant fixtures	279,100.00	0.00	97,260.82	0.00	181,839.18
	2,777,942.51	**2,040,286.44**	**302,530.43**	**(102,312.00)**	**4,413,386.52**
Total	**3,992,549.82**	**2,493,145.39**	**712,272.10**	**0.00**	**5,773,423.11**

***Assets analysis** for 2005 (EUR)*

		Purchase or production costs		
	01.01.2005	**Accruals**	**Disposals**	**31.12.2005**
Intangible assets				
Development costs	526,606.26	143,655.65	116,864.59	553,397.32
Software and licences	389,445.39	103,482.26	3,834.69	489,092.96
Customer profiles	172,117.03	0.00	0.00	172,117.03
	1,088,168.68	**247,137.91**	**120,699.28**	**1,214,607.31**
Fixed assets				
Property, plant and equipment	1,189,790.14	1,307,546.06	55,683.08	2,441,653.12
Prepayments on fixed assets	0.00	57,189.39	0.00	57,189.39
Tenant fixtures	150,000.00	129,100.00	0.00	279,100.00
	1,339,790.14	**1,493,835.45**	**55,683.08**	**2,777,942.51**
Total	**2,427,958.82**	**1,740,973.36**	**176,382.36**	**3,992,549.82**

	Amortisation and Depreciation			Book value
01.01.2006	Accruals	Disposals	31.12.2006	31.12.2006
334,568.54	166,705.33	409,741.67	91,532.20	104,623.45
366,577.96	137,238.95	0.00	503,816.91	487,947.00
71,674.18	28,697.64	0.00	100,371.82	71,745.21
772,820.68	**332,641.92**	**409,741.67**	**695,720.93**	**664,315.66**
1,166,333.12	868,221.87	205,269.61	1,829,285.38	2,339,646.50
0.00	0.00	0.00	0.00	62,615.46
65,005.00	24,911.76	0.00	89,916.76	91,922.42
1,231,338.12	**893,133.63**	**205,269.61**	**1,919,202.14**	**2,494,184.38**
2,004,158.80	**1,225,775.55**	**615,011.28**	**2,614,923.07**	**3,158,500.04**

	Amortisation and Depreciation			Book value
01.01.2005	Accruals	Disposals	31.12.2005	31.12.2005
190,083.85	261,349.28	116,864.59	334,568.54	218,828.78
282,983.70	87,428.95	3,834.69	366,577.96	122,515.00
42,976.55	28,697.63	0.00	71,674.18	100,442.85
516,044.10	**377,475.86**	**120,699.28**	**772,820.68**	**441,786.63**
669,428.83	552,587.37	55,683.08	1,166,333.12	1,275,320.00
0.00	0.00	0.00	0.00	57,189.39
40,800.00	24,205.00	0.00	65,005.00	214,095.00
710,228.83	**576,792.37**	**55,683.08**	**1,231,338.12**	**1,546,604.39**
1,226,272.93	**954,268.23**	**176,382.36**	**2,004,158.80**	**1,988,391.02**

(3) Receivables from commissions

Receivables from commissions consist of the following:

EUR k

	2006	2005
Gross receivables	18,493	12,337
Value adjustments	(857)	(394)
Total	**17,636**	**11,943**
Short-term amount	17,163	11,626
Long-term amount	473	317

Receivables from commissions are allocated free of interest and at nominal value less value adjustments. The settlement date of receivables from commissions is not defined when the claim is made because it depends on the negotiations of third parties (borrowers and insurance holders). The rules and regulations are different for each creditor. In the case of the majority of creditors, claims for commission become due after the borrower has accessed the first instalment of his loan. This depends on the progress of building, the estimated purchase date or the debt rescheduling date. The expected settlement date for receivables is defined on the basis of information about the borrower.

(4) Other assets

Other (short-term) assets contain primarily accrued interest on securities (EUR 221 k, previous year: EUR 6 k) and accrued items in relation to maintenance contract payments, special leasing payments and subscriptions to periodicals.

These other assets (long-term) contain bank deposits in the amount of EUR 495 k (previous year: EUR 398 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.

EUR k

Bond	Effective interest rate	Settlement date	2006	2005
3.125% Bayerische Handelsbank	2.98%	02.03.2007	499	501
3.3% DG Hyp	3.02%	31.05.2007	497	502
1.25% Hypothekenbank in Essen	3.13%	05.01.2007	4,999	0
2.65% Hypo Real Estate	3.28%	26.01.2007	4,997	0
Total			**10,992**	**1,003**

Accrued income from interest is shown under Other assets (short-term).

(6) Cash and cash equivalents

Cash and cash equivalents consist of 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. Interest is paid at variable rates of interest on bank deposits which are callable on a daily basis. Short-term investments are made for periods of one to three months. Interest is paid on short-term investments at the respective rate of interest.

For the purposes of the consolidated cash flow statement, the financial capital funds are made up exclusively of cash and cash equivalents.

(7) Shareholders' equity

The evolution of shareholders' equity is presented in the consolidated statement of shareholders' equity, on page 52.

Common stock
The registered capital of Interhyp AG as at 31 December 2006 is EUR 6,498,350.00 (previous year: EUR 6,498,350.00) and is divided into 6,498,350 registered no-par shares each with a computed share of EUR 1.00 in the registered capital. All issued shares are fully paid in.

Authorised capital
By resolution of the General Meeting of Shareholders of 13 September 2005, the Management Board, with the agreement of the Supervisory Board, was authorised to increase the registered capital of the Company in the period to 13 September 2010 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 at 31.12.2006, the value of the conditional capital under consideration of the capital increase which took place in 2005 from the Company's own resources (factor 50) is as follows:

EUR

	2006	2005
Conditional Capital 2000/I	0	4,400
Conditional Capital 2005/I	20,000	20,000
Conditional Capital 2005/II	172,637	172,637
Total	**192,637**	**197,037**

The conversion period lapsed on 31 December 2005 for the Conditional Capital 2000/I in the amount of EUR 88.00 (value after capital increase EUR 4,400.00). No further conversion rights can be exercised. The conditional capital was annulled by resolution of the Supervisory Board dated 5 May 2006. Recording in the Commercial Register took place on 7 June 2006.

Conditional Capital 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/II serves for the implementation of a management and employee participation programme.

Authorisation to acquire own shares

It was resolved at the General Meeting of Shareholders 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 of the Company 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.

By means of a resolution at the General Meeting of Shareholders of 30 May 2006 the authorisation granted in the previous year was annulled and the Management Board was once again authorised to acquire shares in the Company for a period of 18 months from the date of the resolution.

Management and employee participation programme (stock option programme)

In the context of the published stock option programme, employees were granted the right to acquire shares in Interhyp from the conditional capital created for this purpose 2005/II, against payment of a contractually fixed price. The maximum number of stock options which can be issued under the stock option programme is 172,637. 85,000 stock options were issued to employees in 2005. The Supervisory Board takes decisions concerning the issue of stock options to members of the Management Board and further details relating to the issue; the Management Board takes such decisions in respect of employees. Stock options are provided for individuals whose decisions are closely linked to the development and success of the Company. A maximum of half of all stock options in the programme is designated for Management Board members. The shares required for the stock option programme originate from conditional capital created by the Extraordinary Meeting of Shareholders of 13 September 2005 (2005/II).

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 stock 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 stock 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 stock 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 Management Board in consultation with the Supervisory Board (for employees of Interhyp AG) or the Supervisory Board (for members of the Management Board 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 stock options awarded during the fiscal year.

Overview stock options

	2006 Quantity	2006 AEP	2005 Quantity	2005 AEP
Outstanding at the beginning of the reporting period	85,000	EUR 42.00	0	-
Awarded in the reporting period	0	-	85,000	EUR 42.00
Exercised in the reporting period	0	-	0	-
Expired in the reporting period	2,500	EUR 42.00	0	-
Outstanding at the end of the reporting period	**82,500**	**EUR 42.00**	**85,000**	**EUR 42.00**
Exercisable at the end of the reporting period	0	-	0	-

The weighted average residual contract term of the existing stock options up to 31 December 2006 is 8.75 years (previous year: 9.75 years).
The actual cash value of the stock 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:

Calculation basis for stock options

	2006	2005
Expected volatility	25%	25%
Fluctuation p.a.	5%	5%
Risk-free interest rate according to expected term	2.9–3.14%	2.9–3.14%
Dividend yield	0%	0%
Issue price	EUR 42.00	EUR 42.00
Market price on the issue date	EUR 8.76–13.21	EUR 8.76–13.21

The expected term of the options is based on the assumption of the Management Board that the options will be exercised one 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.

Expenditure on the issue of stock options to employees with compensation by equity instruments is recorded as personnel expenses (EUR 262 k, previous year: EUR 52 k).

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 2006, the following convertible bonds had been issued:

Overview convertible bonds 2006

	Employees	Total
1 January 2006	400	400
Newly issued	0	0
Exercised	0	0
Expired	0	0
31 December 2006	**400**	**400**
Exercisable at the end of the reporting period	0	0

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

Overview convertible bonds 2005

	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

No convertible bonds were issued or converted in 2006. 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 term of the convertible bonds issued to employees in 2005 ends on 30 June 2015.

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

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

Parameters of present value calculation of convertible bonds

	2006	**2005**
Expected volatility	25%	25%
Risk-free interest rate according to expected term	2.9–3.14%	2.9–3.14%
Dividend yield	0%	0%
Issue price	EUR 2.00	EUR 2.00
Market price on the issue date	EUR 1,715.00	EUR 1,715.00

The expected term of the convertible bonds is based on the assumption of the Management Board 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.

Expenditure on the issue of convertible bonds to employees with compensation by equity instruments is recorded as personnel expenses (EUR 218 k, previous year: EUR 271 k, of which EUR 199 k to a former member of the Supervisory Board).

Capital reserve

The capital reserve basically represents the shareholders' equity component of convertible bonds and stock options and the premiums on the issuing of new shares (additional payments according to § 272 Clause 2 of the German Commercial Code [HGB]).

Revaluation reserve

Changes in the attributed present value of financial investments available for disposal are recorded in this reserve.

(8) Other provisions

Changes in provisions are presented in the analysis of provisions on page 78.

Restoration liabilities for rented premises

Contractual restoration liabilities exist in respect of rented office space. The restoration costs are estimated at EUR 187 k (previous year: EUR 279 k). Since 2006, discounting has taken place at the rate of 4.5% p.a. on the long term liability, resulting in an amount of EUR 161 k as at 31 December 2006. The restoration costs will fall due on completion of the rental arrangements whereby the rental contract terms run until 2009/2011 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.

***Analysis of provisions** (EUR)*

2006	01.01.2006	Claim	Liquidation	Allocation	31.12.2006
Cancellation risk	88,100.00	88,100.00	0.00	126,800.00	126,800.00
Restoration liabilities	279,100.00	0.00	124,704.97	6,572.24	160,967.27
Total	**367,200.00**	**88,100.00**	**124,704.97**	**133,372.24**	**287,767.27**

2005	01.01.2005	Claim	Liquidation	Allocation	31.12.2005
Cancellation risk	30,000.00	30,000.00	0.00	88,100.00	88,100.00
Restoration liabilities	220,000.00	70,000.00	0.00	129,100.00	279,100.00
Total	**250,000.00**	**100,000.00**	**0.00**	**217,200.00**	**367,200.00**

(10) Trade accounts payable

Trade accounts payable concern liabilities to sub-brokers. They are non-interest bearing and usually due for payment within 30 to 90 days.

(11) Other liabilities

Other liabilities consist of the following:

EUR k

	2006	2005
Salary bonuses	1,824	1,216
Sales commissions	779	805
Social contributions	260	392
Wage/church tax	324	294
Outstanding invoices	1,355	481
Acquisition and audit costs	335	254
Bonus commissions for sub-brokers	513	566
Rent-free periods	583	378
Outstanding holidays	465	346
Severance payments	0	114
Outstanding repayments to bank partners	588	0
Other	61	272
Total	**7,087**	**5,118**
Short-term component	6,504	4,740
Long-term component	583	378

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 expenditure over the entire rental period, the Company creates a liability at the commencement of the rental arrangement and uses this on a straight-line basis over 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 conclusion of new rental arrangements in relation to the opening of new regional offices in 2006.

The other liabilities are non-interest bearing. With the exception of liabilities in respect of contracts with rent-free periods, all other liabilities are due for settlement within approximately 30 days.

(12) Financial liabilities

EUR k

	2006	**2005**
Long-term		
Convertible bonds	1	1
Short-term		
Interest on Earlybird loan	0	158
Purchase price for Haselsteiner & Wolsdorf	0	194
	0	**352**
	1	**353**

Interest was paid on the loans granted by Earlybird Pre-Seed Beteiligungskommanditgesellschaft, Munich, and Earlybird Venture Capital GmbH & Co. KG, Munich, in 2006. The final instalments for the purchase of the subsidiary company “Haselsteiner & Wolsdorf GmbH” were also paid.

For further explanations concerning issued convertible bonds, please refer to the explanations given under shareholders’ equity on page 76.

IV. Notes to the Consolidated Income Statement

(13) 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.

(14) Cost of services purchased

Expenditure on commissions to sub-brokers is recorded under this item.

(15) Personnel expenses

Personnel expenses consist of the following:

EUR k

	2006	**2005**
Wages and salaries	19,007	14,071
Social contributions and expenditure on pension schemes and support	3,915	2,620
(of which for pension schemes)	(79)	(84)
	22,922	**16,691**

Of the personnel expenses, EUR 19,247 k (previous year: EUR 13,722 k) was in the area of sales. This amount includes expenditure (salary and ancillary costs) on both pure sales units and sales support units (service line, credit experts, etc.).
This item also includes expenditure on the issuing of convertible bonds (EUR 218 k, previous year: EUR 72 k) and stock options (EUR 262 k, previous year: EUR 52 k).

Expenditure on pension schemes includes expenditure on contribution-based pension schemes in the amount of EUR 79 k (previous year: EUR 84 k). In addition, the Group pays contributions to the German pension insurance scheme in the amount of EUR 1,485 k (previous year: EUR 995 k), which is also contribution-based.

(16) Other operating expenses

Other operating expenses consist of the following:

EUR k

	2006	2005
Marketing	**6,086**	**2,695**
Office and administration expenditure		
Rental and ancillary costs	1,942	1,015
Telecommunications expenditure	765	529
Leasing	529	324
Office materials	197	209
Postages	316	213
	3,749	**2,290**
External programming services	**128**	**176**
Hiring costs	**394**	**478**
Legal and professional fees	**1,116**	**1,409**
Miscellaneous		
Hardware and software maintenance	336	305
Travel expenses	304	154
Insurances	53	42
Staff conferences	140	98
Vehicle expenses	94	60
Provisions for convertible bonds	388	394
Staff training	106	96
Expenditure on the issue of convertible bonds	0	199
Investor Relations (AGM, Annual Report, etc.)	280	0
Special allocation for EDW of the subsidiary company "Haselsteiner & Wolsdorf GmbH"	218	0
Other	130	380
	2,049	**1,728**
Total	**13,522**	**8,776**

(17) Net interest income

Income from interest rose due to interest payments on accrued cash from the stock market entry. The cash was invested in fixed deposits and bonds.

(18) Tax result and deferred taxation

Expenditure is divided between taxation on income and taxation on profits, dependent on the source, as follows:

EUR k

	2006	adjusted **2005**
Consolidated income statement		
Current tax result		
Actual current tax result	(8,668)	(1,486)
Adjustments for actual taxation on profits accrued in previous years	(10)	0
Deferred tax result		
from the accrual and reversal of temporary differences	247	109
of which tax loss carryforwards	(1,328)	(779)
Tax expenditure shown in the consolidated income statement	**(9,759)**	**(2,156)**
Shareholders' equity		
Deferred taxation on profits from items recorded in shareholders' equity		
Unrealised losses from financial assets available for disposal	2	0
Tax expenditure recorded in shareholders' equity	**2**	**0**

In order to be able to carry over the actual tax expenditure for fiscal 2005, the amortisation of deferred taxation, which was related to capital procurement costs, was recorded as deferred tax expenditure.

The reconciled financial statements between profits tax expenditure and the product of the balance sheet result for the period and the taxation rate to be applied to the Group in Germany for the financial years to 31 December 2005 and 2006 are made up as follows:

EUR k

	2006	adjusted **2005**
Result before taxes on profits	**23,454**	**13,006**
Profits tax expenditure at taxation rate of 40.72% (previous year: 42.95%)	9,550	5,586
Adjustments for taxation on profits accrued in previous years	10	0
Adjustments due to findings of the tax audit (reduction in tax loss carryforwards)	86	0
Non-deductible expenditure	98	216
Amortisation of valuation reduction on loss carryforward	0	(3,646)
Effect of change in tax rate	15	0
Profits tax expenditure at the effective tax rate on profits of 41.61% (previous year: 16.57%)	9,759	2,156
Profits tax expenditure shown in the consolidated income statement	**9,759**	**2,156**

The tax deductible capital procurement costs related to the equity transaction in 2005 were deducted directly from equity in accordance with IAS 32.37. As the tax loss carryforwards and thus also the capital procurement costs were partially tax-deductible in 2005, we have adjusted the utilisation of the deferred tax asset relating to the capital procurement costs to correspond respectively. This adjustment leads to a reduction in deferred tax assets and an increase in deferred tax expenses of EUR 2,106 k in 2005.

The tax expense recorded is non-cash in nature. The adjustment takes place in accordance with IAS 8.

The deferred taxes as at 31 December consisted of the following items:

EUR k

	Consolidated Balance Sheet		Consolidated Income statement	
	2006	**2005**	**2006**	**2005**
Passive deferred taxes				
Development costs	41	94	53	(97)
General provision for doubtful debts	31	27	(4)	27
Income statement-related valuation of financial investments available for disposal at attributable present value	19	0	(19)	0
Total passive deferred taxes	**91**	**121**		
Active deferred taxes				
Tax loss carryforwards	0	1,328	0	0
Discounting of long-term provisions	8	0	8	0
Provisions for losses due to threats	238	0	238	0
Provisions for expenditure	57	86	(29)	(86)
Revaluation not affecting net income of financial investments available for disposal at attributable present value	2	0	-	-
Provisions and liabilities	0	0	0	47
Total active deferred taxes	**304**	**1,414**		
Deferred tax income/(expenditure) from temporary differences			247	109
Deferred tax expenditure from loss carryforwards			(1,328)	(779)
Deferred tax expenditure, total			**(1,081)**	**(670)**
Shown on the balance sheet as follows:				
Active deferred taxation	304	1,414		
Passive deferred taxation	91	121		

The active and passive deferred taxes were offset against the restoration liability.

(19) 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

	2006	adjusted **2005**
Net income (EUR)	13,694,501.37	10,849,669.32
Weighted average of outstanding shares	6,498,350	5,944,225
Earnings per share (EUR)	**2.11**	**1.83**

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, on page 74.

Weighted average of outstanding shares

	2006	**2005**
Weighted average of outstanding shares for calculation of undiluted earnings per share	6,498,350	5,944,225
Dilution effects:		
Convertible bonds	20,000	42,966
Share options	39,447	6,993
Weighted average of shares adjusted by the dilution effect	**6,557,797**	**5,994,184**

Diluted earnings per share

	2006	adjusted 2005
Net income (EUR)	13,694,501.37	10,849,669.32
Weighted average of outstanding shares	6,557,797	5,994,184
Earnings per share (EUR)	**2.09**	**1.81**

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.

Paid and proposed dividends

No resolutions were taken concerning dividends and no dividend payments were made during 2005 and 2006.

Proposed for approval by the General Shareholders' Meeting *(not recorded as a debt as at 31 December)*

	2006	2005
Dividends for 2006 in EUR k equals EUR 1.60 per share (previous year: EUR 0.00 per share)	10,397	-

V. Other

Financial risks

The basic financial instruments used by the Group include trade accounts payable. The Group has various financial assets such as receivables from provisions, securities, short-term investments and cash and cash equivalents which result directly from its business activity.

In accordance with the Group's internal guidelines, no trade in derivatives was entered into in the 2005 and 2006 financial years and no such trade will be entered into in the future.

The risks to the Group arising from financial instruments relate primarily to interest 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 income from interest and expenditure on interest and changes in the balance sheet values of interest bearing assets and liabilities.
With the exception of financial liabilities from convertible bonds, all of the Group's financial instruments that are subject to an interest risk have a remaining term of up to one year. The term of the convertible bonds runs until 2015.

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. In order to allow for this risk, the Company has created a provision for non-payment risks of this kind (cancellations).

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 50 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 segments are the primary format for Group segment reporting, since the risks and the return on shareholders' capital are influenced by differences in the services provided. The business segments are organised and managed independently of each other based on the nature of the service provided. Each segment represents a strategic business segment whereby the product range and markets are different from those of other segments. Geographical segmentation is not relevant, since the Group is active exclusively in the German market.

The two principle business fields of Interhyp AG in 2005 and 2006 were the Direct Channel and the Intermediary Channel. In the Direct Channel segment, broking services are offered direct 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 advisors.

External revenues by segment *(EUR k)*

	2006	2005
Direct Channel	45,114	30,512
Intermediary Channel	25,516	16,191
Group	**70,630**	**46,703**

Depreciation by segment *(EUR k)*

	2006	2005
Direct Channel	1,219	954
Intermediary Channel	7	0
Group	**1,226**	**954**

Important non-cash expenses by segment *(EUR k)*

	2006	2005
Direct Channel	380	300
Intermediary Channel	107	23
Group	**497**	**323**

Earnings before interest and taxes by segment *(EUR k)*

	2006	adjusted 2005
Direct Channel	15,329	9,267
Intermediary Channel	7,084	3,668
Group – Earnings before interest and taxes	**22,413**	**12,935**
Group – Interest result	1,041	71
Group – Tax result	(9.759)	(2.156)
Group – Net income	**13,695**	**10,850**

Assets by segment *(EUR k)*

	2006	adjusted 2005
Direct Channel	54,115	41,394
Intermediary Channel	16,369	8,136
Non-assignable assets	305	1,414
Group assets	**70,789**	**50,944**

Liabilities by segment *(EUR k)*

	2006	adjusted 2005
Direct Channel	7,294	5,683
Intermediary Channel	3,453	3,328
Non-assignable liabilities	5,612	1,675
Group liabilities	**16,359**	**10,686**

Investments by segment *(EUR k)*

	2006	2005
Direct Channel	2,463	1,612
Intermediary Channel	30	0
Group	**2,493**	**1,612**

Tax claims and liabilities in the financial year were shown as non-assignable assets or liabilities. The figures for the previous year were adjusted accordingly.

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.

Relationships to 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 was fully paid as at 31 December 2006.

Remuneration of Management Bodies

We refer to the details presented under the organisational structure on page 90.

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, software and vehicles. The rental contracts have a term of five years and include extension options for a further five years. 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

	2006	**2005**
Within one year	2,144	1,512
of which from leasing contracts	330	456
Within two to five years	4,776	5,239
of which from leasing contracts	303	251
After five years	0	0
of which from leasing contracts	0	0
Total	**6,920**	**6,751**

Payments of EUR 599 k (previous year: EUR 378 k) and EUR 1,168 k (previous year: EUR 732 k) in respect of rental arrangements were recorded in the profit and loss accounts for the financial year.

Liabilities from the acquisition of property, plant and equipment

As at 31 December 2006, liabilities exist in relation to the acquisition of office equipment in the amount of EUR 15 k (previous year: EUR 0 k) on which prepayments of EUR 8 k (previous year: EUR 0 k) have been made.

Organisational Structure

Management Board

Robert Haselsteiner, businessman – Munich
Marcus Wolsdorf, businessman – Munich

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

EUR k

	Robert Haselsteiner	Marcus Wolsdorf	Total	Previous year
Basic remuneration	206	208	414	429
Performance-related remuneration	100	100	200	200
Short-term benefits	**306**	**308**	**614**	**629**
thereof contributions due to contribution-based pension schemes	4	4	8	10

Supervisory Board

The Supervisory Board was made up of the following:
Dr Christian G. Nagel, businessman, Chairman
Thomas Geiger, businessman, Deputy Chairman
Christian Siegele, businessman, member

From 10 January 2006 the Supervisory Board was made up as follows:
Peter Mark Droste, businessman, Chairman
Dr Roland Folz, businessman, Deputy Chairman
Thomas Geiger, businessman, (until 30 November 2006)
Gunther Strothe, businessman, member (from 1 December 2006)

Thomas Geiger, member of the Supervisory Board, resigned his mandate on 30 November 2006. The Supervisory Board acknowledged this resignation at its meeting on 27 October 2006 and gave it their approval. Following this resignation, the Supervisory Board, which in accordance with Item IV No. 8.1. of the Articles of Association consists of three members, would only have had two members from 1 December 2006. As the ordinary General Meeting of Shareholders at which the Supervisory Board would be brought back to full strength was not due to be held until May 2007, the Management Board of Interhyp AG appointed Gunther Strothe to the Supervisory Board in accordance with § 104 of the German Stock Corporation Act (AktG) at the local court (Court of Registry). Gunther Strothe was appointed to the Supervisory Board by resolution of the local court (Court of Registry). Recording in the Commercial Register took place on 15 December 2006.

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, Teltow, and Advisor to the Supervisory Board of Simyo GmbH, Düsseldorf
Dr Roland Folz:	Deputy Chairman of the Supervisory Board of GCI Management AG, Munich Member of the Supervisory Board of Detecon International GmbH, Bonn Member of the Supervisory Board of Vivento Customer Services GmbH, Bonn Member of the Advisory Board of the IFA Institut für Finanz- und Aktuarwissenschaften GmbH in association with the University of Ulm, Ulm
Dr Christian G. Nagel:	Member of the Supervisory Board of bridgeCo AG, Zurich Member of the Supervisory Board of Lumics GmbH, Berlin Member of the Supervisory Board of MergeOptics GmbH, Berlin
Christian Siegele:	Member of the Supervisory Board of Saperion AG, Berlin Chairman of the Advisory Board of ICIDO GmbH, Stuttgart Deputy Chairman of the Advisory Board of Firstgate Holding AG, Zug, Switzerland (formerly Webpay Holding AG) Member of the Supervisory Board of Click & Buy Services AG, Cologne (formerly Firstgate AG) Member of the Advisory Board of Click & Buy International AG, Zug, Switzerland (formerly Webpay International AG) Non-executive member of the board of Click & Buy Europe Ltd., London, England Member of the Advisory Board of Click & Buy Marketing AG, Zug, Switzerland
Gunther Strothe:	no further mandates

In the reporting year, EUR 61 k was awarded in fixed salaries and attendance fees (previous year: EUR 27 k).

Employees

In the financial year just completed there were on average 365 employees (previous year: 254). This included, on average, 13 (previous year: 20) temporary and part-time personnel and 2 (previous year: 1) trainees.

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 113 k (previous year: EUR 110 k) for the audit, EUR 76 k (previous year: EUR 491 k) for other validation and valuation services and EUR 46 k (previous year: 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 2006 in accordance with § 161 of the German Stock Corporation Act (AktG) and has made this available to the shareholders.

Information concerning notifications in accordance with §§ 21 Clause 1 and 22 of the German Securities Trading Act (WpHG)

On 31 January 2007, in accordance with § 41 Clause 4a Paragraph 1 and 2 and § 21 Clause 1 of the German Securities Trading Act (WpHG), Robert Haselsteiner informed us that his proportion of voting rights in Interhyp AG is unchanged at 16.14% since the stock market entry in October 2005. This corresponds to 1,048,800 voting rights.

On 31 January 2007, in accordance with § 41 Clause 4a Paragraph 1 and 2 and § 21 Clause 1 of the German Securities Trading Act (WpHG), Marcus Wolsdorf informed us that his proportion of voting rights in Interhyp AG is unchanged at 16.14% since the stock market entry in October 2005. This corresponds to 1,048,800 voting rights.

On 7 February 2007, in accordance with §§ 21 Clause 1 and 22 Clause 1 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG) and §§ 17 f. of the German Securities Trading Information and Insider List Regulation (WpAIV), the 3i Group informed us via their lawyers CMS Hasche Sigle of the following:

The proportion of voting rights held by 3i Group Investments LP in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares which it holds directly and in full.

The proportion of voting rights held by 3i 2004 GmbH & Co. KG in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares, which are to be apportioned to it in full in accordance with § 22 Clause 2 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG). The voting rights are held through the following companies:

3i Group Investments LP
3i 2004 GmbH & Co. KG

The proportion of voting rights held by 3i Deutschland Gesellschaft für Industriebeteiligungen mbH in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares, which are to be apportioned to it in full in accordance with § 22 Clause 2 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG). The voting rights are held through the following companies:

3i Group Investments LP
3i 2004 GmbH &Co. KG

3i General Partner 2004 GmbH
The proportion of voting rights held by 3i International Holding plc. in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares, which are to be apportioned to it in full in accordance with § 22 Clause 2 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG). The voting rights are held through the following companies:

3i Group Investments LP
3i 2004 GmbH & Co. KG
3i General Partner 2004 GmbH
3i Deutschland Gesellschaft für Industriebeteiligungen mbH

The proportion of voting rights held by 3i Holdings plc. in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares, which are to be apportioned to it in full in accordance with § 22 Clause 2 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG). The voting rights are held through the following companies:

3i Group Investments LP
3i 2004 GmbH & Co. KG
3i General Partner 2004 GmbH
3i Deutschland Gesellschaft für Industriebeteiligungen mbH
3i International Holdings plc

The proportion of voting rights held by 3i Group plc in Interhyp AG, Marcel-Breuer-Straße 18, 80807 Munich, fell below the threshold of 5% on 2 February 2007 and now stands at 3.34%, corresponding to 217,280 shares, which are to be apportioned to it in full in accordance with § 22 Clause 2 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG). The voting rights are held through the following companies:

3i Group Investments LP
3i 2004 GmbH & Co. KG
3i General Partner 2004 GmbH
3i Deutschland Gesellschaft für Industriebeteiligungen mbH
3i International Holdings plc
3i Holdings plc

On 18 December 2006, Earlybird Venture Capital GmbH & Co. KG with headquarters in Hamburg, Germany, and Earlybird Venture Capital Verwaltung GmbH with headquarters in Hamburg, Germany, informed us of the following concerning their proportion of voting rights held in Interhyp AG in accordance with §§ 21 Clause 1 and 22 Clause 1 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG):

The proportion of voting rights held by Earlybird Venture Capital GmbH & Co. KG fell below the threshold of 5% on 11 December 2006 (the "record date") and at the end of the record date stood at 4.99% (corresponding to 324,000 voting rights). All proportions of voting rights held by Earlybird Venture Capital GmbH & Co. KG on the record date were to be apportioned to it in accordance with § 22 Clause 1 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG).

The proportion of voting rights held by Earlybird Venture Capital Verwaltung GmbH fell below the threshold of 5% on 11 December 2006 (the "record date") and at the end of the record date stood at 4.99% (corresponding to

324,000 voting rights). All proportions of voting rights held by Earlybird Venture Capital Verwaltung GmbH on the record date were to be apportioned to it in accordance with § 22 Clause 1 Paragraph 1 No. 1 of the German Securities Trading Act (WpHG).
On 18 October 2006, the Capital Group Companies, Inc., 333 South Hope Street, Los Angeles, CA-90071, USA, informed us of the following concerning its proportion of voting rights held in Interhyp AG in accordance with §§ 21 Clause 1 and 22 Clause 1 Paragraph 1 No. 6 of the German Securities Trading Act (WpHG) in connection with § 22 Clause 1 Paragraph 2 and Paragraph 3 of the German Securities Trading Act (WpHG):

The proportion of voting rights held by Capital Group Companies, Inc. exceeded the threshold of 5% of the voting rights held in Interhyp AG on 10 October 2006. Its proportion of voting rights now stands at 5.738% (corresponding to 372,903 ordinary shares). All these voting rights are allocated to it in accordance with § 22 Clause 1 Paragraph 1 No. 6 in connection with § 22 Clause 1 Paragraph 2 and Paragraph 3 of the German Securities Trading Act (WpHG).

On 18 October 2006, Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA-90071, USA, informed us of the following concerning its proportion of voting rights held in Interhyp AG in accordance with § 21 Clause 1 and § 22 Clause 1 Paragraph 1 No. 6 of the German Securities Trading Act (WpHG):

The proportion of voting rights held by Capital Research and Management Company exceeded the threshold of 5% of the voting rights held in Interhyp AG on 10 October 2006. Its proportion of voting rights now stands at 5.738% (corresponding to 372,903 ordinary shares). All these voting rights are allocated to it in accordance with § 22 Clause 1 Paragraph 1 No. 6 of the German Securities Trading Act (WpHG).

On 18 October 2006, Smallcap World Fund, Inc., 333 South Hope Street, Los Angeles, CA-90071, USA, informed us of the following concerning its proportion of voting rights held in Interhyp in accordance with § 21 Clause 1 of the German Securities Trading Act (WpHG):

The proportion of voting rights held by Smallcap World Fund, Inc. exceeded the threshold of 5% of the voting rights held in Interhyp. Its proportion of voting rights is 5.738% (corresponding to 372,903 ordinary shares).

Proposal on the allocation of unappropriated profits of Interhyp AG

The Management Board in agreement with the Supervisory Board proposes to make dividend payments of EUR 10,397,360.00 from the unappropriated profits of EUR 13,834,330.01 and to carry the remaining balance forward to new account.
Insofar as the Company is holding own shares on the date of the General Meeting of Shareholders, the proposed resolution will be amended such that payments falling due to these shares will be carried forward to new account.

Munich, 22 February 2007

Marcus Wolsdorf
Co-CEO

Robert Haselsteiner
Co-CEO

Auditors' 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 notes to the consolidated financial statements – and the Group Management Report for the fiscal year from 1 January to 31 December 2006. 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 Section 315a (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 conducted. 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 Section 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 must 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 into account 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 related 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 Section 315a (1) of the German Commercial Code (HGB) and taking account of these provisions reflects 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, 23 February 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Broschulat	Schmitt
Auditor	Auditor

Report by the Supervisory Board

Report on activities

During the reporting period, the Management Board kept us informed by means of written and oral reports about developments in the residential mortgage market, the competitive market situation for private residential mortgage brokerage, the business position and company development as well as the profitability and business planning for 2007.

With regard to important decision-making such as the opening of regional offices, the Supervisory Board was involved at an early stage in an advisory capacity in close consultation with the Management Board.

In the fiscal year just completed, the Supervisory Board held six presence meetings and one telephone conference. All members of the Supervisory Board participated in these meetings and the telephone conference. At the Supervisory Board meetings, the reports by the Management Board were discussed in detail and the development prospects of the Company and the opportunities and risks in Direct Channel 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 Management Board, such as in particular approval of the financial statements for fiscal 2006, setting the agenda for the Annual General Meeting of Shareholders for 2006, on the Corporate Governance Code, on amendments to the Articles of Association regarding conditional capital I and on important cooperation agreements.

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

Annual financial statements and consolidated financial statements

Ernst & Young AG Wirtschaftsprüfungsgesellschaft was appointed auditor for fiscal 2006 by resolution of the General Meeting of Shareholders of 30 May 2006 and subsequently authorised by the Supervisory Board. Ernst & Young AG Wirtschaftsprüfungsgesellschaft had confirmed in writing prior to the General Meeting of Shareholders its independence as an auditor under the terms of Item 7.2.1 of the German Corporate Governance Code. The subjects of the audit were the annual financial statements and consolidated financial statements of Interhyp AG as well as the Management Report and the Group Management Report for fiscal 2006. In addition, the audit extended to the monitoring system to be established by the Management Board in accordance with Section 91 (2) of the German Stock Corporation Act. The auditor has checked the annual financial statements and consolidated financial statements of Interhyp AG, including the bookkeeping and the Management Report and the Group Management Report and given its unqualified approval in each case. Furthermore, the auditor determined that the Management Board has undertaken all compulsory actions required by Section 91 (2) of the German Stock Corporation Act in a suitable manner. In particular, the Management Board has introduced an appropriate risk management system which appears suitable in its conception and actual use to identify in good time developments that would threaten the continuation of the Company.

The documents for verification and the auditors' report were sent to each member of the Supervisory Board in good time. The members of the Supervisory Board have verified the annual financial statements and consolidated financial statements as well as the Management Report and the Group Management Report and discussed them with the Management Board at the Supervisory Board meeting on 16 March 2007. The auditors attended this meeting of the Supervisory Board and reported on the major results of their audit.

The Supervisory Board has approved 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 to the management and the consolidated financial statements presented. The consolidated financial statements and the financial statements of Interhyp AG compiled by the Management Board were approved at the meeting of the Supervisory

Board on 16 March 2007. The financial statements of Interhyp AG are thereby established. The Supervisory Board agrees to the Management Board's proposal on the allocation of the unappropriated profits of Interhyp AG.

Composition of the Supervisory Board and the Management Board

In January 2006, Peter Mark Droste and Dr Roland Folz were legally appointed members of the Supervisory Board. At the Shareholders' Meeting on 30 May 2006, Peter Mark Droste and Dr Roland Folz were elected members of the Supervisory Board. Thomas Geiger resigned from the Supervisory Board with effect from 30 November 2006. Gunther Strothe was appointed to the Supervisory Board by an order of the court effective 1 December 2006.

There have been no personnel changes on the Management Board.

The Supervisory Board thanks the Management Board and all employees of Interhyp AG for their successful commitment and the work performed in fiscal 2006.

Peter Mark Droste
Chairman of the Supervisory Board
March 2007

Corporate Governance Report

The Management Board 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 of the Company's 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 16 March 2007, the Management Board 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 12 June 2006, 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 Management Board and the Supervisory Board. This insurance will be continued without deduction, as introducing a new policy with deduction would not generate any financial advantages compared to the existing policy. The Management Board and Supervisory Board negotiate responsibly and their actions are aimed towards increasing the value of the Company. Since Interhyp is managed by the founders, and the founders at the same time own substantial shareholdings in the Company, there is no conceivable conflict of interest in relation to the decision of the Management Board which a deduction could mitigate or prevent.

Contrary to Item 4.2.1 of the Code, the Management Board of Interhyp AG has two spokesmen. The management structure is thus 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 have an Audit Committee. This is also due to the number of members comprising the Supervisory Board.

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

Explanations concerning the suggestions of the Government Commission

Contrary to Item 2.3.4 of the Code, the Annual General Meeting of Shareholders of Interhyp AG will not be available for viewing via modern communication media such as the Internet. Comprehensive information about the Annual General Meeting of Shareholders will be made available to shareholders of Interhyp AG on the Internet. However, the General Meeting will not be transmitted online simultaneously for cost-benefit reasons.

Contrary to Item 4.2.3, remuneration of the Management Board does not contain components with long-term incentive and risk effects. Since the Co-CEOs of Interhyp AG are 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 superfluous.

Remuneration Report

Remuneration paid to members of the Management Board in the fiscal year just completed were as follows:

Management compensation *(EUR k)*

	Robert Haselsteiner	Marcus Wolsdorf	Total	Prior year
Basic compensation	206	208	414	429
Performance-based compensation	100	100	200	200
Short-term benefits	**306**	**308**	**614**	**629**
thereof contributions due to contribution-based pension schemes	4	4	8	10

Page 31 of this Annual Report contains a list of shareholdings of the members of the Management Board. In the reporting period, the members of the Supervisory Board did not hold any shares of Interhyp AG or related financial instruments.

In the period under review, the members of the Management Board did not hold any stock options or comparable remuneration components with long-term incentive effect and risk character. No special commitments were made in the event that one of the members of the Management Board should relinquish his office as a member of the Management Board.

No ancillary payments were effected in the period under review. No allocations were made to pension reserves or pension funds. No payments for personally performed services – particularly consulting and intermediation services – by members of the Supervisory Board were effected.

Page 29 of this Annual Report contains a detailed presentation of the remuneration and incentive systems for our employees.

Further Information

***Five-Year Review** in EUR k*

	2006	2005*	2004	2003	2002
Revenues	70,630	46,703	18,523	9,301	5,180
Cost of services purchased	10,547	7,347	1,946	639	383
Net revenues	60,084	39,356	16,577	8,662	4,798
Personnel expenses	22,922	16,691	9,351	5,934	3,539
thereof sales and sales-related	18,723	13,722	7,109	4,692	2,468
Other operating expenses	13,522	8,776	4,339	2,355	1,583
thereof marketing	6,086	2,695	1,297	294	185
EBIT	22,413	12,934	1,902	(158)	(763)
Net interest income	1,041	71	(225)	(147)	(71)
Income taxes	(9,759)	(2,156)	(1,196)	95	80
Net income	13,695	10,850	480	(211)	(755)
Non-current assets	4,430	4,116	1,483	2,689	1,264
Current assets	66,358	46,828	8,790	4,820	4,929
thereof cash and cash equivalents	37,594	33,945	2,933	2,313	3,557
Total assets	70,789	50,944	10,273	7,509	6,193
Shareholders' equity	54,430	40,258	2,479	1,957	2,146
Long-term liabilities and provisions	836	779	3,762	3,622	2,964
Short-term liabilities and provisions	15,523	9,907	4,033	1,930	1,083
Net cash from operating activities	15,561	10,909	2,451	(246)	(763)
Net cash from investing activities	(11,556)	(1,334)	(1,831)	(1,001)	(294)
Net cash from financing activities	(357)	21,438	0	3	10
Cash and cash equivalents (end of period)	37,594	33,945	2,933	2,313	3,557
Number of applications received	122,597	108,035	51,445	35,345	20,672
Number of closed mortgages	28,072	18,273	8,118	5,250	3,460
New residential mortgage volume (EUR m)	4,403	3,022	1,332	876	558

* adjusted, for details see page 36.

Product Innovations *2006*

Name	Available since	Short description
Remortgage Plus	Ongoing specials since 2005	Bank pays notary and land registry fees up to EUR 500
Climate Quick	June 2006	The customer does not need to pay his/her last six instalments if he/she effected no special repayments during the life of the mortgage and he/she undertook energy-saving measures.
Value Protection	June 2006	Protection against the losses from a forced sale of the property. The protection becomes effective in the event of job loss of a salaried employee or bankruptcy of a self-employed person as well as a job placement in another city, divorce or invalidity caused by an accident. Losses of up to 10% of the initial purchase price (maximum EUR 35,000) of the property are covered. In the event of disability, the same amount is paid out for necessary modification of the property.
Baufilligence	June 2006	Simplified product with transparent lending criteria: Maximum LTVs are calculated on the basis of net household income. Pricing is also set subject to household income.
Staggered Remortgaging	June 2006	Remortgaging product: Customers with split fixed rate terms on their existing mortgages and one part of the mortgage is still running for five years can immediately remortgage both parts of the mortgage. The product is a combination of a regular remortgage and a forward rate agreement.
Prepayable Fixed Rate	August 2006	The customer can repay the mortgage early without having to pay a prepayment penalty.
Prepayment Penalty Protection	October 2006	Addition of prepayment protection to a fixed rate mortgage: Insurance against prepayment penalties that usually become due when a fixed rate mortgage is repaid within the first ten years. The insurance covers the prepayment penalty in the event of a defined hardship case or relocation for job reasons.
Forward Rate Agreement without Markup	December 2006	Special offers when banks abstain from charging a markup for the forward rate agreement.
60-month Forward Rate Agreement	December 2006	Increase of the initially possible 36-month forward agreements to up to 60 months.
PONTEQ	December 2006	Product that targets mortgage demand that was so far untapped by traditional bank offerings: – Customers with little or no equity – Buy-to-let financing – Loan approval with reduced documentation on income or assets – Equity release – Customers with impaired credit history

Advantages	Target group
Savings on remortgaging or incentive to remortgage with another lender.	Customers whose initial fixed rate period expires and who want to optimise their follow-up mortgage.
Sponsorship of energy-saving measures through the waiver of the last six monthly instalments.	Customers who carry out energy-saving measures.
Protection against the risk of a loss incurred by a forced sale of the property.	Security-oriented customers.
Transparent and quick credit approval; only little supporting documents necessary.	Salaried employees from all different income levels who have little or no equity.
Securitising the part of a split fixed rate mortgage that is due for renegotiation now.	Customers who decided for a split mortgage and have to renegotiate one part now.
Flexibility concerning the repayment of the mortgage.	Customers who want to emphasise flexibility, for example because the piece of real estate is to be sold within the fixed rate period, or who want to repay early.
Protection against the risk of a prepayment penalty.	Security-oriented customers who want to protect themselves against a hardship case or relocation.
Securing good interest rates for a future remortgaging already ahead of the end of the initial fixed rate period.	Security-oriented customers who expect rising interest rates and want to secure the interest rate for a remortgaging before the end of the initial fixed rate period.
Possibility to reset an existing mortgage up to 60 months in advance.	Security-oriented customers who expect rising interest rates and want to secure the interest rate for a remortgaging before the end of the initial fixed rate period.
Financing of mortgage demand that was so far unmet by the product offerings of traditional German lenders.	– Customers with no equity – Customers who have been self-employed for less than three years – Equity release customers – Customers who do not want to disclose their assets or income – Customers with impaired credit history

Imprint and Calendar

Imprint

Management Board
Robert Haselsteiner
Marcus Wolsdorf

Supervisory Board
Peter Mark Droste (Chairman)
Dr Roland Folz (Deputy Chairman)
Gunther Strothe

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

Design
PrasserSander Markengestaltung
Hamburg

Company Calendar

Event	Date
Quarterly report Q1 2007	10 May 2007
General Meeting of Shareholders 2007 (Munich)	01 June 2007
Half-year report 2007	09 August 2007
Quarterly report Q3 2007	08 November 2007

For further up-to-date information on Interhyp shares, please visit: ***www.interhyp.ag***

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