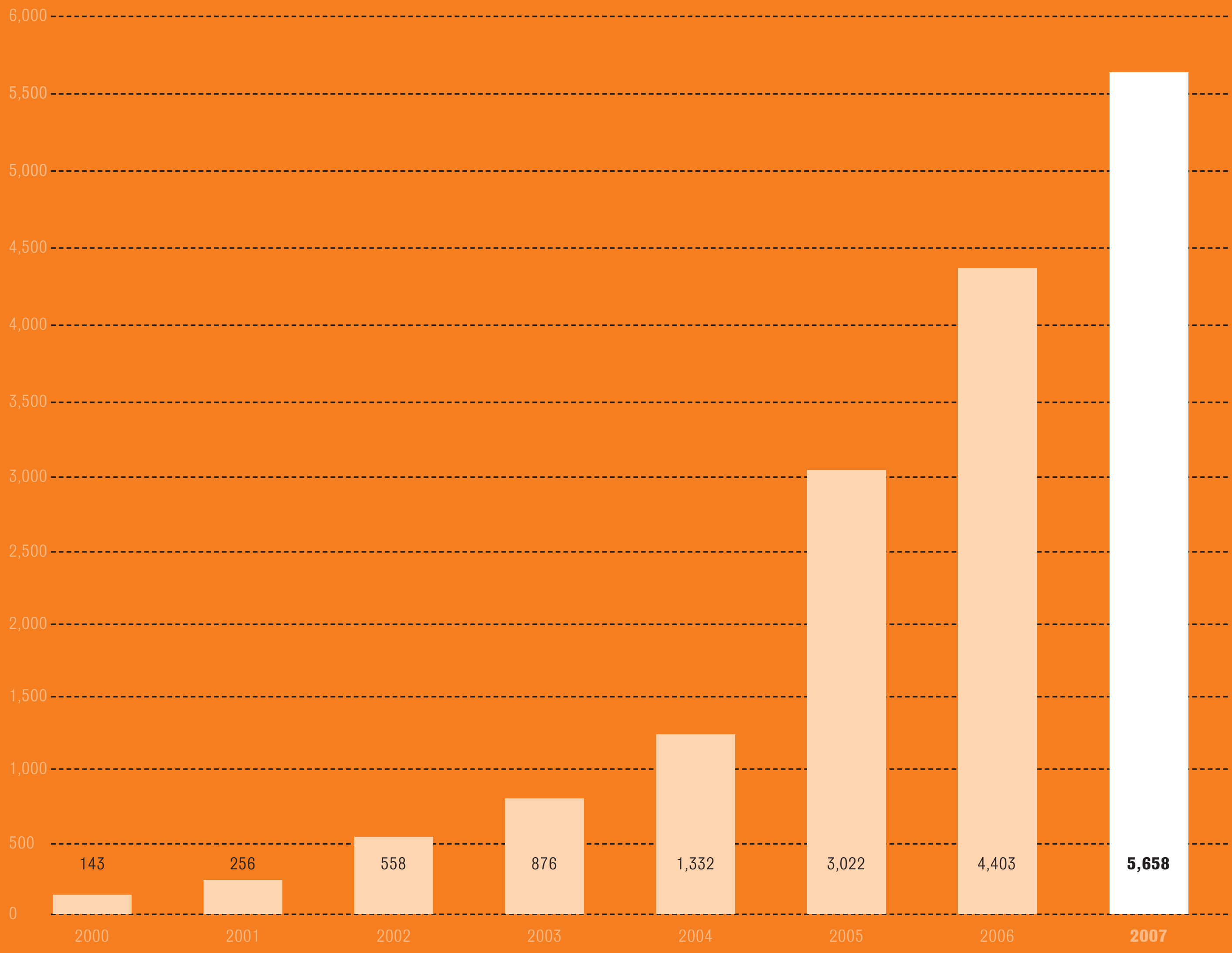
Annual Report 2007

interhyp

Closed mortgage volume *in EUR m*



Key Figures *(in EUR m)*

	2007	2006	+/-
New residential mortgage volume	5,658	4,403	+29 %
Net revenues	75.4	60.1	+25 %
EBIT	28.5	22.4	+27 %
Net income	18.1	13.7	+32 %
EBIT margin (in %)	37.8 %	32.3 %	
Earnings per share in EUR (undiluted)	2.78	2.11	
Dividend per share in EUR*	4.10	1.60	
Number of closed mortgages	38,645	28,072	+38 %

* 2007: dividend proposal of the Management Board.

Summary

A new Business Model succeeds

The interview with the founders and Co-CEOs Robert Haselsteiner and Marcus Wolsdorf was conducted by the long-standing editor of Manager Magazin, Dr. Kay Baden.

In the financial year 2007, Interhyp once again achieved top marks for all key financial indicators. Did the capital market crisis make a detour around your company?

Haselsteiner: Not exactly. The turbulence on the financial markets had an impact on consumer behaviour in Germany which we could not escape, either. Nevertheless, our absolute growth figures are impressive: net revenues climbed around 25 per cent to EUR 75.4 million and earnings before interest and taxes increased some 27 per cent to EUR 28.5 million. Interhyp could have grown even more if the environment hadn't deteriorated.

Since founding, Interhyp has been growing strongly against a difficult market environment.

The world didn't look so bright for you in September. You surprised the markets by lowering your earnings targets. Was that necessary?

Haselsteiner: Yes, it was. As a result of the financial markets crisis, it became clear to us that we would not be able to reach our original growth targets in the second half of the year. The critical factor here was the change in the behaviour of our customers in terms of demand. When it became apparent that customer interest would be too weak for our goals, we immediately published an announcement in compliance with the Securities Trading Act.

The Bundesbank reported a decline of eight per cent for new mortgage business in the fourth quarter of 2007. Do you have any cause for concern about your business operations?

Wolsdorf: Not at all. For years now, the underlying real estate market in Germany has been very weak. Apart from short-term special effects, we haven't seen any positive impetus for years. In 2007, alone the number of building permits declined by 28 per cent. In contrast, since founding, Interhyp has been growing strongly against a very difficult market environment. In 2002 for example, we had a mortgage volume of 558 million euros, and just five years later, in 2007, this figure had risen tenfold to 5.7 billion euros.

How did you manage this? What is the secret of your success?

Haselsteiner: Our growth is based on winning market share because our service model is becoming increasingly popular compared with established distribution channels. This explains why we have succeeded in capturing a market share of well over three per cent in just eight years in a highly fragmented market.

Wolsdorf: The advantages for the customer are obvious. Firstly, we can access products and interest rates of over 50 banks and offer our customers a wide range of solutions for a great variety of situations. Secondly, our consultants are mortgage specialists. And last but not least, with our multichannel approach, we leave it to our customers to decide how they would like us to advise them – by phone or personally in one of our 17 regional offices throughout the country. This means that it is easy for every private customer seeking an initial or follow-up mortgage to tap the services we offer.

We have succeeded in capturing a market share of well over three per cent in just eight years in a highly fragmented market.




How might Interhyp's market share evolve over the next ten years?

Wolsdorf: Starting from our 3.11 per cent of the mortgage market, according to Bundesbank statistics in 2007, we can well imagine that our market share will increase to 10 per cent over the long term.

Considering the increases in Interhyp's market share, the question arises as to what you are doing better than your competitors.

Wolsdorf: The best answer to this question is given by independent publications and testers: €uro magazine ranked us "Best Mortgage Provider" for the second time in a row. This assessment was not based alone on our website and our interest rates, but first and foremost on the quality of our advice and services. Of course, the fact that as overall winner, we could surpass well-known financial institutions is particularly gratifying. Our website has also just won a another prize: FINANZtest graded our www.interhyp.de "Very Good" and designated it the best website for mortgages.

€uro magazine ranked us "Best Mortgage Provider" for the second time in a row.

Haselsteiner: This shows how important it is to have outstanding employees and managers. Top grades for our advice and service as well as for our website cannot be achieved with processes and technology alone. What it takes is people like ours who are dedicated to their work and our overall strategy. Accordingly, a large part of our success is founded on the people who make up Interhyp: Interhyp employees are extremely dedicated, identify with our corporate goals and have a very keen service mentality.

What about innovations?

Haselsteiner: Interhyp is an important innovation driver in the residential mortgage industry in Germany. Together with bank partners, we have repeatedly brought new ideas to the market. The most recent example is the prepayment protection called "Vorfälligkeitsschutz". For a one-time payment, customers who are forced to move for professional reasons or in case of hardship can repay their loan without prepayment penalties.

Interhyp is an important innovation driver in the residential mortgage industry in Germany.

What is the situation in terms of competition and what distinguishes Interhyp?

Haselsteiner: By now, Interhyp is bigger than the next four mortgage brokers combined. This means that we have an excellent market position for further growth. An important lever is our focused positioning as a specialist with a clear service and brand policy: in the Direct Channel, Interhyp has a very well-positioned brand which stands for independent advice and product selection at attractive rates. In the Intermediary Channel with the Prohyp brand, we support independent brokers and financial service providers with their mortgage oper-

ations. We offer a broad range of products, excellent systems support and highly qualified consultants. Accordingly, Prohyp is increasingly making a name for itself. With over 3,000 associated brokers, we have set a new record – and with CosmosDirekt and comdirect we have also won important new institutional partners.

With over 3,000 associated brokers, we have set a new record.

What do you hope to gain from MLP Hyp which you founded in the autumn with MLP?

Wolsdorf: Our joint company MLP Hyp commenced operations at the end of 2007. As the exclusive partner, it offers roughly 2,500 MLP consultants all the services they need for selling mortgages to their customers. Thus, it is our goal in future to process the entire mortgage volume of MLP through the new company.

When are you planning to take Interhyp beyond Germany's borders?

Haselsteiner: We continue to see strong potential for growth for Interhyp and Prohyp in Germany, but a step abroad is definitely an option for us. As the absolute market leader in Germany, we have a good basis for this. We have excellent scalable technology at our disposal, we have extensive connections to many important lenders, we have introduced a new service to well over 100,000 people, and we have far-reaching experience in developing and expanding a successful B2C and B2B business.

We have excellent scalable technology at our disposal.

What can we expect from Interhyp in the financial year 2008?

Haselsteiner: We are optimistic about the future. As we cannot count on growth in the underlying mortgage market in 2008 due to the current uncertain economic outlook, our own growth prospects are based on further market share gains in both the Direct Channel and the Intermediary Channel. We expect double-digit growth for each closed mortgage volume, net revenues and EBIT in 2008.

Preface by the Management Board

Dear Shareholders,

American subprime crisis, banking crisis, record lows for building permits and strongly dismayed consumers – those were the buzzwords dominating our market environment in 2007. The highly positive sentiment prevailing in Germany at the start of 2007 has vanished and the momentum for a sustainable upswing has faded from midyear onwards.

Nevertheless, we succeeded in raising the volume of closed mortgages by 29 per cent to EUR 5.7 billion and helped 38,645 people (10,000 more than in the previous year) to finance their property in a better way. This proves that our business model can succeed even in a difficult market environment because a growing number of private customers are seeking attractive terms, independent product selection and advice from specialists for their mortgages.

Thus in 2007 as well, we have come a good bit closer to our main goal – namely for people in Germany to say, "Need a mortgage? Think Interhyp!"

Marcus Wolsdorf
Co-CEO

Robert Haselsteiner
Co-CEO

The **Shares**

In the financial year 2007, the share price of Interhyp AG reflected the cooling consumer climate and the negative impact of the credit crisis in the US on the financial service and real estate sector. In February 2007, the share price was approximately twice as high as in February this year. In addition, a very uncertain capital market in the second half of the year meant that the Interhyp share tumbled.

The price of the share in the course of the past year was therefore very volatile. In 2007, the share began at EUR 65.83 (Xetra closing price). By the beginning of April it had risen to EUR 95.25, its high for the year, and by the end of November 2007 it had reached its low for the year, at EUR 47. At the end of the year, at EUR 49.54, the share price was only slightly higher.

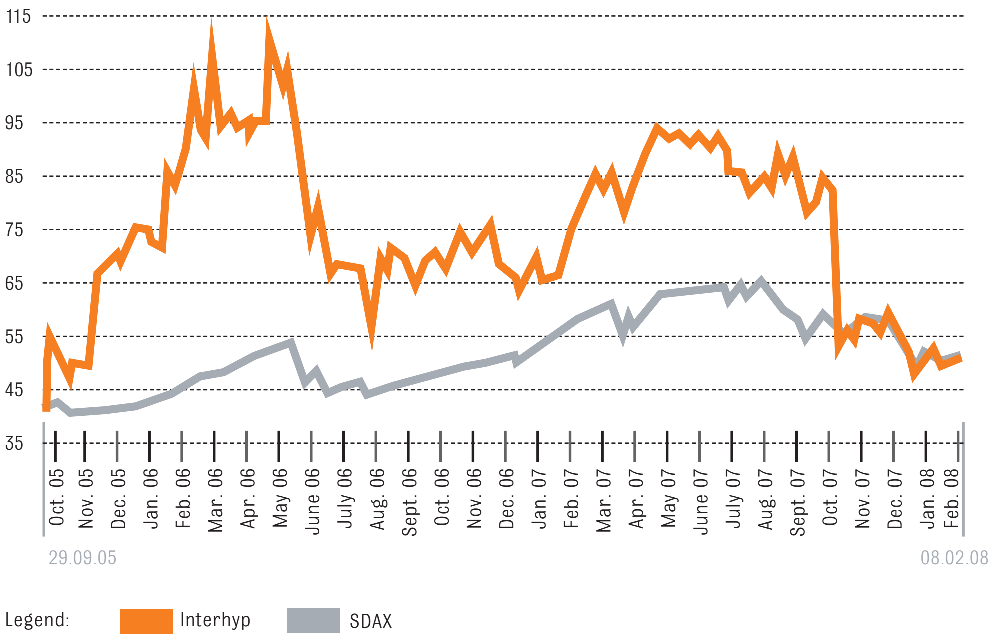
As markets remained unsettled, the share price stayed negative in the first months of 2008. In mid February, the price stabilised around its offering price of EUR 42 at the IPO in September 2005.

Over the course of the year 2007, the shares posted a decline of 24 % while the SDAX contracted 7 %.

In a comparison of the performance of the Interhyp share since the initial public offering on the SDAX, the share price rose from its issue price by 18 %. Since September 2005, the SDAX, its benchmark, has risen 22 %. Thus the shares' growth premium accorded by the markets so far compared with the index currently no longer appears to be discounted.

*The share was **highly volatile** in 2007.*

Share price performance Interhyp vs SDAX *(indexed)*



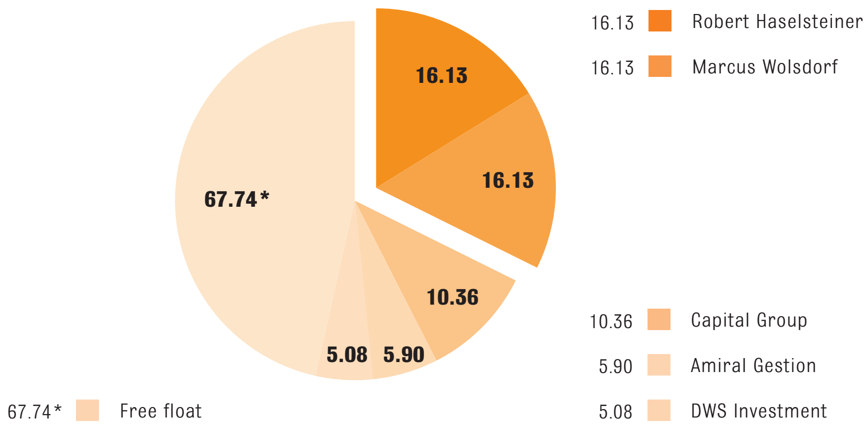
Shareholder Structure

In 2007, the percentage of Interhyp shares in the free float remained unchanged at 67.7%. The non-free-float holdings consist exclusively of the shares of the two founders of the Company, Robert Haselsteiner and Marcus Wolsdorf, each of whom hold 16.1%.

In accordance with the guidelines of Deutsche Börse AG, the free float contains the 10.36% holding of the Capital Group, the 5.90% holding of Amiral Gestion and the 5.08% holding of DWS Investment. Most other institutional shareholders in the free-float are based in Germany, England and the US, the shares of private investors are broadly held within Germany.

The following diagram shows the shareholder structure (at 18 January 2008):

Interhyp shareholder structure *as at 18 January 2008*



The Company's founders hold approximately **1/3 of the shares.**

* In compliance with Deutsche Börse AG free-float guidelines, our free-float includes the 21.34% stake of the above listed companies as well as 46.40% of further shareholders.

Investor Relations Activities

In the third year of our stock exchange listing, our Investor Relations activities continued to focus on serving national and international institutional investors and on strengthening our relationships with current investors. An additional focus was placed on attracting more analysts who regularly publish reports on the company and continually follow and analyse our corporate performance. The following table shows an overview of the 14 institutions which by now regularly publish information about Interhyp.

***14 stock analysts** publish regular reports on Interhyp.*

Overview of Interhyp stock analysts

Company	Analyst	Published since
BHF-Bank	Tutku Bagriyanik	January 2008
Berenberg	Thomas Wissler	January 2007
Cazenove	Rachel Crouch	September 2007
Citigroup	Claus Roller	October 2006
Commerzbank	Michael Dunst	March 2007
Deutsche Bank	Alexander Hendricks	November 2005
equinet	Philipp Häßler	June 2006
HSBC	Jesko Mayer-Wegelin	July 2007
HypoVereinsbank	Kerstin Vitvar	November 2006
Metzler	Guido Hoymann	February 2006
M.M. Warburg	Andreas Pläsier	September 2007
Morgan Stanley	Ronny Rehn	November 2007
Sal. Oppenheim	Thomas Rothäusler	November 2005
SRC Research	Stefan Scharff	January 2006

Once again in 2007 we were involved in a broad range of roadshow activities. Corporate presentations at European capital market conferences and numerous one-on-one meetings were held with investors.
In addition, through our Investor Relations department, we exchange information with private Interhyp shareholders and prospective customers on a regular basis.

The Interhyp financial calendar for 2007 provides an overview of our activities:

*The Management Board **communicates regularly** with investors.*

***Interhyp financial calendar** 2007*

Date	Activity
15 January 2007	Cheuvreux German Corporate Conference (Frankfurt)
24 January 2007	Roadshow 01/2007 Part 1 (Dublin)
31 January 2007	Roadshow 01/2007 Part 2 (Vienna)
22 February 2007	Publication of preliminary results for 2007
26 February 2007, 28 February 2007	Roadshow FY 2006 (London, Frankfurt)
27 February 2007	HSBC Trinkaus Real Estate Conference (Frankfurt)
20–21 March 2007	Roadshow 03/2007 (Helsinki, Stockholm, Copenhagen)
27 March 2007	Morgan Stanley European Banks Conference (London)
29 March 2007	Press conference on annual results 2007 (Munich)
26 April 2007	Citigroup Jour Fixe (London)
10 May 2007	Report on Q1 2007
14–15 May 2007	Roadshow Q1 2007 (London, Frankfurt)
23 May 2007	Dresdner Kleinwort Small- and MidCap Conference (London)
1 June 2007	Interhyp AG Annual General Meeting of Shareholders (Munich)
21 June 2007	Deutsche Bank German Corporate Conference (Frankfurt)
27 June 2007	Kirchhoff Small- and MidCap Conference (Zurich)
9 August 2007	Report on first half 2007
13–14 August 2007	Roadshow Q2 2007 (London, Amsterdam)
11 September 2007	Forum Financial Services (Frankfurt)
17–18 September 2007	Roadshow 09/2007 (New York, Chicago)
19 September 2007	Keefe, Bruyette & Woods European Financials Conference (London)
20 September 2007	M.M. Warburg German MidCap Conference (London)
25 September 2007	UniCredit German Investment Conference (Munich)
8 November 2007	Report on Q3 2007
12–13 November 2007	Roadshow Q3 2007 (London, Frankfurt)
14 November 2007	Analyst Conference German Equity Forum (Frankfurt)
10 December 2007	ESN Small and MidCap Conference (London)

Our annual event for analysts was held once again before a broad audience in the context of the German Equity Forum in Frankfurt on 14 November 2007.

Information on the Interhyp share

German Securities Identification Number (WKN):	**512 170**
ISIN:	DE0005121701
Stock exchange:	Frankfurt Stock Exchange
Trading segment:	Official Market (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
Registered capital:	EUR 6,501,250 divided into 6,501,250 shares
Designated sponsors:	Deutsche Bank; Sal. Oppenheim
IPO:	29 September 2005

Dividends

At the Annual General Meeting of Shareholders on 4 June 2008, the Management Board will propose a dividend of EUR 4.10 per share. This dividend will consist of a regular dividend of EUR 2.10 per share and an additional one-time payout of EUR 2.00 per share. Thus, as for the financial year 2006, we will pay out 75% of the net income of Interhyp AG for the year just ended and thus EUR 13.7 million as regular dividends. To optimise our capital structure, an additional EUR 2.00 per share, totalling EUR 13.0 million from the net income of Interhyp AG, accumulated profits and from additional paid-in capital, will be paid out to shareholders. All shares of Interhyp AG issued are eligible for a dividend.

***4.10 euros per share** will be paid out for 2007.*

The Interhyp website
Current top interest rates, objective calculators and the best of more than 50 providers.

Group Management Report

General Economic Conditions

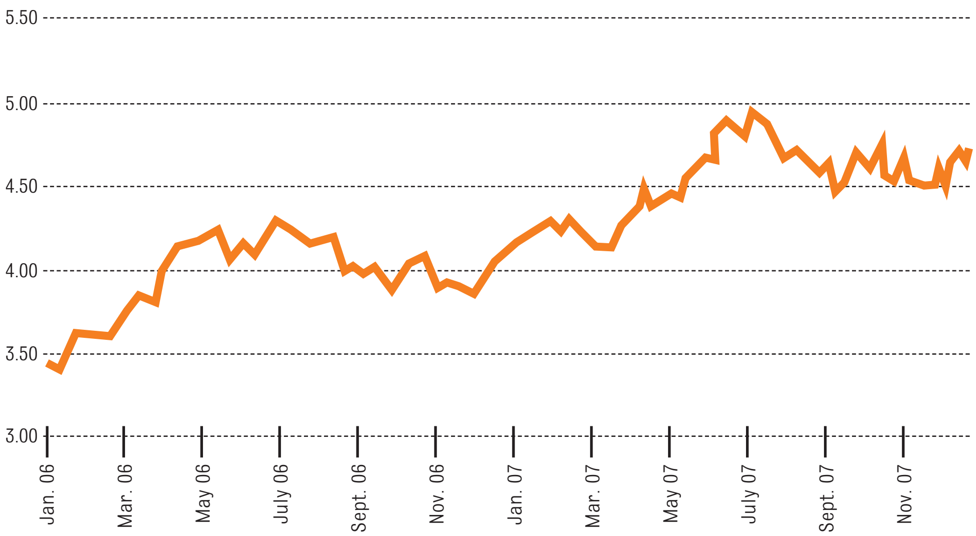
Economic development

Economic development in 2007 can be divided into two very distinct phases. While until early summer global growth and rising inflation rates determined the key interest rate policy of central banks and investor behaviour in interest rate markets, the mood changed dramatically in the second half of the year. The US real estate crisis and sub-prime crisis, fear of recession, a global economic decline and a banking crisis were suddenly the most important issues, triggering a sharp response in capital markets and in central bank policy. The Federal Reserve Bank lowered key interest rates from 5.25 %, initially in small steps until December 2007, to 4.25 % and in January 2008 in a dramatic cut to 3.00 % in order to prevent a slide into a lengthy recession. This brought yields on 10-year US government bonds, which had risen to over 5.30 % in the middle of the year, down to some 3.60 % by February. In view of the credit market crisis and the flight of investors into high-quality bonds, the level for two-year bonds fell below 2 %, thus suggesting further interest rate cuts by the Federal Reserve. Against the background of the weak US economy, growth forecasts for 2008 in the eurozone became increasingly critical over the second half of 2007, resulting since the summer in falling long-term interest rates. Yields for 10-year Bunds, which started into 2007 at 3.96 % and had risen to 4.67 % in the summer, were back to around 3.90 % in January 2008.

***Growth forecasts** in the eurozone were seen increasingly critically in the second half of the year.*

The European Central Bank, which had raised key interest rates in June to 4 % in view of positive growth forecasts and increasing concern about inflation, could not justify further interest rate increases under the new economic conditions and is attempting to solve the dilemma of weaker growth expectations coupled with stubborn inflation rates of over 3.00 % and an expanding money supply by keeping still for the moment. The yield curve in the US moved from flat to very steep over the course of the year, and in the eurozone it has also turned increasingly positive.

***10-year covered bond yields** in %*



Sector development

The volume of new business reported by the Bundesbank and amounting to EUR 181.8 billion in 2007 constituted a decline of 3% compared with the EUR 188.2 billion reported in 2006. Over the year, the first half, at EUR 94.5 billion, was noticeably stronger than the second half for which a volume of EUR 87.4 billion was reported. At EUR 42.0 billion, the fourth quarter was the weakest since the second quarter of 2005. This development reflects slack customer demand only to a limited degree since these figures also contain a considerable share of internal resets of existing loans by banks, and we believe this share was higher in 2007 than in 2006. The figures for the fouth quarter show that this year, as opposed to 2005 (abolition of the state housing subsidy) and 2006 (VAT increase as of 1 January 2007), there was no basis for special demand.

To obtain a more detailed picture of the demand, the market for purchase transactions by private households in 2007 must be analysed. Data gathered by the surveyors' councils in 11 large German cities show that activity here remained practically as slow as in 2006. In 2007, the number of transactions thus equalled the level of 2004 and even fell below the levels of 2002 and 2003.

In 2007, building permits reached their ***lowest point since 1949.***

New construction was particularly weak in 2007. Building permits in 2007, at around 157,000, declined by approximately 28% compared with 2006, thus reaching the lowest point since 1949. Mainly responsible for this were higher construction costs, defensive consumer behaviour and the radical slashing of direct subsidies for owner-occupied homes and tax incentives for investors. No positive price trend was discernible for existing property in the German market in 2007 either. Prices for classic one-family homes remain on the same level as those for 1997. One exception is the special micro-regions in the upmarket segment in popular urban centres in which, due to the lack of offers, price hikes were observed. While rents in Germany rose an average of only 1%, in popular urban centres with strong employment, rents rose by as much as 4.5% in 2007. If new construction fails to pick up, this trend will become firmer. But here too, average rents in Germany are no more than 5% higher than in 1997. In short, the development in the German residential property market was very disappointing in 2007 as well, and higher employment and stronger growth rates for the German economy have not yet triggered a recovery in the market.

Interhyp – Business and Strategy

Business Activities and Group Structure

Business activities

Interhyp AG is Germany's leading independent distributor for residential mortgages. As a broker, Interhyp does not act as a lender but instead selects the best mortgages for its customers among offers from over 50 banks. To this end, we rely on our competence and personal, independent advice provided by our over 250 mortgage specialists. The 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 our customers with existing mortgages to adjust the follow-up mortgage to any new individual circumstances and the interest rate environment.

The prerequisite for customised advice is a mortgage application containing all important information about the customer's financial situation and the property itself. In winning customers, we always rely on the range of information on our website www.interhyp.de, where potential customers can not only find information but also use the various online calculators in order to develop an initial interest estimate for their plans and complete a mortgage application which they then send to us.

With 17 regional offices in large German cities, Interhyp is a true multichannel provider of residential mortgages. Regardless of whether our customers submit enquiries via the Internet, by phone or in writing, every customer has a personal consultant to assiet them throughout the entire mortgage process. And every customer in the area of our regional offices can make an appointment for a meeting in the regional office.

*Interhyp is a genuine **multichannel provider** for residential mortgages.*

For a sound analysis of financing options, our advisors use eHyp, our proprietary software platform 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 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 regional offices.

The procedure substantially increases the likelihood of concluding a transaction for the over 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, two operatively active subsidiaries belong to the Interhyp Group: Prohyp GmbH is a wholly owned subsidiary, while in MLP Hyp GmbH the Interhyp Group has a holding of 50.2% with 49.8% held by MLP Finanzdienstleistungen 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 2007, this segment of the business accounted for 35.8% of the mortgage volume brokered by Interhyp.

*Through **MLP Hyp GmbH,** MLP benefits from our full range of mortgage services.*

Within the framework of cooperation with MLP Finanzdienstleistungen AG, MLP Hyp GmbH arose from Interhyp Service GmbH which was established in 2007. The purpose of the company is to provide MLP's sales force with mortgage offers, the requisite software technology and support in processing and supplying the related services in the scope of the long-term cooperation agreement concluded with MLP Finanzdienstleistungen AG. Interhyp AG is responsible for the operative management of the company. Business activities of the company commenced on 5 November 2007. MLP Hyp GmbH was fully consolidated in the Group financial statements, with MLP Finanzdienstleistungen AG's share of net income shown as a minority interest.

In the second quarter of 2007, Interhyp concluded a long-term marketing cooperation agreement with iMakler GmbH and has backed this cooperation effort with a minority holding of 25.2%.

The wholly owned subsidiary Hausfinanz Beratungsgesellschaft mbH 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 ("Direct Channel").

***Institutional cooperation partners** can also use the services offered by Prohyp since 2005.*

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. Since 2005, we have also offered institutional cooperation partners the expertise and service of our mortgage specialists. From Prohyp they receive access to our software platform eHyp and can take advantage of the full product spectrum and thus also the purchasing position of Interhyp AG. These customised mortgage services can be obtained from Prohyp through cooperation agreements. In this way, partners can formulate an extensive mortgage offer for their own customers in virtually no time or optimise existing services with support from Prohyp.

These two sales channels simultaneously constitute the segments of financial reporting.

Regional offices

In 2007 as scheduled, we concluded the second phase of our regional office strategy which began with Nuremberg, and in which ten additional regional offices in key cities in Germany have been established since the autumn of 2006. With the regional offices already opened, Interhyp now maintains a presence in 17 important cities in Germany for its customers, which they can access locally. We are thus positioned as a full multichannel provider.

A detailed overview of the regional offices can be found on page 27 of this report.

*We reach customers locally through our **17 regional offices.***

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 on 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 refinancing 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 super-regional 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/she first provides us with the personal data needed for consultation and a subsequent loan decision. This can be done either by letter, phone or through our website. This information contains details on his/her projected mortgage, the desired financing structure and also on the customer's income and assets position.

Thereafter, the prospective customer contacts his/her personal Interhyp mortgage consultant who guides them through the entire mortgage process and clears up initial questions. If the prospective customer is located in the catchment area of one of our regional offices, service will be provided automatically by the nearest regional office in order to facilitate subsequent personal contact locally. If this is not the case, contact to the customer will be handled by the consulting team at Interhyp headquarters in Munich.

Every customer has his ***own mortgage*** *consultant at his side.*

In the course of the consultation, the customer's objectives are discussed and the personal circumstances of his/her 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. The 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 – also in 2007 – and offers the consultant strong support for the workflow, 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 agreement. Once the agreement has been signed by the borrower and the lender, the loan is paid out in accordance with the borrower's requirements.

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 advisors. 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, generalist financial advisors 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.

We have also been furnishing our service in the Intermediary Channel to institutional cooperation partners since August 2006. 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

***98 per cent** of net revenues come from residential mortgages.*

In 2007, Interhyp generated 98.0% 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. A complete product overview can be found on our website at http://www.interhyp.de/produkte.html.

The remaining share of 2.0% of net revenues is accounted for by complementary insurance products related to properties and their financing – in particular mortgage and construction insurance. Moreover, total net revenues also include earnings generated by asset management services by Haselsteiner & Wolsdorf GmbH until the company was sold in October 2007.

Sales markets

As the market leader in Germany, Interhyp has a market share of 3.53% of all new business in residential mortgages in Germany. As by far the leading broker for mortgages, we continue to see distinctly structurally influenced growth opportunities in our domestic sales market.

However, we are currently in a phase of analysing and evaluating potential long-term options which could be promising for our business model in international markets. The main prerequisites for what we consider an attractive sales market are a low broker penetration and the existence of potential lending partners who aim to pursue for themselves a clearly defined growth strategy in residential mortgages.

Competitive environment

Interhyp competes primarily with local financial institutions and building societies as well as national commercial banks throughout Germany and in particular with local 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. AG (part of Hypoport AG) and Planethome (wholly owned subsidiary of HypoVereinsbank) as well as independent financial service providers.

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. Other regional banks use cooperation with Prohyp to offer their customers mortgage solutions even when the bank's own product range does not offer an appropriate solution.

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 lending partners
- Number of successfully closed mortgages
- 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 consultants, customer satisfaction as established in customer feedback, 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 below shows the development of Interhyp's market share since 2005. The volume of closed mortgages also constitutes a means of comparison for quantifying the competition situation. Since not all direct competitors in the mortgage brokerage market are represented in the capital market, a direct survey is for the most part unfeasible.

However, the development of Interhyp in the mortgage brokerage market can be analysed 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.

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

Interhyp is banking on ***steady growth of market share.***

Q1 2005	1.42
Q2 2005	1.50
Q3 2005	1.92
Q4 2005	2.06
Q1 2006	2.11
Q2 2006	2.03
Q3 2006	2.44
Q4 2006	2.85
Q1 2007	**2.89**
Q2 2007	**3.17**
Q3 2007	**2.89**
Q4 2007	**3.53**

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, and 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 at 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 February 2007, 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).

In the following table the original guidance of February 2007 and the necessary adjustment of targets made in September 2007 are compared with the results for financial year 2006:

*We had to **adjust our annual targets** in a difficult market environment.*

Key indicator	Expected result (February 2007)	Expected result (September 2007)	Prior-year result
Closed mortgage volume	>EUR 6 bn	EUR 5.7 bn	EUR 4.4 bn
Net revenues	>EUR 80 m	EUR 75 m	EUR 60.1 m
EBIT	EUR 32 m	EUR 27 m	EUR 22.4 m

As a result of the surprising contraction of customer demand and our applicants' more defensive stance about closing mortgages at the end of August and beginning of September, which we attribute to the worsening credit crisis in the US and the dismay triggered by the widely publicised problems of IKB and SachsenLB, our view of the course of business until the end of the year became more conservative. Due to the changed underlying conditions, we no longer considered achievement of our original targets realistic and adjusted our guidance for the entire year as shown above.

Below we give the amended guidance and a target/performance comparison for the figures actually achieved for these indicators:

Key indicator	Expected result (February 2007)	Result achieved	Difference in %
Closed mortgage volume	>EUR 6 bn	EUR 5.7 bn	>(5.7%)
Net revenues	>EUR 80 m	EUR 75.4 m	>(5.8%)
EBIT	EUR 32 m	EUR 28.5 m	(11.0%)

This shows that the volume of closed mortgages and, in line with this, the other indicators are lower than originally assumed in February 2007. The main reason for this is the state of the economy and the effect of the US credit crisis, which impacted the demand side of the mortgage market negatively and thus also influenced Interhyp's figures.

Key indicator	Expected result (September 2007)	Result achieved	Difference in %
Closed mortgage volume	EUR 5.7 bn	EUR 5.7 bn	–
Net revenues	EUR 75 m	EUR 75.4 m	+0.5%
EBIT	EUR 27 m	EUR 28.5 m	+5.5%

*We have achieved our adjusted **financial targets.***

However, despite a persistently challenging market environment, growth targets which were adjusted in September 2007 were achieved or even slightly exceeded. Mortgage volume increased 29% to EUR 5.7 billion compared with the previous year; net revenues rose 25% to EUR 75.4 million. EBIT climbed 27% to EUR 28.5 million.

Our planning for the above performance figures is shown in the forecast report on page 49.

Whether as best mortgage broker or winner in a nationwide mortgage website test – *we aim to remain on top in the years ahead.*

Non-financial goals

The business model, geared to providing competent advice to our customers coupled with our rapid growth, means that we attach high priority to employee training and qualification. An in-house training and qualification team ensures that new colleagues are prepared for their assignments in mortgage consulting and identify with Interhyp's core values.

With the opening of nine additional regional offices in 2007, Interhyp's expansion as a multichannel provider represents a challenge for the sales team. One of the goals for the regionalisation strategy was to recruit new employees directly in the region for the regional office. Nevertheless, further resources had to be transferred to these regions. Every regional office now has experienced mortgage consultants who were formerly employed in Munich as well as a regional office manager and team assistants. Here it became apparent that our corporate culture was able to bind the required flexible employees to enable Interhyp to implement the step toward regionalisation rapidly and successfully. Retaining Interhyp's corporate culture despite the fast growth of our staff is another important non-financial goal for us.

*Interhyp is again **"Best Residential Mortgage Provider"** ...*

Moreover, for the second time, we also ranked top in 2007 as "Best Residential Mortgage Provider" in a comparison of 17 well-known institutions conducted by the business magazine €uro/Finanzen.
Interhyp took first place even further ahead of its competitors in the overall rating than in the previous year. The test was performed by an independent analysis institute which examined not only major and branch-based banks but also direct banks, specialised credit brokers and financial service providers. The study focused not only on the interest rates for immediate financing and forward loans but – more important in the scope of test purchases – on the advisory and service quality of the individual providers. Interhyp ranked top in all areas. The fact that we were able to distinguish ourselves here from other providers in the market confirms that we are on track with our standards and goals when it comes to the quality of the service we offer. In future comparisons, we aim to rank among the top three and thus maintain our outstanding position in the market for residential mortgages.

Additionally, in the magazine FINANZtest, the financial services specialists of Germany's leading consumer organisation Stiftung Warentest tested the quality of online services from residential mortgage providers. Interhyp emerged the clear winner and was the only company to receive the quality seal "VERY GOOD".

*... and has **"by far the best website".***

The independent testers compared and evaluated providers on a number of aspects – such as the information on mortgages and credit offers, ways to apply for a mortgage, user-friendliness of the website and information on the accessibility of the providers. We are delighted that in this test, Interhyp was singled out as having "by far the best website in its field".

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, with the regionalisation strategy we have pursued since 2005, we have developed into a full multichannel provider with 17 regional offices in Germany. Deeper penetration of a broader range of customers and the increase in the probability of mortgage closures following a face-to-face discussion with our mortgage consultants are core components of our regionalisation strategy. Population density in Germany is strongly centred on big cities, and our demand stems in large part from these areas. We therefore maintain a presence there through our regional offices: in the first phase of regionalisation until the autumn of 2006, regional offices were opened in the seven largest cities in Germany. On concluding the second phase in October 2007, we can now be reached locally at a total of 17 locations in Germany. These new locations in metropolitan areas with approximately 500,000 inhabitants are initially on a somewhat smaller scale in terms of personnel, but can, when it comes to office space and equipment in parallel with increasing local market share, grow to a target figure of some 10 mortgage consultants and thus become more productive. This is the prime goal for the new locations in 2008.

*Since October 2007, customers can **reach Interhyp locally** in 17 regional offices.*

The decision for the consistent pursuit of regionalisation is based on our 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 market efficiency through targeted advertising

The following table provides an overview of our current regional offices.

Interhyp regional offices

City	Opening	Address	Telephone
Munich	July 2005	Marcel-Breuer-Str. 18 80807 München	+49 (0)89 2030 72000
Frankfurt	July 2005	Baseler Strasse 10 60329 Frankfurt/Main	+49 (0)69 2475 5100
Hamburg	July 2005	Stadthausbrücke 1-3 20355 Hamburg	+49 (0)40 2263 1100
Cologne	November 2005	Im Mediapark 4e 50670 Köln	+49 (0)221 2920 8100
Berlin	April 2006	Leipziger Str. 121 10117 Berlin	+49 (0)30 2000 41100
Stuttgart	June 2006	Heilbronner Str. 156 70191 Stuttgart	+49 (0)711 2525 6100
Düsseldorf	September 2006	Hans-Böckler-Str. 1 40476 Düsseldorf	+49 (0)211 5425 1100
Nuremberg	December 2006	Theresienstrasse 9 90403 Nürnberg	+49 (0)911 4775 22100
Mannheim	March 2007	Dynamostrasse 17 68165 Mannheim	+49 (0)621 4907 05100
Wiesbaden	April 2007	Schiersteinerstr. 86 65187 Wiesbaden	+49 (0)611 9501 69100
Hanover	April 2007	Aegidientorplatz 2b 30159 Hannover	+49 (0)511 4753 96100
Leipzig	June 2007	Brühl 67 04109 Leipzig	+49 (0)341 9897 48100
Bremen	June 2007	Lloydstrasse 4-6 28217 Bremen	+49 (0)421 9898 52100
Dortmund	July 2007	Rheinlanddamm 199 44139 Dortmund	+49 (0)231 5338 33100
Karlsruhe	September 2007	Stephanienstrasse 57 76133 Karlsruhe	+49 (0)721 9213 37100
Essen	October 2007	Huyssenallee 78-80 45128 Essen	+49 (0)201 8213 46100
Bielefeld	October 2007	Walther-Rathenau-Str. 35 33602 Bielefeld	+49 (0)521 9779 54100

Another organisational change occurred in the Direct Channel business in the reporting period. To implement the specialisation of Interhyp as a mortgage provider in its organisation more consistently, our asset management subsidiary Haselsteiner & Wolsdorf GmbH was sold to a group of private investors.

Organisationally as well, Interhyp focuses on ***specialisation in mortgages.***

Haselsteiner & Wolsdorf GmbH, which was sold in October 2007, was registered with the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Germany's financial sector regulator, as an asset management company pursuant to Section 32 of the German Banking Act. The company served affluent private customers in all matters relating to investment and financial planning. H&W focused on investment funds of the world's leading asset managers. It was founded in 1996 by the Interhyp Co-CEOs Robert Haselsteiner and Marcus Wolsdorf and fully consolidated in 2003. The company was sold to new owners to reflect Interhyp's concentration on mortgages organisationally as well. Haselsteiner & Wolsdorf GmbH has been operating under the name of Novethos GmbH since 1 January 2008.

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 advisors 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 advisors can position themselves as mortgage brokers at little expense. Along with the spread of the brokerage model, a growing number of independent mortgage specialists are 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 inactive. 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 in line with this, and in 2007 adapted Prohyp's organisational structure to the broader spectrum of services.

Prohyp won ***more important institutional cooperation partners.***

More specifically, in February 2007, a special team for acquiring and serving institutional cooperation partners was formed. We were thus able to conclude numerous new cooperation agreements in 2007, including those with financial service providers such as MLP, CosmosDirekt and comdirect bank.

In the course of the year, the team for serving local mortgage specialists and independent financial advisors was distributed locally across six regions in Germany (North, West, Central, East, South West, South East), since we see strong growth opportunities for this Intermediary Channel in close regional proximity with our partners.

The aim of this strategy with institutional partners is first to win new large cooperation partners 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 advisors. 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 27 % to 3,065 in 2007.

Number of active Prohyp partners

2005	1,325
2006	2,418
2007	**3,065**

Strategic holdings

On 23 July 2007, we reported that Interhyp together with the financial service provider MLP had founded a company. Through the company, which is named "MLP Hyp" MLP advisors receive access to the eHyp product and system platform for mortgages and are selectively supported in matters relating to mortgages. In future, MLP will process its mortgage transactions through the new company. The company is headquartered in Schwetzingen and opened for business on 5 November. Interhyp holds 50.2 % of the shares of MLP Hyp GmbH, while MLP Finanzdienstleistungen AG holds the remaining 49.8 %. Interhyp, which also provides the managers, is responsible for operative management.

*In future, the new MLP Hyp will process the **entire mortgage volume of MLP.***

In 2006, MLP Finanzdienstleistungen AG brokered approximately EUR 900 million worth of residential mortgages. The joint goal for 2008 is to process MLP's new business step by step through MLP Hyp. Since the company is relying on existing new business, and this is linked with only minimum investments due to the complementary contributions of the two partners, the company is expected to generate a positive contribution to earnings as early as 2008.

In the second quarter of 2007, Interhyp also entered into a long-term marketing cooperation agreement with iMakler GmbH and has backed this cooperation with a minority stake of 25.2 %. The service of the company is focused on innovative directions in real estate marketing by means of a fixed-price offer. This collaboration, in which Interhyp acts as the exclusive financing partner, offers sustained opportunities for winning prospective customers.

Research and Development

Work in software development in 2007 was geared to expanding the eHyp software platform by adding general functions available for both business segments. Innovations were also introduced for the Direct Channel as well as in the Intermediary Channel for which most software projects were carried out in the reporting period. In addition, preparations were made or activities carried out to link institutional cooperation partners such as MLP, CosmosDirekt, and comdirect bank to the eHyp platform.

*Our **eHyp platform** offers new functions.*

The emphasis in activities overlapping both segments was on topics such as expanding the workflow portal for bank partners, integrating of combination possibilities with subordinated loans in an interest rate comparison and new reporting applications.

For the Direct Channel business, numerous procedural improvements and expansions were undertaken which support efficient, well-structured workflows and make our sales teams and internal sales-related departments more effective.

In the Intermediary Channel, systems support for professional mortgage brokers and institutional cooperation agreements was expanded. In addition, possibilities in the eHyp interest rate check for brokers have been expanded by including subsidised loans and integrating a systematic broker survey with facilities for assessment in the software.

Expenditure for research in the reporting period came to EUR 1.3 million compared with EUR 1.2 million in 2006. The R&D ratio thus amounted to 1.8 % of net revenues.

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

To achieve our goals in our development activities which are located in Munich, it was not necessary to purchase external know-how, but our software development team was enlarged by three additional members.

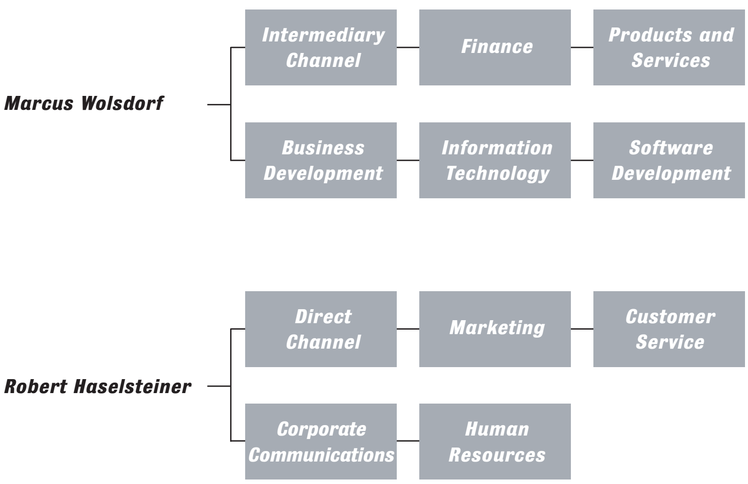
Resources in product management were also expanded once again to ensure that the scoring systems, criteria for credit decisions and price determination, and assessment methods for the various banks are optimally reflected in the system.

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.

***The founders** manage the Company as Co-CEOs of equal rank.*

Organisational structure scheme



Compensation system

The Co-Chief Executive Officers receive a compensation consisting of fixed and variable components. Details are contained in the compensation report on page 103 of the Corporate Governance Report.

Compensation for Supervisory Board members consists of fixed components which vary according to the member's position and are contingent upon attendance at meetings.

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 components. The variable part of compensation is based on the mortgage consultant's 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.

Activities in other areas of Interhyp are compensated by a base salary and a variable performance bonus which may be awarded depending on achievement of qualitative and, if appropriate, quantitative goals agreed on in individual talks with supervisors.

Incentive Programmes

Opportunities to acquire stock options were introduced in the reporting period for selected staff members and executives. Below is a description of Interhyp's stock option programme.

Stock option programme

Following the IPO in September 2005, a stock option programme was launched as an incentive for long-term commitment for employees and members of management. When Interhyp AG went public in September 2005, employees and members of management were therefore offered the possibility to acquire up to 85,000 stock options. Another offer for the acquisition of up to 28,500 stock options was made in December 2007. In the financial year 2007, 2,900 stock options were exercised.

Specific time limits were set for the issue of a total of up to 172,637 stock options, each of which giving the right to acquire one Interhyp share. The programme will run for ten years. Time limits for exercising stock 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 stock 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 stock 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 stock 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 as of 21 February 2008:

Holdings of over 10% in the Company

	Ordinary shares at end of 2007	Percentage of common stock	Ordinary shares at end of 2006	Percentage of common stock
Robert Haselsteiner	1,048,800	16.13%	1,048,800	16.14%
Marcus Wolsdorf	1,048,800	16.13%	1,048,800	16.14%
Capital Research and Management Co.	673,329*	10.36%*	372,903**	5.74%**
Other shareholders	3,730,321	57.38%	4,027,847	61.98%
Total	**6,501,250**	**100.00%**	**6,498,350**	**100.00%**

*) Status of holdings per notice of voting rights at 1 November 2007
**) Status of holdings per notice of voting rights at 10 October 2006

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 Meeting of Shareholders 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.

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. Conditional capital 2005/II serves to implement management and employee participation programmes. Through the conversion of stock options, the conditional capital was reduced by EUR 2,900 to EUR 169,737 by the end of 2007.

Authorisation to acquire the Company's own shares
At the General Meeting of Shareholders on 1 June 2007, it was resolved to authorise the Company to purchase its own shares. The Company is thus empowered to purchase its own shares until 1 December 2008 in an amount of up to 10% of the common 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 common stock. Trade with proprietary shares is excluded.

Interhyp can ***buy back its own shares*** *up to 10 per cent of the registered capital.*

There are no agreements by the Company in the event of a change of control 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 subsidiaries Prohyp and MLP Hyp are registered as loan and mortgage brokers. Since the beginning of 2005, neither the parent company nor the subsidiaries are 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 two-week revocation period pursuant to the German Civil Code applies to all loan agreements offered through Interhyp, Prohyp and MLP Hyp and thus influences the time at which Interhyp receives commission payments from lending partners.

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

In June 2007, the European Court of Justice passed a judgement on the question of exemption from taxes on sales from the sub-brokerage of loans. The German Ministry of Finance then published a letter according to which so-called sub-brokerages can also be tax-exempt when loans are brokered under certain conditions. The judgement by the European Court of Justice and the letter from the Ministry of Finance have a direct impact on the operations of Prohyp GmbH, which deals exclusively in brokerage activities.

In November 2007, the European guideline concerning insurance brokerage was implemented through an amendment to the German Insurance Contract Act and the German Industrial Code. The laws now contain special provisions concerning information, consulting and documentation obligations of the insurance broker and a special registration requirement. The amendment to the law has only indirect effects on the business activities of Interhyp and its subsidiaries since insurance policies are only brokered as an additional service in connection with loan agreements.

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

Summary of Business Performance

*Interhyp again increased its **market share** considerably.*

The course of business of Interhyp was determined both in the Direct Channel and the Intermediary Channel by growth through continued expansion of market share in private residential mortgage brokerage in Germany. Over the course of the year, our market share of new business rose distinctly from 2.85% at the end of 2006 to 3.53% in the fourth quarter.

Our projection published at the beginning of 2007 for the entire year assumed a mortgage volume of over EUR 6 billion. However, due to a transaction market which reflected the hesitance of private consumers, this failed to materialise. This became apparent in September 2007, and we lowered our expectation to around EUR 5.7 billion.

This adjustment, which was necessitated by difficult market conditions, led to a marked decline in our share price as shown in this report on page 10.

After adjusting the mortgage volume, we also had to adjust our original annual targets for net revenues and earnings before taxes and interest (EBIT).

Revenues after deducting brokerage commissions to third parties (net revenue) came to EUR 75.4 million, thus falling below the original projected target of over EUR 80 million. Profitability, impaired by the weaker third quarter, also dropped below the original projection of EUR 32 million for earnings before interest and taxes. However, at EUR 28.5 million, EBIT exceeded the revised target of EUR 27 million by 5.5%.

*Interhyp offers brisk growth coupled with **strong profitability.***

With an EBIT margin in relation to net revenue of 37.9%, we succeeded in maintaining the previous year's profitability (37.3%) despite the difficult market environment. This is particularly remarkable against the background of the sluggish third quarter. Through our decision to refrain from curtailing important investments in marketing and personnel in a weak market phase, major cost factors in the third quarter had a negative impact, producing a decline in the EBIT margin to 30.0%.

In a year-on-year comparison, for example, this has meant that marketing expense, at 10.7% of net revenues, only stood at the upper end of the level of approximately 10% of net revenues. Another notable cost item, "Office and administration expenditure", also rose slightly in terms of per cent from 6.2% in the previous year to 6.6% in 2007. This reflects current investments in nine new regional office locations. These nine new regional offices have been set up with a growth of staff in mind and at the moment thus still create disproportionate costs for premises compared with a fully formed team structure in a more mature phase.

Overall business performance

On the whole, we have very successfully held our own in the contracting market in a difficult year for residential mortgages and posted strong growth from greater market share. Thus we have emerged stronger from 2007 as the clear market leader among independent mortgage providers. We are pleased to present Interhyp as a very profitable and rapidly growing company which has generated net income of EUR 18.1 million in the reporting period. This represents an increase of 32% over the previous year (EUR 13.7 million).

Company Development

Development of Revenues

We succeeded in raising revenues in 2007 to EUR 88.6 million, up 25 % from the previous year (EUR 70.6 million). This growth was exclusively achieved organically and in domestic business. No acquisitions were made.

__Revenues__ rose by 25 per cent.

Net revenue, which is a more relevant key figure for our business, results from revenues after deduction of expenses for commission payments to Prohyp partners. For the past year, we posted net revenue of EUR 75.4 million, 25 % over the comparable figure for the previous year (EUR 60.1 million).

Net revenues *(in EUR m)*

2005	39.4
2006	60.1
2007	**75.4**

The basis for this trend in revenues is a growth in the closed mortgage volume of 29 %, which we succeeded in raising to EUR 5.658 billion from EUR 4.403 billion in the previous year. In 2007, 38,645 mortgages were successfully brokered (previous year: 28,072), constituting an increase of 38 %. Here we see that the average size of each individual mortgage had continued to contract and in 2007 amounted to approximately EUR 146 thousand. This represents another decline of 6.6 % compared with the average volume of EUR 157 thousand in 2006, which was already 5.2 % below the average of EUR 165 thousand for 2005. The trend is due to a larger share of reset business which by definition results in lower loan amounts than new business because of the already effected repayments. The share of mortgages for new construction contracted in 2007 as a result of the dramatic decline in this market. In addition, over the course of 2007, the minimum loan limit was progressively lowered from EUR 50,000 to EUR 25,000. We expect the average volume to stabilise in 2008, provided the share of reset business does not rise disproportionately.

We brokered __38 per cent more mortgages__ than in the previous year.

Closed mortgage volume *(in EUR m)*

2005	3,022
2006	4,403
2007	**5,658**

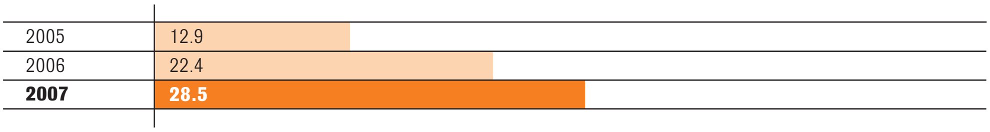
Expansion of the mortgage volume in the Intermediary Channel was driven both by the number of active partners which had grown by 27 % to 3,065 (previous year: 2,418) and the contribution of new institutional cooperative agreements which were signed in the course of the year or had produced operative results already since 2006.

Development of Earnings

Net revenue margin

For the past year, Interhyp achieved a net revenue margin of 1.30% in relation to its closed mortgages. In the preceding year, the margin, at 1.33%, was roughly the same. The fact that the margin has remained at this gratifying level confirms the value our bank partners attach to our sales performance and to the Company's good positioning vis-à-vis its competitors. The slight decline is due to the larger share of Intermediary Channel business where the net revenue margin is systematically lower.

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



***EBIT** climbed some 27 per cent.*

Earnings before interest and taxes (EBIT) surged 27% compared with 2006 (EUR 22.4 million), totalling EUR 28.5 million in the reporting period.

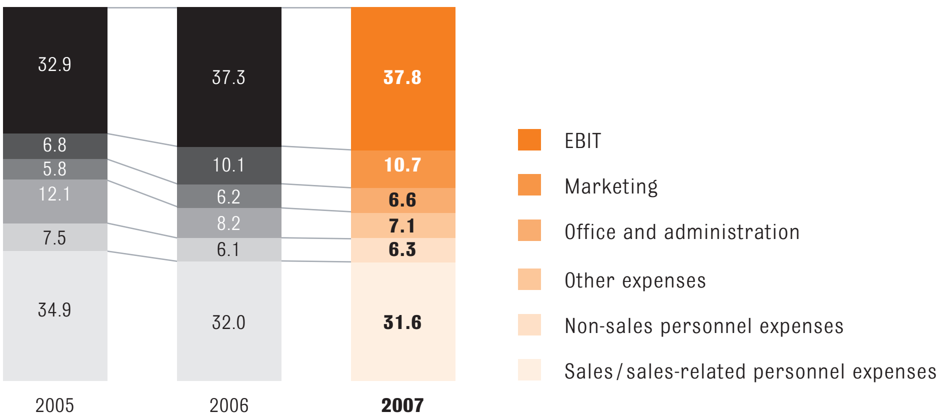
Other operating income

Other operating income totalling EUR 951 thousand contains income from the sale of our asset management subsidiary Haselsteiner & Wolsdorf GmbH.

Costs

Identical rates of increase in sales and EBIT give a virtually unchanged picture of costs compared with the previous year. In 2007, economies of scale resulting from the growth of the Company were balanced by the negative impact of lower-than-expected customer demand. This is also reflected in the development of the individual cost components as percentages of net revenues:

Cost breakdown *(in % of net revenues)*

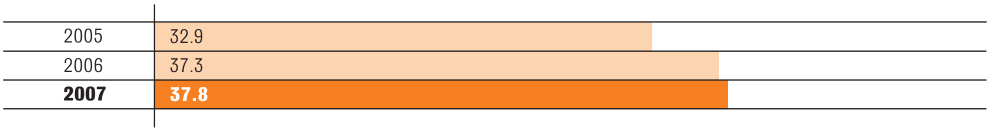


No special effects occurred on the cost side in the reporting period. More detailed explanations of important items can be found in the section "Summary of Business Performance" on page 34.

EBIT margin

The EBIT margin based on net revenues was 37.8% in the reporting period, thus slightly exceeding the previous year's level of 37.3%. The EBIT margin as a measure of our profitability not only reached the target region of some 35% but was able to establish itself above this level even in a weaker market. This was achieved despite the opening of nine new regional offices and a marketing budget still fixed at around 10% of net revenue.

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



Share of result of associated companies

The result of the holding in iMakler GmbH is shown under the new item "Share of result of associated companies".

Net interest income

Net interest income in 2007 came to EUR 1.9 million compared with EUR 1.0 million in the previous reporting period. This increase is mainly due to interest income from the investment of liquid funds in fixed-term deposits.

Earnings before taxes (EBT) rose to EUR 30.2 million, up 29% over EUR 23.5 million in the previous year.

Consolidated net income

Consolidated net income after minorities of EUR 18.1 million again demonstrates the profitability of our business model coupled with strong revenue growth. Consolidated net income rose 32% compared with the previous year (EUR 13.7 million). This figure contains the share of MLP Finanzdienstleistungen AG in the net income of MLP Hyp GmbH amounting to EUR 65 thousand. Consolidated net income before minorities accordingly comes to EUR 18.0 million.

Consolidated net income *grew by 32 per cent.*

Income taxes

A tax rate of 40.3% was applied in the 2007 reporting period. Tax expense amounted to EUR 12.2 million.

Earnings per share

Based on the average number of 6,499,097 outstanding shares, a profit of EUR 2.78 per share was generated. In 2006, a per-share profit of EUR 2.11 was generated, based on 6,498,350 outstanding shares.

Proposal for profit distribution

Since our business model achieves a distinctly positive cash flow and the Management Board is not currently planning growth through acquisitions, the Management Board and the Supervisory Board will propose a dividend payment of EUR 4.10 per share at the Annual General Meeting of Shareholders on 4 June 2008. This dividend will be composed of a regular dividend of EUR 2.10 per share and an additional one-time payout of EUR 2.00. This corresponds to a payout for financial year 2007, as for 2006, of 75% of consolidated net income and thus EUR 13.7 million as regular dividends. To optimise the capital structure, EUR 2.00 per share, in other words EUR 13.0 million which come from consolidated net income, from accumulated profits and from the capital reserve, will be distributed to our shareholders. All issued shares of Interhyp AG are eligible for a dividend.

A ***dividend of 4.10 euros*** *will be proposed for 2007.*

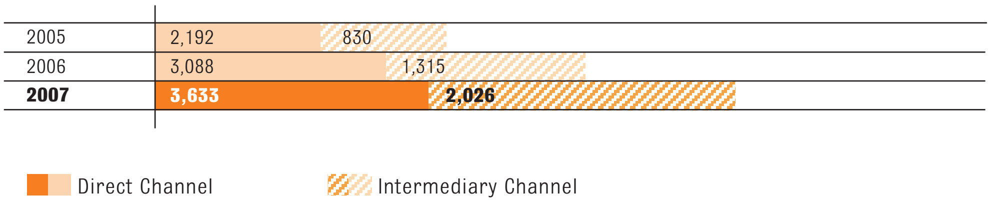
Accounting policy

The consolidated financial statements are prepared according to the International Financial Reporting Standards which must be applied in the EU. In this framework, accounting policy aims to provide information for investors that is relevant for their decisions.

Development of Segments

Both business segments in our core business – Direct Channel business under the Interhyp brand and business with individual brokers and institutional partners under the Prohyp brand (Intermediary Channel business) – displayed dynamic growth in the past financial 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, an 18% higher mortgage volume amounting to EUR 3,633 billion (2006: EUR 3,088 billion) was placed in the financial year just ended.

Net revenue in the Direct Channel in the reporting period amounted to EUR 54.9 million. This represents an increase of 22% compared with the EUR 45.1 million from the previous year.

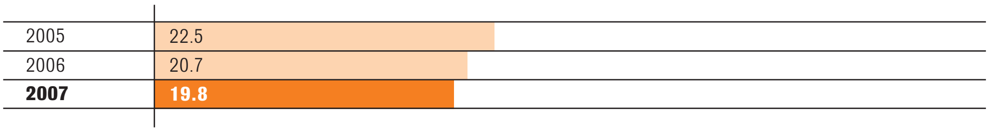
As a result, 72.9% (2006: 75.1%) of net revenue was accounted for by the Direct Channel in the past financial year.

Further information on the segments is contained in Section V of the Notes to the consolidated financial statements on page 92 of this report.

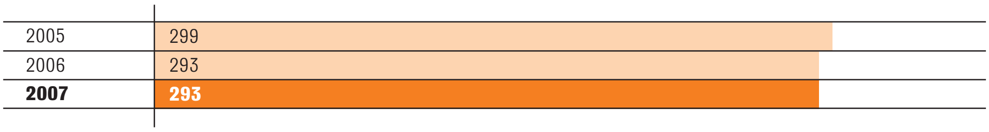
*The **net revenue margin** rose further.*

A look at the most important operational indicators for the Direct Channel reveals unchanged or slightly lower per consultant productivity. The number of successfully brokered mortgages per consultant in the Direct Channel contracted slightly to EUR 19.8 million or 4% below the comparable prior-year figure of EUR 20.7 million. This is due to underutilisation of capacities because of a weak market environment. Net revenues per consultant, at EUR 293 thousand, remained stable compared with the previous year. 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 1.42% in the previous year to the current 1.48%. This increase is the result of a strong purchasing position and the good position of Interhyp in a competitive environment.

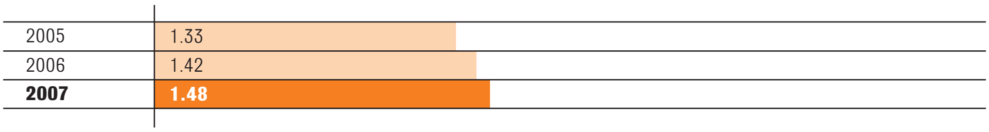
Closed mortgage volume per consultant – Direct Channel *(in EUR m)*



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



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



Intermediary Channel

In the Intermediary Channel, the closed mortgage volume came to EUR 2,026 million (2006: EUR 1,315 million), representing an even steeper climb of 54 %. For the first time, mortgages valued at over EUR 2 billion were brokered.

*For the first time, the **closed mortgage volume** in the Intermediary Channel totalled **over 2 billion euros.***

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 base and partly because of the great potential in the intermediary market. This situation is backed by a very effective system support. In addition, institutional partnerships which were already operating in 2006 or were new in 2007 have made an important contribution to this increase.

Net revenue from the Intermediary Channel came to EUR 20.5 million (37 % over the comparable prior-year figure). 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 service, and institutional market participants recognise the added value of the model and are prepared to utilise it.

The Intermediary Channel thus registered a corresponding increase from 24.9 % to 27.1 % of net revenue.

Further segment key figures are found in the Notes on page 92 of this report.

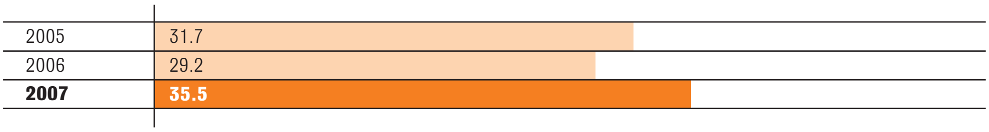
In contrast to the Direct Channel, productivity in the Intermediary Channel increased. Due to the additional distribution possibilities acquired through a greater number of active partners and institutional partnerships, the brokered mortgage volume, at EUR 35.5 million, rose 22 % over the previous year's figure of EUR 29.2 million per consultant. Net revenues per consultant rose 6 % from EUR 330 thousand in 2006 to EUR 350 thousand in the reporting period.

This change has to do on the one hand with the greater mortgage volume and on the other with a slightly lower net revenue margin, which made the increase in net revenues per consultant lower than the increase in the mortgage volume. In the Intermediary Channel, the net revenue margin contracted to 0.98 % compared with the previous year's level of 1.14 %. This is attributed to the larger share of business with institutional partners.

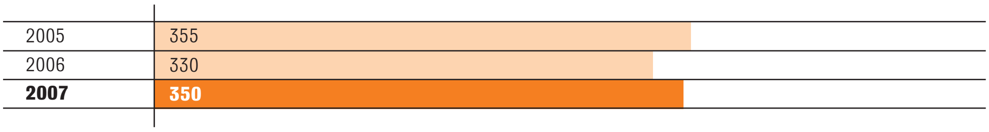
From an earnings perspective (absolute EBIT contribution), business with institutional customers is a very interesting field, as higher productivity can be achieved here. The decline in the net revenue margin with a growing share of institutional partners does not therefore signify less profitability in the Intermediary Channel.

*The **mortgage volume per consultant** came to over 35 million euros.*

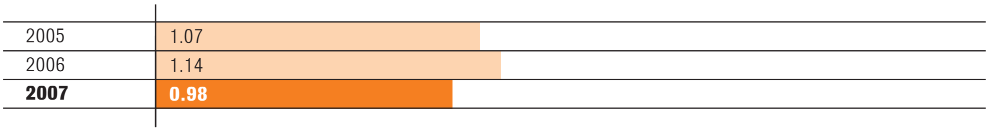
Closed mortgage volume per consultant – Intermediary Channel *(in EUR m)*



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



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



For the period ending September 2007, our former asset management subsidiary Haselsteiner & Wolsdorf GmbH posted net revenues of EUR 0.9 (total previous year: EUR 1.3 million).

Financial and Assets Position

Financial management principles and goals

Interhyp operates under a central financial management system in which its 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.

Financing structure
Through accumulated operative profits, our equity ratio again rose from 76.9% in the previous year to 85.4% at the end of 2007.
Borrowed capital continued to consist primarily of short-term liabilities (93.3% of borrowed capital in 2007 as opposed to 94.9% in the previous year).

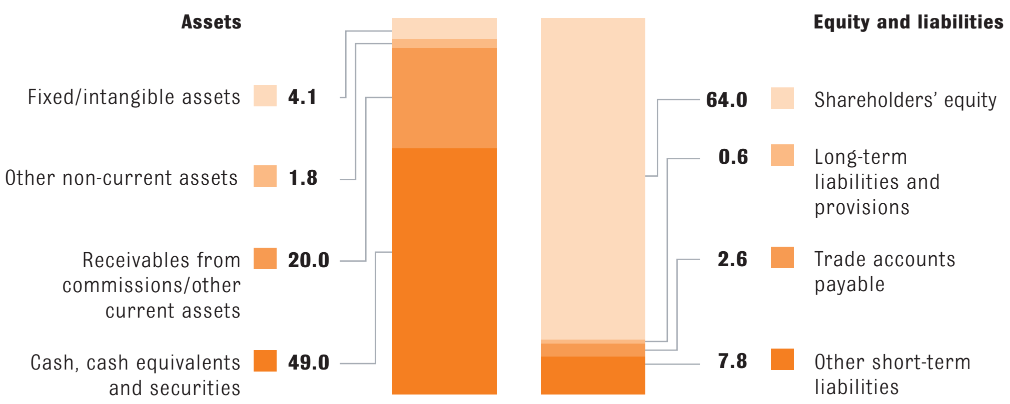
Balance Sheet

The total assets of Interhyp AG in 2007 were strongly marked by continued organic growth of the consolidated companies. Through the rapid growth of business, the balance sheet total rose from EUR 70.8 million at the end of 2006 to the present EUR 74.9 million.

Total assets
continued to grow.

Below you will find an overview of the balance sheet structure, the balance sheet itself is on page 53 of the consolidated financial statements, and the Notes starting on page 70.

Balance sheet structure *(in EUR m)*



Assets
The increase of fixed assets by 37% from EUR 2.5 million to EUR 3.4 million is mainly due to the additional regional offices and the establishment of an office in Schwetzingen for MLP Hyp GmbH.

The holding of Interhyp AG in iMakler GmbH is carried under the new financial investments and assessed according to the equity method at EUR 552 thousand. This item is explained in greater detail in Section III of the Notes to the consolidated financial statements on page 74.

Higher short-term receivables from commissions (EUR 18.8 million as opposed to EUR 17.2 million in 2006) stem from brisker business activity in the period under review. Receivables include those from banks, insurance companies and building societies with high credit standing.

The largest items under "Other assets" in the balance sheet are deposit payments for rented premises under long-term assets and outstanding pass-through commissions to Prohyp partners under short-term assets.

The cash flow generated by current business activity strengthened the very solid holdings of cash and cash equivalents of 2006 amounting to EUR 49.0 million (compared with EUR 37.6 million in cash and cash equivalents plus EUR 11.0 million in short-term securities at the end of 2006). At maturity, the securities held were not reinvested in securities so at present no securities are held.

Equity and liabilities

At 31 December 2007, the common stock of Interhyp AG amounted to EUR 6,501,250 and has thus risen through the exercise of stock options by EUR 2,900. More detailed information on the stock option programme can be found on page 31. The common stock is divided into 6,501,250 registered no-par shares with an arithmetical share of the common stock of EUR 1.00 each.

Interhyp has a ***strong equity position.***

The further increase in shareholders' equity is mainly due to the contribution of the consolidated net income of EUR 18.0 million, the payment of dividends for financial year 2006 (EUR 10.4 million) and payments of MLP Finanzdienstleistungen AG for the MLP Hyp GmbH subsidiary.

Payments for MLP Hyp GmbH are shown at EUR 1.4 million under the new balance sheet item "Shares of other shareholders". The largest item under "Other provisions" is made up of provisions for restoration costs for rented office space.

There were no current financial liabilities on the reporting date. Long-term financial liabilities amounting to EUR 800 refer to convertible bonds issued.

"Tax provisions" which contracted to EUR 0.5 million (2006: EUR 5.5 million) resulted mainly from increased advance tax payments.

Other short-term liabilities consist primarily of bonus payments for employees, commission claims of sales staff and for partners in the Intermediary Channel. In the reporting period, this item rose on the reporting date from EUR 6.7 million to EUR 7.1 million.

A detailed breakdown of other liabilities can be found in Section III in the Notes to the consolidated financial statements on page 82 of this report.

Other financial liabilities include leasing liabilities for property, plant and equipment amounting to EUR 392 thousand, of which EUR 155 thousand are due within one year. These have to do exclusively with operating leasing agreements.

Cash Flow

The decline in cash flow from ongoing business activity to EUR 10.1 million (as opposed to EUR 15.6 million in 2006) is largely due to the increase in paid income tax. In 2006, income tax of EUR 4.6 million was paid, a relatively low figure, since lower advance payments were required. The income tax paid in 2007, at EUR 17.4 million, is based on a distinct rise in advance payments compared with the previous year.

Cash flow from investing activities in 2007, at EUR 10.0 million (compared with an expense of EUR 11.6 million in the previous year), was strongly influenced by the sale of securities (EUR 11 million). Proceeds were not reinvested but instead transferred to cash and cash equivalents.

Cash flow from financing activities in 2007 came to an expense of EUR 8.8 million, resulting mainly from the payment of dividends for financial year 2006 in the amount of EUR 10.4 million. In contrast, in the previous year, cash flow was marked by repayment of financial liabilities amounting to EUR 357 thousand.

Free cash flow for 2007 totalled EUR 20.2 million compared with EUR 4.0 million in the previous year. In comparison, net investments in securities amounting to EUR 9.9 million in 2006 must be taken into account along with proceeds from securities totalling EUR 11.0 million in the reporting period.

Cash and cash equivalents at 31 December 2007 amounted to EUR 49.0 million, while at the beginning of the reporting period the figure was still only EUR 37.6 million. This too reflects mortgage activity. At the end of the year, there were no securities holdings.

Investments

In addition to the above-mentioned investments in securities, cash flow from investment activities includes the acquisition of associated companies – the acquisition of a 25.2% stake in iMakler GmbH (EUR 706 thousand) – and the cash flow from the sale of subsidiaries in connection with the sale of Haselsteiner & Wolsdorf GmbH (EUR 635 thousand). Mainly investments in furniture and equipment for new regional offices led to an increase in investments in non-current assets from EUR 2.5 million in 2006 to EUR 2.8 million in the period under review.

***Investments** rose to 2.8 million euros.*

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 Interhyp again receives commission from the lending partner for its advisory and brokerage service when an extension of the loan from the same lender or refinancing with another lender is agreed, 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 assets are the good relationships, based on trust, between our mortgage consultants and our customers.

Since its foundation, we have maintained close direct contact to our 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.

*Our **long-standing relationships** with lenders are valuable.*

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 indicators for earnings for 2007 show growth rates of over 20%. The positive result is based on our strong organic growth in the increasingly important market segment of independent mortgage brokers. A comparison of the two distribution channels – 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 advisors as well as for institutional cooperation partners.

Employees

*Interhyp **created 96 jobs** in 2007.*

In the period under review, our staff grew by 96 salaried employees to a total of 473, constituting an increase of 25% over last year's comparable figure at the end of 2006 (377 employees). Once again, we focused on recruiting junior staff and experienced mortgage consultants.

Number of employees at year-end

2005	269
2006	377
2007	**473**

Personnel expenses in the reporting period came to EUR 28.5 million. This represents an increase of 24% over 2006 (EUR 22.9 million).

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

	2007	**2006**
Sales and sales-related*	383	301
thereof consultants	268	214
- Direct Channel	193	163
- Intermediary Channel	75	51
Non-sales	90	76
Total employees	**473**	**377**

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

Innovation

*Interhyp is an **innovation driver.***

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 sales force and Prohyp partners are trained and the product is marketed with ongoing support for the sales force.

Supplementary Report

On 24 February, Interhyp AG appointed Joerg Utecht (34) as Chief Financial Officer. Utecht will take on this role at the latest on 1 July 2008 and will be responsible for accounting, controlling, investor relations and legal affairs. He will take over from Marcus Wolsdorf in the finance department and from Robert Haselsteiner in investor relations. Therewith, the Management Board of Interhyp AG will consist of the Company's founders and Co-CEOs Robert Haselsteiner and Marcus Wolsdorf as well as Joerg Utecht as CFO. Utecht has extensive experience in investment banking: for 10 years, most recently as Executive Director in the European Financial Institutions Group, he has worked for JP Morgan.

*Interhyp adds a **CFO** to the Management Board.*

Otherwise no events of particular significance have occurred after the close of the financial year which would have a major impact on the Company's profit, financial or assets situation.

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.

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

The goal of the risk management system is to identify and assess risks in a transparent manner and in the event of significant undesirable trends, to take 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 regularly 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 leverage competitive advantages and avoid the loss of assets. In the course of the 2007 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 or 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 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 decline if prospective customers fear 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

*Interhyp pursues a **structured recruiting strategy** to secure personnel development.*

To date, Interhyp has pursued a very successful recruiting and training strategy in order to guarantee the build-up of personnel. At present, we see no reason which would prevent us from continuing the planned expansion of personnel 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 foundation 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.

Financial risks

Details of financial risks can be found in Section V of the Notes to the consolidated financial statements.

Legal and regulatory risks

No regulations or changes in the law are identifiable for 2008 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 prospectus. 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.

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 have not needed 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 2008.

Both business segments are set to continue ***growing structurally.***

Since concluding the second phase of the regionalisation strategy in October 2007, we now intend concentrating on optimally using our regional offices. In view of our positive experience, these offices will be further developed and potential market share increase leveraged locally until full team strength and space utilisation of the regional offices have been achieved. We plan to recruit additional mortgage consultants to an extent commensurate with this growth.

Intermediary Channel

In 2008, Prohyp will continue to concentrate on two customer groups:

For independent financial advisors and regionally active mortgage intermediaries, Prohyp will increasingly become an indispensable solution for workflow management, consulting and processing. The eHyp software platform serves as access to the broad range of products and lets partners participate in the scoring and process expertise of Interhyp AG as well as in our purchasing position when dealing with banks. Through key accounting activities and support from Prohyp mortgage consultants from the regional offices, existing partnerships will be intensified and expanded.

Prohyp has positioned itself in 2006 and 2007 as an effective outsourcing partner for institutions such as banks, insurance companies, broker pools and financial service providers who wish to offer an open architecture solution for mortgages. The service packages which Prohyp can offer can be customised according to the requirements of the institutional partners. The cooperation agreements concluded for this purpose are usually more strongly focused on technical support through our product and scoring solutions of the eHyp platform which can, under certain circumstances, also provide its own sales staff and back up the partners' own (online) offers.

The subsidiary MLP Hyp, which was founded jointly with MLP Finanzdienstleistungen AG, provides MLP's mortgage consultants with the functions of Prohyp in Schwetzingen. On 5 November, the company began operating activities. The declared goal of the company by the end of 2008 is to gradually have the new company process the entire mortgage volume brokered by MLP Finanzdienstleistungen AG. In 2006, MLP brokered approximately EUR 900 million worth of residential mortgages.

In all departments of Intermediary Channel business, targeted personnel growth will ensure that we have sufficient capacity to handle growing demand for our services.

Employees

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

Future markets

*We see **distinct opportunities** in internationalising our business model.*

With a current market share of 3.53% of new business in residential mortgages, Interhyp will continue to concentrate on strong opportunities for growth offered by the German market 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 the expansion of consulting competency and broader product solutions of existing and new bank partners.

At the same time, we see distinct possibilities in internationalising our business model. To this end, we are examining options for entering international markets. Our preference here lies in organic expansion.

Future products

Interhyp will promote the development of new mortgage products through intensive discussions with current and prospective partners. This includes offering providers seeking a foothold in the German market and with Interhyp and other providers a distribution channel and a lean entry into the residential mortgage business in Germany. This could also be promoted selectively through product innovations as a distinctive feature of new providers. Over the long term, this could lead to providing a broader group of private customers with mortgage opportunities.

Future dividends

For future financial 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 income of Interhyp AG.

Future Economic Conditions

We anticipate a very recessive economic trend in the US in the first half of 2008, followed by stabilisation in the course of the year. We believe Asia and the emerging markets will lose some of their dynamics. Growth in Germany will be negatively influenced by weaker exports, so consumer behaviour will remain defensive. We expect the Federal Reserve to lower key interest rates in the first half to as low as 2.00%. Long-term capital market interest rates in the US have therefore little upward scope for the time being although they will trend higher as the year progresses. As we see it, the European Central Bank will lower key interest rates to 3.50% by the middle of the year in view of the ailing economy. This means that long-term interest rates, measured in terms of yields of 10-year covered bonds, are likely to fluctuate between 4.25% and 4.75%.

Considering the difficulty in estimating the global economic trend and lower growth of the German economy as forecast by all sides, we cannot expect brisker activity in the housing market in 2008. Although long-term interest rates have declined again compared with the middle of 2007, thus offering greater affordability, what counts for many consumers is how they estimate the long-term development of their income. The relative price advantages of existing property as opposed to new construction costs should at least lead to stable demand in the secondary market even if new construction activity remains weak. This trend could also be accompanied by effects on prices.

Measured in terms of the volume of new business according to Bundesbank statistics, which also contain follow-up mortgages and internal resets, we expect an annual volume of EUR 170 billion to EUR 180 billion on the basis of the run rate in the second half of 2007.

Future Legal Environment

The Federal Ministry of Justice and the Federal Ministry of Finance have submitted proposals to Parliament for better protection of borrowers in selling their claims in respect of loans. Most importantly, this package of measures contains amendments to the German Banking Act, the German Civil Code and the Code of Civil Procedure. The bills discussed have no direct impact on the business activities of Interhyp and its subsidiaries since mortgage brokerage, unlike credit operations, is not the subject of the regulations envisaged. It remains to be seen whether and which legislative measures will take effect.

In December 2007, the European Commission issued a White Paper on the integration of the EU mortgage lending markets. In the interest of promoting responsible lending and borrowing, the Commission is of the opinion that creditors and brokers of mortgage loans should be required to take appropriate measures to verify the creditworthiness of consumers. However, the White Paper does not contain concrete regulations, in particular with reference to loan brokerage. To what extent regulations will actually be issued at a European level, cannot be foreseen at present.

*The EU plans to continue promoting the **integration of mortgage markets.***

Expected Performance

For the current financial year of 2008, we expect further growth of market share and thus profitable growth for Interhyp. We are therefore aiming at double-digit growth of the three key indicators – mortgage volume, net revenue and EBIT.

In view of the corporate tax reform, we continue to anticipate a reduced tax rate of approximately 33%.

Expected Financial Position

Due to the capital increase in connection with the IPO in 2005 and positive contributions from operative business, we have a very solid holding of cash and cash equivalents totalling some EUR 49 million. For this reason, no long-term financing measures by means of external capital are planned.

The liquidity position of Interhyp AG will continue to improve upon reaching the targeted growth as a result of the cash flow 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 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.

***Regionalisation** of our Direct Channel business offers a variety of opportunities.*

From the results 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 face-to-face meeting in one of our regional offices, and the possibility to leverage enthusiastic local referrals from customers. For the smaller regional offices opened during the second phase in the reporting period, this growth perspective means that personnel will be increased in line with the expected growth of market share until the full sales team strength is reached; this will permit greater efficiency by making more intensive use of available resources.

In the Intermediary Channel, we see opportunities in the general trend towards independent financial advisors who wish to expand their range of services by providing 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 the economies of scale of an efficient (additional) distribution channel.

*Through institutional cooperation agreements, Prohyp can tap **additional distribution channels.***

In business with institutional partners, we see an opportunity for Prohyp to develop additional distribution channels through providers who, with the help of cooperation agreements, aim to become active in residential mortgage business in Germany. Through customised collaboration with institutions already involved in the mortgage market, Prohyp, in winning such partners, can achieve a larger mortgage volume directly, as soon as the necessary modifications have been made in the system platform and training and support have successfully been concluded.

Furthermore, we have observed that traditional providers are increasingly receptive to the possibilities which cooperation with Prohyp offers for those customer segments in which they themselves cannot or do not wish to be active. Local banks, for example, can take advantage of the broad product range offered by Interhyp. In cooperating with Prohyp, these providers can also offer those customers a mortgage solution for which their own institution has no facilities or can only offer mortgages at less favourable rates. In these cases, they act as brokers, but at the same time can position themselves as specialists and thus do not endanger the customer relationship through lack of the right product. We see opportunities for further dynamic development of demand in this segment, which has so far been encouraging, and believe that these companies will profit from greater customer awareness in this sector.

Through the specialisation of our mortgage consultants, such as in refinancing operations 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 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.

Successful entry into one or more international markets could also open up additional growth opportunities in the years ahead.

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, due to associated uncertainties, these factors have not been taken into account in our above-mentioned plans.

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

Remarks on Prospective Development

Interhyp operates in a growing market for independent residential mortgage brokerage in Germany. Through further growth from acquiring greater market share in residential mortgages, we assume that the performance of Interhyp AG will continue to develop favourably. Moreover, 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 cooperation agreements with institutional partners in this sector. The Management Board sees Interhyp as extremely well-positioned in order to consistently leverage future growth potential.

*Interhyp is well-positioned to consistently leverage its **growth potential.***

The Consolidated Financial Statements

Consolidated income statement *of Interhyp AG as at 31 December 2007 in EUR*

	Notes	01.01.–31.12.2007	01.01.–31.12.2006	+/-
Revenues	(15)	88,581,123	70,630,321	25%
Cost of services purchased	(17)	13,230,107	10,546,797	25%
Net revenues		75,351,016	60,083,524	25%
Other operating income	(16)	950,971	0	
Personnel expenses	(18)	28,501,851	22,922,339	24%
thereof sales and sales-related		23,791,185	18,722,697	27%
Other operating expenses	(19)	17,499,093	13,522,416	29%
thereof marketing		8,060,808	6,086,204	32%
Amortisation and depreciation	(1), (2)	1,826,080	1,225,776	49%
Earnings before interest and taxes (EBIT)		**28,474,964**	**22,412,994**	**27%**
Share of results from investments in associates	(3)	(153,636)	0	
Interest income		1,875,437	1,151,087	63%
Interest expense		13,906	110,445	(87%)
Net interest income	**(20)**	**1,861,531**	**1,040,642**	**79%**
Net income before income taxes (EBT)		30,182,859	23,453,636	29%
Income taxes	(21)	(12,175,028)	(9,759,135)	25%
Net income		**18,007,831**	**13,694,501**	**31%**
thereof share of third-party associates		(65,354)	0	
Net income in regard to associates of the corporation		**18,073,185**	**13,694,501**	**32%**

Earnings per share IAS 33	Notes	01.01.–31.12.2007	01.01.–31.12.2006
Net income in regard to associates of the corporation		18,073,185	13,694,501
Weighted average of shares outstanding		6,499,097	6,498,350
Earnings per share (undiluted)	**(22)**	**2.78**	**2.11**
Weighted average of potential shares, adjusted for dilution effects		6,551,569	6,557,797
Earnings per share (diluted)	**(22)**	**2.76**	**2.09**

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 2007 in EUR*

Assets

	Notes	as at 31.12.2007	as at 31.12.2006
Non-current assets			
Intangible assets	(1)	674,359	664,316
Fixed assets	(2)	3,426,274	2,494,184
Receivables from commissions	(4)	463,392	472,885
Other assets	(6)	567,044	494,523
Deferred tax assets	(21)	265,069	304,259
Investments in associates	(3)	551,964	0
		5,948,102	**4,430,167**
Current assets			
Receivables from commissions	(4)	18,843,915	17,163,054
Other assets	(6)	976,891	609,057
Tax refund claims	(5)	206,577	0
Securities	(7)	0	10,992,450
Cash and cash equivalents	(8)	48,963,312	37,593,782
		68,990,695	**66,358,343**
Total assets		**74,938,797**	**70,788,510**

Equity and liabilities

	Notes	as at 31.12.2007	as at 31.12.2006
Shareholders' equity	**(9)**		
Common stock		6,501,250	6,498,350
Additional paid-in capital		28,527,043	33,008,021
Revaluation surplus		0	(2,782)
Net accumulated profit		27,574,600	14,926,265
Equity in regard to associates of the corporation		**62,602,893**	**54,429,854**
Share of third-party associates		1,428,646	0
		64,031,539	**54,429,854**
Long-term liabilities and provisions			
Other provisions	(10)	197,426	160,967
Non-current financial liabilities	(14)	800	800
Deferred tax liabilities	(21)	56,709	90,686
Other liabilities	(13)	317,909	424,573
		572,844	**677,026**
Short-term liabilities and provisions			
Trade accounts payable	(12)	2,553,692	3,371,904
Other provisions	(10)	149,600	126,800
Tax liabilities	(11)	539,398	5,520,061
Other liabilities	(13)	7,091,724	6,662,865
		10,334,414	**15,681,630**
Total equity and liabilities		**74,938,797**	**70,788,510**

Shareholders' equity *of Interhyp AG as at 31 December 2007 in EUR*

	Notes	Common stock	Additional paid-in capital	Revalu-ation surplus	Net accumulated profit	Equity in regard to associates of the corporation	Share of third-party associates	Total
01.01.2006		**6,498,350**	**32,528,058**	**0**	**1,231,763**	**40,258,171**	**0**	**40,258,171**
Sum of items recorded directly in shareholders' equity	(20)			(2,782)		(2,782)		(2,782)
Group result					13,694,501	13,694,501		13,694,501
Total		**0**	**0**	**(2,782)**	**13,694,501**	**13,691,719**	**0**	**13,691,719**
Expense from the issuance of convertible bonds and stock options	(9)		479,963			479,963		479,963
31.12.2006		**6,498,350**	**33,008,021**	**(2,782)**	**14,926,264**	**54,429,854**	**0**	**54,429,854**
Sum of items recorded directly in shareholders' equity	(20)			2,782		2,782		2,782
Group result					18,073,185	18,073,185	(65,354)	18,007,831
Total		**0**	**0**	**2,782**	**18,073,185**	**18,075,967**	**(65,354)**	**18,010,613**
Dividends paid	(23)				(10,397,360)	(10,397,360)		(10,397,360)
Expense from the issuance of convertible bonds and stock options	(9)		372,632			372.632		372,632
Capital paid in by exercise of stock options	(9)	2,900	118,900			121,800		121,800
Capital paid in by third-party associates							1,494,000	1,494,000
Withdrawal from additional paid-in capital	(9)		(4,972,510)		4,972,510			0
31.12.2007		**6,501,250**	**28,527,043**	**0**	**27,574,600**	**62,602,893**	**1,428,646**	**64,031,539**

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 2007 in EUR*

	Notes	01.01. – 31.12.2007	01.01. – 31.12.2006
Consolidated net income in regard to associates of the corporation		18,073,185	13,694,501
Share of results of third-party associates		(65,354)	0
Income tax	(21)	(12,175,028)	(9,759,135)
Earnings before income tax		**30,182,859**	**23,453,636**
Adjustments:			
Amortisation and depreciation of non-current assets	(1),(2)	1,826,080	1,225,775
Loss from the disposal of fixed assets		16,527	0
Net interest income	(20)	(1,861,531)	(1,040,642)
Expense from the assessment of investments in associates	(3)	153,636	0
Expense from the issuance of convertible bonds and stock options	(9)	372,632	479,963
Income from the disposal of subsidiaries	(16)	(949,924)	0
Increase in receivables and other assets		(2,293,640)	(5,822,346)
Increase in provisions		59,259	(79,433)
Increase in liabilities		47,761	1,936,148
Income tax paid		(17,390,584)	(4,585,375)
Interest paid		(3,594)	(97,219)
Other non-cash items		(10,312)	90,689
Net cash from operating activities		**10,149,168**	**15,561,195**
Cash paid for investments in non-current assets	(1),(2)	(2,838,685)	(2,493,145)
Cash paid for investments in associates	(3)	(705,600)	0
Interest received		1,911,631	883,542
Cash paid for investments in securities		0	(25,041,250)
Cash received from disposal of securities		11,000,000	15,094,500
Disposal of subsidiaries less cash and cash equivalents	(16)	634,577	0
Net cash from investing activities		**10,001,923**	**(11,556,354)**
Cash paid for the repayment of debt		0	(356,531)
Cash paid for dividends	(23)	(10,397,360)	0
Cash received in common stock by exercise of stock options	(9)	2,900	0
Cash received in additional paid-in capital by exercise of stock options	(9)	118,900	0
Cash received from minorities		1,494,000	0
Net cash from financing activities		**(8,781,560)**	**(356,531)**
Changes in cash and cash equivalents		11,369,531	3,648,311
Cash and cash equivalents at the beginning of the period	(8)	37,593,782	33,945,470
Cash and cash equivalents at the end of the period	**(8)**	**48,963,312**	**37,593,782**

Notes to the **Consolidated Financial Statements**

as at 31 December 2007 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 located at 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 in Frankfurt) since 29 September 2005. The shares have been trading in the SDAX index since 19 December 2005. The German security identification number (WKN) is 512170.

The Company brokers and consults in relation to residential mortgages, building society savings plans and insurances.

On 25 February 2008, the Management Board prepared the consolidated financial statements of Interhyp AG for the financial year ending 31 December 2007, which will be presented to the Supervisory Board on 10 March 2008 for 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 subsidiaries have been compiled in accordance with the International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), as adopted by the European Union

The consolidated financial statements have been prepared using the historical cost accounting method with the exception of available-for-sale financial investments which were assessed at their 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. Figures contained in the tables may show differences due to rounding to EUR thousand.

The income statement has been compiled in accordance with the total expenditure format.

The accounting and valuation methods applied correspond 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 financial 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 interpretations *new and amended*	
IFRS 7	"Financial Instruments: Disclosures", supersedes IAS 32
IAS 1	"Presentation of Financial Statements", Capital Disclosures
IFRIC 7	"Applying the Restatement Approach under IAS 29 Reporting in Hyperinflationary Economies"
IFRIC 8	"Scope of IFRS 2" – IFRS 2: "Share-based Payment"
IFRIC 9	"Reassessment of Embedded Derivatives"
IFRIC 10	"Interim Financial Reporting and Impairment"

The fundamental effects of these amendments are as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures which enable potential customers to assess the significance of financial instruments for the financial and earnings positions of the Group as well as the type and extent of risks resulting from these financial instruments. The application has no impact on the Group's asset, financial and profit situation. The relevant comparable disclosures will be adapted.

IAS 1 Presentation of Financial Statements
New disclosures result from this amendment which enable potential customers to assess the goals, methods and processes of the Group with regard to capital management.

In the absence of underlying transactions, no changes resulted from IFRIC 7 and 9.

IFRIC 8 Scope of IFRS 2 – IFRS 2: Share-based Payment
IFRIC 8 supersedes IFRS 2 with regard to the application to transactions in which a company cannot specifically identify goods and services. IFRIC 8 is not applicable to the Interhyp Group since these questions do not arise due to the lack of unspecified goods or services received.

IFRIC 10 Interim Financial Reporting and Impairment
The Group applied the IFRIC Interpretation 10 for the first time as of 1 January 2007. According to this Interpretation, an impairment expense in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost cannot be reversed in the following report. Since in the past the Group has not made such value adjustments of impairment expense, the Interpretation had no effect on the Group's assets, financial and profit situation.

Moreover, the Group did not apply the following standards and IFRIC interpretations which have already been issued but not yet become effective:

Standard/ interpretation	To be applied starting on	Planned application at Interhyp	Issued on	Date of EU endorsement
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions	FY beginning after 1 March 2007	FY 2008	2 Nov. 2006	1 June 2007
IFRIC 12 Service Concession Arragements	1 January 2008	FY 2008	30 Nov. 2006	open
IFRIC 13 Customer Loyalty Programmes	FY beginning on or after 1 July 2008	FY 2009	28 June 2007	open
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	FY 2008	5 July 2007	open
IFRS 8 Operating Segments	1 January 2009	FY 2009	30 Nov. 2006	21 Nov. 2007
IAS 23 Borrowing Costs (revised)	1 January 2009	FY 2009	29 Sept. 2007	open
IAS 1 Presentation of Financial Statements (revised)	1 January 2009	FY 2009	6 Sept. 2007	open

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and supersedes the obligation to establish segment reporting formats for the Group for primary (operating) segments and secondary (geographic) segments. The Group has established that the operating segments identified in the Group pursuant to IFRS 8 correspond to the operating segments identified according to IAS 14 Segment Reporting. We expect that additional disclosures will have to be made.

IAS 23 Borrowing Costs (revised)

This standard requires capitalisation of borrowing costs which can be attributed to a qualifying asset. A qualifying asset is an asset for which a considerable period of time is required in order to get ready for its intended use or sale. The change does not lead to any application in the Interhyp Group since the Group does not hold qualifying assets.

IAS 1 Presentation of Financial Statements (revised)

The purpose of revision of this standard is to increase the usefulness of the information contained in the financial statements, in particular by means of an expanded income statement or consolidated financial statements comprising all the revenue and expense items in the income statement and revenue and expense items which are not recognised in profit and loss. This change will presumably make additional disclosures necessary for the Interhyp Group.

According to IFRIC 11 to 14, there will be no changes due to the lack of underlying transactions.

Consolidated companies

Group financial statements include the financial statements of Interhyp AG and its subsidiaries.

The Company holds 100% of the shares of its subsidiaries:

Prohyp GmbH, Munich,
Hausfinanz Beratungsgesellschaft mbH, Munich,
and 50.2% of MLP Hyp GmbH, Schwetzingen.

At the beginning of 2007, the newly established company, Interhyp Service GmbH, was included in the group of consolidated companies. Of the 100% held in the company, which has in the meantime been renamed MLP Hyp GmbH, 49.8% of the shares were sold to MLP Finanzdienstleistungen AG during the financial year. No difference resulted from the sale of shares in MLP Hyp GmbH between the sales price and the minority shareholder component of shareholders' equity to be shown as minority holdings.

In financial year 2007, a 25.2% holding was acquired in the associated company iMakler GmbH, Bad Soden.

All shares of Haselsteiner & Wolsdorf GmbH, Munich, were sold effective 1 October 2007.

Prohyp GmbH, Munich, and Hausfinanz Beratungsgesellschaft mbH, Munich, made use of the exemption regulation of § 264 (33) of the German Commercial Code in the financial year 2007.

At the end of 2004, a strategic decision was made to discontinue all activities of Hausfinanz Beratungsgesellschaft mbH. In the financial year 2007, a profit transfer agreement was concluded with the company.

Principles of consolidation

The consolidated financial statements are based on the annual financial statements of Interhyp AG and its consolidated subsidiaries, which are prepared according to uniform principles of accounting and valuation.

For Interhyp AG and its subsidiaries, the financial year ends on 31 December of each year.
All internal Group balances, transactions, earnings, expenses and unrealised profits and losses from internal Group transactions are fully eliminated.

Subsidiaries are fully consolidated from the time of their acquisition, in other words from the time in which the Group obtains a controlling interest. Inclusion in consolidated financial statements ends when the subsidiary is no longer controlled by the parent company.

Shares of other associates (minority shares)
Through the sale of 49.8% of the shares of MLP Hyp GmbH, shares of other associates had to be reported for the first time. Shares of other associates represent the share of the result and net assets which is not attributable to the Group. Shares of other associates are reported separately in the Group income statement. Disclosure in the Group financial statements is made under shareholders' equity, separate from the equity accounted for by shareholders of the parent company.

II. Significant Accounting and Valuation Principles

Assumptions and estimates

In the consolidated financial statements, estimates and assumptions must be made which have an effect on the amount and disclosure of the accounting asset and liabilities, earnings and expenses as well as any accounts payable and contingent liabilities. In some cases, the actual figures may differ from the assumptions and estimates made.
In applying the accounting and valuation methods, the Management Board has taken the following discretionary decisions which most significantly impact the amounts contained in the financial statements. Decisions which include estimates are not considered here.

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

Estimating uncertainties
The most important assumptions related to the future as well as other significant sources for estimating uncertainties existing on the reporting 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 financial year, are explained below.

Shares of associated companies
On every reporting date, the Group determines whether there are any indications of impairment. The shares of associated companies are assessed for recoverability when there are indications that the book value exceeds the achievable amount. To establish the use value, the presumed future cash flows of a holding are estimated and an appropriate discount factor selected in order to calculate the cash value of this cash flow.

Share-based payment
The costs from granting equity capital instruments to Group employees are assessed at the fair value of these instruments when granted. A suitable valuation procedure must be fixed to establish the fair value from granting such instruments to employees; this depends on the conditions for granting the instruments. Furthermore, suitable data must be selected for this valuation process, including in particular the presumed life of the option, volatility and dividend yields. The assumptions and procedures applied are shown in Section III (9) of the Notes.

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

Intangible assets

On inclusion in the accounts for the first time, individually acquired intangible assets are valued at acquisition or production cost. The acquisition cost of an intangible asset which was acquired on the basis of a merger equates to its actual cash value at the time of acquisition.

Intangible assets are stated in the following periods at their acquisition or production costs less cumulative depreciation and all cumulative depreciation costs. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is generated.

A distinction is made between intangible assets which have a limited useful life and those with 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. The depreciation period and depreciation method for an intangible asset with a limited useful life are examined at least at the end of each respective financial year. The required amendments to the depreciation method and the useful life are treated as revisions of estimates.

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 acquisition costs and depreciated on a planned straight-line basis over their estimated useful economic life as follows:

Software and software licences	3 years
Customer base	6 years

With the disposal of the subsidiary Haselsteiner & Wolsdorf GmbH on 1 October 2007, the customer base no longer exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the book value of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research and development costs are booked as expenditure in the period in which they accrue. Expenditure on research in the reporting period totalled EUR 1,323 thousand (previous year: EUR 1,157 thousand).

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.

On initial recognition of development costs, the acquisition cost model is applied. In accordance with this model, the asset value is to be charged to acquisition costs less cumulative depreciation and cumulative costs of depreciation. Depreciation begins on completion of the development when the asset is ready for use. The asset is depreciated over the period in which future use can be expected. During the period in which the asset is not yet used, the asset value is verified annually for recoverability.

In compliance 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 Interhyp AG, has been capitalised. The software is used for the Company’s website and by employees as a consultancy and management tool.

Development expenditure for this software was capitalised from the time requirements for capitalisation of internally generated intangible assets were fulfilled and depreciated after activation over a service life of two years.

Fixed assets

Fixed assets are valued at acquisition or production cost less cumulative scheduled depreciation and accumulated depreciation costs. Costs for the replacement of a part of a fixed asset are included at the time when the costs are incurred if the criteria for recognition are met. Estimated costs for the discontinuance and removal of fixed assets were included in the acquisition or production costs. All other maintenance costs are shown immediately in the income statement. 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. Any gains or losses arising from derecognition of the asset, calculated as the difference between net disposal proceeds and the book value of the asset, are included in profit or loss in the year the asset is derecognised.
The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted where necessary.

Shares of associated companies

Shares of associated companies are assessed according to the equity method. An associated company is a company in which the Group has a critical influence and which is neither a subsidiary nor a joint venture. According to the equity method, shares of an associated company are shown in the balance sheet at acquisition cost plus any changes after acquisition in the Group's share in the net assets of the associated company. The goodwill of an associated company is contained in the book value of the share and planned depreciation is not foreseen. The income statement contains the Group's share in the success of the associated company. Changes shown directly in the equity of the associated company are recorded by the Group in the amount of its share and – if applicable – entered in the statement of changes in equity. Gains and losses from transactions between the Group and the associated company are eliminated according to the holding in the associated company.

The reporting date for the associated company is the same as that for the Group. Uniform accounting and valuation methods are applied accordingly.

External capital costs

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

Leasing

Whether an agreement contains a leasing arrangement is established on the basis of the economic content of the agreement and requires an estimate as to whether the fulfillment 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.

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 amount 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 statement.

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.

The Group does not have any financial leasing agreements.

Expenditure on operational leasing arrangements is reported as expenditure in the income statement on a straight-line basis over the term of the leasing arrangement. Corresponding future liabilities from operational leasing arrangements are reported on under other financial liabilities under item IV.

Depreciation of non-financial assets

On every 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 estimates 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 must 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. If the book value of an asset exceeds the realisable amount, the asset is depreciated and written off at its realisable amount.

On each balance sheet date, an assessment is made of all assets, with the exception of goodwill, to establish whether there is any indication that a previously reported impairment cost no longer exists or has decreased. If such an indicator exists, the Group estimates the amount realisable. A previously reported depreciation cost is only cancelled if there has been a change in the estimates used to determine the realisable amount since the last depreciation cost was reported. If so, 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 reported for the asset in the previous year. Such a reversal of impairment losses is immediately reported in the period in which it occurred.

The following additional criteria must be observed for certain assets:

Associated companies
After application of the equity method, the Group establishes whether it is necessary to report an additional depreciation expense for the shares of the Group in associated companies. The Group establishes on every balance sheet date whether objective indications exist for assuming that the share of an associated company could be impaired. If so, the difference between the fair value of the share of the associated company and acquisition costs for this share are reported in the income statement as depreciation.

Financial investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. In the case of other financial investments such as those which are not assessed directly at fair value, transaction costs to be assigned directly to the acquisition of the final asset are also included.

Financial assets are assigned to assessment categories after they are first reported in the income statement. Reassignments, if permissible and appear necessary, are made at the end of each financial year.

All customary purchases and sales of financial assets 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.

Assets assessed at fair value through profit or loss

The group of assets assessed at fair value through profit or loss contains all financial assets held for trading purposes and financial assets which are categorised as financial assets to be assessed when first reported at fair value. Financial assets are classified as held for trading purposes if they were acquired for the purpose of sale in the near future. Derivatives, including separately recorded embedded derivatives, are also classified as held for trading purposes, except those derivatives serving as a financial guarantee or designated as security instruments, and are effective as such. Gains or losses from financial assets held for trading purposes are reported in the income statement.

At 31 December 2007 no assets were reported at fair value through profit or loss (previous year: 0).

At the time the Group first becomes a contractual party, it determines whether derivatives are to be carried in the balance sheet separately from the underlying contract. A reassessment is made only if contractual conditions change substantially, resulting in a significant change in payment flows from those which would otherwise have arisen from the contract.

Held-to-maturity financial investments

Held-to-maturity financial investments include non-derivative assets with fixed or at least determinable payments and fixed maturities which the Group intends and is able to hold until maturity. After initial recognition, held-to-maturity financial investments are assessed at book value applying the effective interest rate method. Profits and losses are recorded in the corresponding period if the financial investments are derecognised or depreciated, and if amortised. At 31 December 2007 there were no financial investments held to maturity (previous year: 0).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. After initial recognition, loans and receivables are assessed at their book value applying the effective interest method less adjustments for impairment. Profits and losses are reflected in the period in which the loans and receivables are derecognised or depreciated or amortised.

Available-for-sale financial assets (AfS)

Available-for-sale financial assets are non-derivative financial assets which are classified as available-for-sale and not allocated to one of the three above categories. After initial recognition, available-for-sale financial assets are assessed at fair value, whereby the profits or losses not directly realised in equity are reported in the reserve for unrealised profits. Upon derecognition of financial investments, the cumulative profit or loss recorded in equity is rebooked to the income statement at fair value.

Fair value through profit or loss

Fair value through profit or loss of financial investments traded on organised markets is determined by the market price (bid price) quoted on the reporting date. The fair value of financial investments for which there is no active market is determined by applying valuation methods. Valuation methods include the use of most recent business transactions between competent, willing and independent business partners, the comparison with current fair value through profit or loss of another basically identical financial instrument, the analysis of discounted cash flows, and the use of other valuation models.

Amortised cost
Financial investments held to maturity and receivables are carried at amortised cost. These costs are determined applying the effective interest rate method less any value adjustments and taking into account discounts and premiums at the time of acquisition and contain transaction costs and fees which form an integral part of the effective interest rate.

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 amortised costs
If there is objective evidence of depreciation on loans and receivables accounted for on the basis of amortised cost, the amount of the loss results from the difference between the book value of the asset and the cash value of expected future cash flows (with the exception of expected loan losses in the future), discounted by the original effective interest rate of the financial asset (i.e. the effective interest rate calculated when first reported). The impairment loss is shown in the income statement.

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 reporting the depreciation, the value adjustment stated earlier is annulled. The amount of the reversal of impairment loss is limited to the amortised costs at the time of value clarification. Reversal of impairment loss is reflected in profit and loss.

If for trade accounts receivable there are objective indications (such as probability of insolvency or significant financial difficulties of the debtor) that not all amounts due will be received in accordance with the originally agreed invoice conditions, a value adjustment account will be used for reversal of impairment loss. These amounts will be derecognised if they are classified as unrecoverable.

Financial investments available-for-sale
If the value of an asset available-for-sale is impaired, an amount recorded in equity is rebooked to the income statement in the amounts of the difference between acquisition cost (less any redemptions and amortisations) and the current fair value less any value adjustments for this financial investment already recognised in profit or loss.
Reversals of impairment losses for debt instruments classified as available-for-sale are reported in the income statement if the rise of the fair value of the instrument results objectively from an event which occurred after the impairment to be recognised in profit or loss.

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.

Cash and cash equivalents are recognised in the consolidated cash flow statement according to the above definition.

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. The calculation is based on the tax rates and tax regulations applicable on the balance sheet date.

Actual taxes relating to items which are recorded directly in shareholders' equity are entered in shareholders' equity and not in 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 reported for all temporary differences, with the exception of deferred tax liabilities from temporary differences arising in connection with holdings in subsidiaries and associated companies, if the length of time of the reversal of the temporary differences is manageable and it is likely that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deferred tax assets, unused tax losses carried forward and unused tax credits are reported to the extent it is likely that taxable income will be available against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be used, with the exception of deferred tax assets from deductible temporary differences in connection with holdings in the subsidiaries and associated companies, if it is likely that they will not be reversed in the foreseeable future and no sufficient taxable income will be available against which the temporary differences can be applied.

The book value of deferred tax assets is verified on every reporting date and reduced to the extent to which it is unlikely that sufficient taxable income will be available against which at least part of the deferred tax assets can be applied. Unstated deferred assets are verified and applied to the extent in which it has become likely that future taxable income will permit realisation of deferred tax assets.

Deferred tax assets and liabilities are calculated on the basis of tax rates whose validity for the period in which an asset is realised or a liability is settled is expected. Those tax rates (and tax laws) are applied which are valid on the balance sheet date. Future changes in tax rates must be taken into account on the balance sheet date if substantial requirements for their effectiveness are met within the scope of a legislative procedure.

Deferred taxes which refer to items reported directly in shareholders' equity are not stated in the income statement but in shareholders' equity.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has an enforceable claim to offsetting actual tax refund claims against actual tax liabilities and these refer to income taxes on the same taxable object collected by the same tax authority.

Other provisions

Present legal or constructive obligations as a result of past events involving a probable outflow of resources and whose amount can be reliably estimated are recognised as provisions. If the Group expects at least a partial refund for a reserve carried as a liability (such as from an insurance contract), the refund is reported as a special asset provided that the inflow of the refund is as good as certain. The expense for forming the reserve is shown in the income statement less the refund. If the interest effect from discounting is substantial, reserves are discounted at a pre-tax interest which reflects the specific risks for the liability. If discounted, the increase in reserves effected by expiry is reported as financial expenditure.

Financial liabilities

Debt or financial debts are assessed at initial recognition at fair value less the transaction costs involved in borrowing. On initial recognition, debt or financial debts are assessed at amortised cost using the effective interest rate method. They are not designated at fair value through profit or loss. Profits and losses are reported in the result for the period in which the debts were derecognised and within the scope of amortisation.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and other financial liabilities which are classified on initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading purposes if they are acquired with the intention of sale in the near future. Derivatives, including separately embedded derivatives, are also classified as held for trading purposes, with the exception of derivatives which have been designated as hedging instruments and are effective as such. Profits or losses from financial liabilities held for trading purposes are recognised in profit and loss.
At 31 December 2007, no financial liabilities were designated as assessed at fair value through profit or loss (previous year: 0).

Liabilities from financial guarantees
Liabilities from financial guarantees issued by the Group relate to contracts which contain an obligation to effect payments which compensate the guarantee holder for a loss which arises because a given debtor fails to meet its payment obligations punctually in compliance with the regulations of a debt instrument. On initial recognition, financial guarantees are stated as liabilities at fair value, less the transaction costs directly related to issuing the guarantee. The liability is assessed at the amount of the best estimate of the expenses required to meet the current obligation at the reporting date or with the higher originally stated amount. At 31 December 2007, no financial liabilities were designated as financial guarantees (previous year: 0).

Derivative financial instruments and hedging transactions

The Company holds no derivative financial instruments.

Derecognition of financial assets and financial liabilities

Financial assets
A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised if one of the three following prerequisites is fulfilled: (i) the contractual rights to receive cash flows from a financial asset cease to exist, (ii) the Group retains its rights to receive cash flows from financial assets but assumes a contractual obligation to effect immediate payment of the cash flow to a third party within the scope of an agreement which meets the requirements of IAS 39.19 (pass-through arrangement) or (iii) the Group has transferred its contractual rights to receive the cash flow from a financial asset and in so doing either (a) transfers practically all risks and rewards linked to ownership of the financial asset or (b) has neither transferred nor retained for the most part all risks and rewards linked to the ownership of the financial asset, but transfers the power of control over the asset.

If the Group neither transfers nor retains its contractual rights to receive the cash flow from an asset and neither transfers nor retains practically all risks and rewards linked to ownership of this asset, but retains the power of control over the transferred asset, the Group continues to report the transferred asset to the extent of its continuing involvement. If the continuing involvement in terms of form guarantees the transferred asset, the extent of the continuing involvement corresponds to the lower amount from the original book value of the asset and the highest amount of the consideration received which the Group might have to repay.

If the continuing involvement is a written and/or acquired option (including an option which is fulfilled by cash, a cash settlement or similar) on the transferred asset, the extent of the Group's continuing involvement corresponds to the amount of the transferred asset which the company can repurchase. In the event of a written sales option (including an option which is fulfilled by cash, a cash settlement or similar) on an asset assessed at fair value, the extent of the continuing involvement of the Group is limited to the fair value of the transferred asset and the exercise price of the option.

Financial liabilities
A financial liability is derecognised if the obligation underlying this liability has been fulfilled, terminated or has expired. If an existing financial liability is exchanged for a financial liability from the same creditor with essentially different contractual terms, or if the terms of an existing liability are significantly changed, such an exchange or a change is treated as derecognition of the original liability and statement of a new liability. The difference between the two book values is reported in the income statement.

Revenue recognition

Revenue is recognised if it is likely that the economic benefit will flow to the Group and the amount of revenue can be reliably determined. Revenues are measured at the fair value of the consideration received. Discounts and rebates are not taken into account. Moreover, revenue recognition presupposes compliance with the following recognition criteria:

Performance of services
Revenue is generated by both the Direct Channel and the Intermediary Channel. Revenue consists primarily of mortgage broking commissions and special bonuses. Mortgage broking commissions are reported in compliance with IAS 18 "Revenue" according to performance of the service, in other words, when a loan agreement becomes legally binding. In addition, Interhyp receives special bonuses from some major lenders upon reaching predefined mortgage volumes which are deemed to have been realised if the relevant milestone has been achieved. The amount of proceeds can be measured reliably when the revenue is realised and inflow of the economic benefit from the transaction is sufficiently probable. Account is taken here of the probability of recourse to the right of revocation, the probability of calling the underlying loan and the realisability of the underlying revenue.

Interest income
Interest income is reported when interest accrues (using the effective interest rate method, in other words, the interest rate at which the estimated future inflow of funds over the expected life of the financial instrument and the net book value of the financial asset is discounted).

Dividends
Revenues are reported when a legal claim to payment arises.

Share-based payments

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

Expenditure arising from awarding equity instruments is assessed at fair value on the date the equity instruments were awarded. Their fair value was determined using an appropriate option price model.

Expense resulting from awarding equity instruments and the accompanying increase in equity is reported over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period ends on the day of the first exercise option, in other words, the date on which the employee becomes irrevocably entitled ("date of the first exercise option"). Cumulative expenditure from awarding equity instruments up to the time of the first exercise option is shown on the balance sheet date and 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 credited or debited to the income statement reflects the development of the cumulative expenditure reported at the beginning and the end of the reporting period.

No expense is reported for payment rights which do not become exercisable. Payment rights whose exercise requires fulfilment of certain market conditions are an exception. These are considered exercisable irrespective of whether the market conditions are fulfilled, provided that all other performance conditions are met.

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

If a share-based payment arrangement is cancelled, this is treated as though it had been exercised on the date of cancellation. Expenditure previously not reported is reported immediately. However, if the cancelled share-based payment arrangement is replaced by a new payment arrangement and the new payment arrangement is declared a replacement of the cancelled payment arrangement on the date it is awarded, the cancelled and the new payment arrangements are accounted for as a change to the original payment arrangement.

The dilution effect of outstanding share options is considered as additional dilution for calculating earnings per share.

III. Notes to the Consolidated Balance Sheet

The consolidated balance sheet contains the following financial instruments:

Financial instruments classified according to IFRS 7 *in EUR thousand*

		Book values at	
Financial assets	**category acc. to IAS 39**	**31 Dec. 2007**	**31 Dec. 2006**
Cash and cash equivalents	Receivables	48,963	37,594
Securities	AfS financial assets	0	10,992
Short-term receivables from commissions	Receivables	18,844	17,163
Long-term receivables from commissions	Receivables	463	473
Other short-term assets	Receivables	549	343
Other long-term assets	Receivables	567	495
Summarised according to the assessment category from IAS 39			
AfS financial assets		0	10,992
Receivables		69,386	56,068
Financial liabilities			
Trade accounts payable	Financial liabilities (at amortised cost)	2,554	3,372
Long-term financial debts	Financial liabilities (at amortised cost)	1	1
Other short-term liabilities	Financial liabilities (at amortised cost)	2,596	2,791
Summarised according to the assessment category from IAS 39			
Financial liabilities (at amortised cost)		5,151	6,164

The book values of financial instruments correspond by and large to their fair value.

(1) Intangible assets

The evolution of the individual intangible assets is shown in the assets analysis.

(2) Fixed assets

The evolution of the individual fixed assets is shown in the assets analysis.

Assets analysis *for 2007 in EUR*

	Acquisition or production costs				
	1 Jan. 2007	**Accruals**	**Disposals**	**Transfers**	**31 Dec. 2007**
Intangible assets					
Development costs	196,155.65	0.00	143,655.65	0.00	52,500.00
Software and licences	991,763.91	402,408.34	5,636.59	0.00	1,388,535.66
Customer profiles	172,117.03	0.00	172,117.03	0.00	0.00
	1,360,036.59	**402,408.34**	**321,409.27**	**0.00**	**1,441,035.66**
Fixed assets					
Property, plant and equipment	4,168,931.88	2,410,130.04	205,023.19	7,631.46	6,381,670.19
Prepayments on fixed assets	62,615.46	0.00	54,984.00	(7,631.46)	0.00
Tenant fixtures	181,839.18	26,146.26	0.00	0.00	207,985.44
	4,413,386.52	**2,436,276.30**	**260,007.19**	**0.00**	**6,589,655.63**
Total	**5,773,423.11**	**2,838,684.64**	**581,416.46**	**0.00**	**8,030,691.29**

Assets analysis *for 2006 in EUR*

	Acquisition or production costs				
	1 Jan. 2006	**Accruals**	**Disposals**	**Transfers**	**31 Dec. 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**

1 Jan. 2007	Accruals	Depreciation Disposals	31 Dec. 2007	Book value 31 Dec. 2007
91,532.20	58,784.33	143,655.65	6,660.88	45,839.12
503,816.91	261,474.09	5,275.34	760,015.66	628,520.00
100,371.82	21,523.23	121,895.05	0.00	0.00
695,720.93	**341,781.65**	**270,826.04**	**766,676.54**	**674,359.12**
1,829,285.38	1,456,167.00	240,119.19	3,045,333.19	3,336,337.00
0.00	0.00	0.00	0.00	0.00
89,916.76	28,131,25	0.00	118,048.01	89,937.43
1,919,202.14	**1,484,298.25**	**240,119.19**	**3,163,381.20**	**3,426,274.43**
2,614,923.07	**1,826,079.90**	**510,945.23**	**3,930,057.74**	**4,100,633.55**

1 Jan. 2006	Accruals	Depreciation Disposals	31 Dec. 2006	Book value 31 Dec. 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**

(3) Investments in associates

An interest of over EUR 706 thousand in iMakler GmbH was acquired with the contract dated 11 April 2007. The acquisition price was fully paid at the end of April 2007. The Group holds an interest of 25.2% in iMakler GmbH measured according to the equity method. The company processes property sales.

Summary of financial information of the associated company *in EUR thousand*

	2007	**At the time of initial consolidation**
Assets	786	1,247
Liabilities	217	68
Pure assets	569	1,179
Pro rata pure assets	143	297
Pro rata goodwill	409	409
Proceeds	284	
Expense	(610)	
Pro rata expense	(154)	
Book value of the holding	**552**	**706**

(4) Receivables from commissions

Receivables from commissions consist of the following:

in EUR thousand

	2007	**2006**
Gross receivables	19,307	18,418
Value adjustments	0	(782)
Total	**19,307**	**17,636**
Short-term component	18,844	17,163
Long-term component	463	473

Value adjustments on receivables from commissions have evolved as follows:

in EUR thousand	2007	2006
Vale adjustments on 1 January	**782**	**394**
Additions	0	715
Use	(174)	(24)
Releases	(608)	(303)
Value adjustments on 31 December	**0**	**782**

Receivables from commissions do not carry interest and are stated at their nominal value less value adjustments. Due to payment terms agreed with the creditors, there are no receivables due for which no value adjustments have been taken.

(5) Tax refund claims

Tax refund claims contain refund claims from current taxes on profits.

(6) Other assets

Other assets consist of the following:

in EUR thousand	2007	2006
Pledged bank deposits	567	495
Prepayments	428	266
Accrued interest on securities	186	221
Settlement of Professional accounts	345	0
Other	18	122
Total	**1,544**	**1,104**
Short-term component	**977**	**609**
Long-term component	**567**	**495**
Financial assets	**1,116**	**838**
Non-financial assets	**428**	**266**

Pledged bank deposits amounting to EUR 567 thousand (previous year: EUR 495 thousand) serve as security for rent. They carry interest rates of between 4.10% and 4.5% and run for twelve months. Compliant with IAS 1.57d "Presentation of Financial Statements", they are shown under long-term assets.

(7) Securities

The securities reported in the previous year contain investments in publicly traded covered bonds. They were classified as available-for-sale capital investments. No financial instruments were written off or reallocated within categories according to IAS 39.

***Securities** in EUR thousand*

Covered bonds	Effective interest rate	Maturity	2007	2006
3.125% Bayerische Handelsbank	2.89%	2 March 2007	0	499
3.3% DG Hyp	3.02%	31 May 2007	0	497
1.25% Hypothekenbank in Essen	3.13%	5 Jan. 2007	0	4,999
2.65% Hypo Real Estate	3.28%	26 Jan. 2007	0	4,997
Total			**0**	**10,992**

(8) Cash and cash equivalents

Cash and cash equivalents consist of the following:

in EUR thousand

	2007	2006
Cash balances	11	5
Bank deposits	48,861	21,664
Short-term deposits	91	15,925
Total	**48,963**	**37,594**

Short-term deposits are highly liquid financial investments with original maturity dates of less than three months from the date of their acquisition. Bank deposits carry variable interest rates and are callable on a daily basis. Short-term deposits for periods of one to three months carry interest rates from 4.38% to 4.7%.

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

(9) Shareholders' equity

The evolution of shareholders' equity is presented in the statement of changes in shareholders' equity.

Common stock

The common stock of Interhyp AG at 31 December 2007 stood at EUR 6,501,250.00 (previous year: EUR 6,498,350.00) and is divided into 6,501,250 registered no-par shares (previous year: EUR 6,498,350.00) with a computed share of EUR 1.00 in the common stock. All issued shares are fully paid in. In the financial year, the common stock was increased by EUR 2,900 through the exercise of 2,900 share options against a cash payment of EUR 1.00 each.

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 common stock of the Company in the period until 13 September 2010 by up to a total of EUR 2,877,275 by means of a single or multiple issue of new registered no-par shares against cash and/or investment in kind (authorised capital 2005/I).

Conditional capital

The common stock of the Company was conditionally increased by resolutions of the General Meetings of Shareholders on 22 May 2000, 30 August 2001, 21 November 2002, 29 June 2005 and 13 September 2005. Corresponding entries were made in the Commercial Register. As at 31 December 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:

in EUR	**2007**	**2006**
Conditional capital 2005/I	20,000	20,000
Conditional capital 2005/II	169,737	172,637
Total	**189,737**	**192,637**

Conditional capital 2005/I serves to grant conversion rights to the holders 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 the implementation of a management and employee participation programme.

Authorisation to acquire treasury stock

At the Extraordinary Meeting of Shareholders on 13 September 2005, it was resolved to authorise the Company to acquire treasury stock. The Company is therefore authorised to acquire treasury stock by 13 March 2007 of a total of up to 10% of the common stock at the time of the resolution. The shares acquired following this authorisation, together with other treasury stock owned by the Company or, according to §§ 71a ff. of the German Stock Corporation Act, attributable to the Company, may at no time exceed 10% of the common stock. Treasury stock may not be traded.

By means of a resolution at the General Meetings of Shareholders on 30 May 2006 and 1 June 2007 respectively, the authorisation granted in the previous year was annulled and the Management Board was once again authorised to acquire treasury stock for a period of 18 months from the date of the resolution.

Management and employee participation programme (stock option programme)

Under the Company's stock option programme, employees were granted the right to acquire shares of Interhyp AG from conditional capital 2005/II created for this purpose against payment of a contractually stipulated price. Originally, the maximum number of stock options which could be issued under the stock option programme was 172,637. In 2005, 85,000 stock options were issued to employees and 28,500 in 2007. The Supervisory Board decides on the issue of stock options to members of the Management Board and on further issuing details; the Management Board makes these decisions for employees. Stock options are foreseen for those persons whose decisions are closely linked to the Company's development and success. A maximum of half of all stock options of the programme are foreseen for Management Board members. The shares required for the stock option programme are derived from the conditional capital (2005/II) created by the Extraordinary Meeting of Shareholders on 13 September 2005.

The exercise price of the options corresponds to the mean value of the closing price of the Interhyp share in Xetra trading during the last 20 trading days before the date of issue. For stock options issued one month after acceptance of quotation of the shares of Interhyp AG on the Frankfurt stock exchange, the exercise price corresponds to the placement price of the shares. Options can be exercised when the Interhyp share posts a rise of at least 5% above the exercise price. Each option granted runs for ten years. In addition, the stock option plan has a waiting period of ten years for exercising the options. The waiting period begins on the day of issue and ends for one quarter of the stock options issued to beneficiaries within one tranche after expiry of two years (starting from the day of issue). The remaining 75% of the options in the tranche can be exercised in the coming three years at 25% annually. Cash settlement is also possible. The decision as to whether a cash settlement will be granted is made by the Management Board in agreement with the Supervisory Board (for employees of Interhyp AG) and by the Supervisory Board (for members of the Management Board of Interhyp AG). Guidelines of the Group do not foresee a cash settlement.

The following table shows the number and the weighted average exercise price (AEP) of the stock options granted during the financial year.

Overview stock options

	2007 Number	2007 AEP	2006 Number	2006 AEP
Outstanding at the beginning of the reporting period	82,500	EUR 42.00	85,000	EUR 42.00
Granted in the reporting period	28,500	EUR 49.70	0	-
Exercised in the reporting period	2,900	EUR 42.00	0	-
Expired in the reporting period	10,075	EUR 42.00	2,500	EUR 42.00
Outstanding at the end of the reporting period	**98,025**	**EUR 44.23**	**82,500**	**EUR 42.00**
Exercisable at the end of the reporting period	17,250	-	0	-

The weighted average contractual residual term for stock options existing at 31 December 2007 is 7.75 years (previous year: 8.75 years).

The exercise prices for options outstanding at the end of the reporting period range from EUR 42.00 to EUR 49.70 (previous year: EUR 42.00). The fair value of the stock options granted is determined at the time of granting by applying a generally recognised option price model. Calculation is based on the following parameters:

Issued in 2007	2007	
Expected volatility	35 %	
Fluctuation p.a.	5 %	
Risk-free interest rate depending on expected term	3.99–4.12 %	
Dividend yield	3.17 %	
Issue price	EUR 49.70	
Market price at time of issue	EUR 12.27–15.26	
Model applied	Binomial	

Issued in 2005	2007	2006
Expected volatility	25 %	25 %
Fluctuation p.a.	5 %	5 %
Risk-free interest rate depending on expected term	2.9–3.14 %	2.9–3.14 %
Dividend yield	0 %	0 %
Issue price	EUR 42.00	EUR 42.00
Market price at time of issue	EUR 8.76–13.21	EUR 8.76–13.21
Model applied	Black-Scholes	Black-Scholes

The expected term of the stock 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 deducted from historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

The fair value of the equity instruments on the date of acceptance is reported in the income statement on a straight-line basis throughout the retention or waiting period.
Expenditure for issuing stock options to employees with compensation through equity instruments is reported as personnel expenses (EUR 181 thousand, previous year: EUR 262 thousand).

Convertible bonds
In 2005, convertible bonds were issued to employees and 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 for the convertible bonds in 2005. The convertible bonds carried interest of 1 % p.a. At maturity, the nominal amount is due for repayment if the bond has not been converted.

Holders of convertible bonds are entitled to exchange their convertible bonds for no-par shares of Interhyp AG; in this case, 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 common stock of the Company of a computed nominal amount of EUR 1.00. Following the increase in capital from the Company's own reserves in August 2005, the number of no-par shares was increased from 1 to 50.

At 31 December 2007, the following convertible bonds had been issued:

Overview convertible bonds 2007

	Employees	Total
1 January 2007	400	400
31 December 2007	**400**	**400**
Exercisable at the end of the reporting period	100	100

At 31 December 2006, the following convertible bonds had been issued:

Overview convertible bonds 2006

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

In 2006 und 2007, no new convertible bonds were issued, exercised or converted. The convertible bonds issued to employees in 2005 can be converted into shares of 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 fair value of the equity instruments on the date of acceptance is reported in the income statement on a straight-line basis throughout the retention or waiting period; the counter-entry is made in additional paid-in capital.

To calculate the fair value of the convertible bonds, the Black-Scholes method was used, based on the following parameters:

Calculation basis for convertible bonds

	2007	2006
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 date of issue	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 deducted from historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

Expenditure for issuing convertible bonds to employees with compensation by equity instruments is reported as personnel expenses (EUR 192 thousand, previous year: EUR 218 thousand).

Capital reserve

The capital reserve consists of the following:

in EUR thousand	**2007**	**2006**
Issue of convertible bonds and share options	1,962	1,589
Additional contributions of shareholders over par value (§ 272 (2) No. 1, German Commercial Code (HGB)	25,905	25,905
Deposits for convertible bonds and share options § 272 (2) No. 2	131	12
Other additional contributions to equity § 272 (2) No. 4	509	5,482
Special reserve formed for convertible bonds	20	20
Capital reserve at 31 December	28,527	33,008

Revaluation reserve

The reserve existing in the previous year affected changes in the fair value of financial investments available-for-sale.

(10) Other provisions

Changes in provisions are presented in the analysis of provisions below.

Restoration liabilities for rented premises

Contractual restoration liabilities exist in respect of rented office space. In assessing this liability, expected restoration costs at the end of the respective rental agreement were discounted at a rate of 4.5% p.a. on the balance sheet date. The longest rental contracts run until 2013.

Analysis of provisions in EUR

2007	**1 Jan. 2007**	**Claim**	**Liquidation**	**Allocation**	**31 Dec. 2007**
Cancellation risk	126,800.00	126,800.00	0.00	149,600.00	149,600.00
Restoration liabilities	160,967.27	0.00	0.00	36,458.58	197,425.85
Total	**287,767.27**	**126,800.00**	**0.00**	**186,058.58**	**347,025.85**

2006	**1 Jan. 2006**	**Claim**	**Liquidation**	**Allocation**	**31 Dec. 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**

(11) Tax liabilities

Tax liabilities contain liabilities in respect of current taxes on profits. Due to the recovery of prepayments which were higher than in the preceding year, tax liabilities were significantly lower than in the previous year.

(12) 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. The Company has no long-term liabilities of this kind on its books.

(13) Other liabilities

Other liabilities consist of the following:

in EUR thousand	2007	2006
Salary bonuses	2,349	1,824
Sales commissions	708	779
Social contributions	199	163
Wage/church tax	463	324
Outstanding invoices	758	1,355
Audit costs	218	335
Bonus commissions for sub-brokers	1,060	513
Rent-free periods	471	583
Outstanding holiday leave	262	465
Severance payments	12	0
Outstanding repayments to bank partners	560	588
Value-added tax	213	102
Other	137	56
Total	**7,410**	**7,087**
Short-term component	**7,092**	**6,663**
Long-term component	**318**	**424**
of which due for payment over one to five years	301	424
of which due for payment over five years	17	0
Financial liabilities	**2,596**	**2,791**
Non-financial liabilities	**4,814**	**4,296**

Liabilities in respect of contracts with rent-free periods
Some of the rental contracts concluded grant Interhyp AG rent-free periods at the beginning of the rental period. To limit rental expense over the entire rental period, the Company forms a liability at the beginning of the rental period according to SIC 15 "Operating Leases – Incentives" and uses this applying the linear method over the expected rental period. Through scheduled use, the liability was reduced compared with the previous year.

Other liabilities carry no interest. With the exception of liabilities from contracts with rent-free periods, all other liabilities are due within approximately 30 days.

(14) Financial liabilities

Financial liabilities *in EUR thousand*

Long-term	**2007**	**2006**
Convertible bonds	1	1
Total	**1**	**1**

For more details on convertible bonds, please refer to the explanations given under shareholders' equity.

IV. Notes to the Consolidated Income Statement

(15) 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 deductions and cancellation costs.

(16) Other operating income

Sales proceeds from the sale of the former subsidiary Haselsteiner & Wolsdorf GmbH are reported under other operating income. The purchase price was paid in full.

Assets and liabilities at the time of disposal – 1 October 2007 – consisted of the following:

in EUR thousand	
Cash and cash equivalents	965
Receivables from commissions	39
Other assets	82
Fixed assets	3
Intangible assets	51
Assets of a disposal group	**1,140**
Trade accounts payable	1
Liabilities to associated companies	32
Other liabilities	381
Tax liabilities	75
Liabilities in connection with a disposal group	**489**

The disposal was made in order to focus exclusively on the Group's core business "Mortgages".

(17) Costs of services purchased

Expenditure for commissions to sub-brokers are reported under this item.

(18) Personnel expenses

Personnel expenses consist of the following:

in EUR thousand	2007	2006
Wages and salaries	23,686	19,007
Social contributions and expenditure for pension schemes and support	4,816	3,915
(of which for pension schemes)	(66)	(79)
Total	**28,502**	**22,922**

Of personnel expenses, EUR 23,791 thousand (previous year: EUR 18,723 thousand) are attributable to the sales area. This amount includes expenditure (salaries and ancillary costs) of both pure sales units and sales support (service line, credit experts, etc.). This item also includes expenditure for issuing convertible bonds (EUR 192 thousand) and share options (EUR 181 thousand, previous year: EUR 262 thousand).

Expenditure for pension schemes includes expenditure on contribution-based pension schemes in the amount of EUR 66 thousand (previous year: EUR 79 thousand). In addition, the Group pays contributions to the German pension insurance scheme in the amount of EUR 1,902 thousand (previous year: EUR 1,485 thousand), which is also contribution-based. Since there are no obligations beyond payment of contributions, there is no need to form a reserve.

(19) Other operating expenses

Other operating expenses are made up of the following:

in EUR thousand	2007	2006
Marketing	**8,061**	**6,086**
Office and administration expenditure		
Rental and ancillary costs	2,666	1,942
Telecommunications expenditure	1,237	765
Leasing	262	529
Office materials	244	197
Postage	530	316
	4,939	**3,749**
External programming services	**526**	**128**
Hiring costs	**689**	**394**
Legal and professional fees	**1,129**	**1,116**
Miscellaneous		
Hardware and software maintenance	900	336
Travel expenses	464	304
Insurances	109	53
Staff conferences	174	140
Vehicle expenses	109	94
Subscriptions and fees	159	52
Compensation and accommodation payments	107	51
Special assessment for EDW of the subsidiary Haselsteiner & Wolsdorf GmbH	9	218
Other	124	801
	2,155	**2,049**
Total	**17,499**	**13,522**

(20) Net interest income

Net interest income rose due to the higher interest rate and increased short-term investment of surplus liquid funds in fixed-term deposits.

Earnings from "Financial assets available-for-sale (AfS securities)" came to EUR 23 thousand in the financial year (previous year: EUR 319 thousand). This figure contains withdrawals from the revaluation reserve of EUR 3 thousand (previous year: deposit of EUR 3 thousand).

There were no other profits or losses from assets which comply with the definition according to IAS 39. In interest expense, an amount of EUR 10 thousand (previous year: EUR 7 thousand) from compounding of reserves was taken into account.

(21) Income taxes

Depending on their origin, expense for taxes on income is broken down as follows:

in EUR thousand	**2007**	**2006**
Consolidated income statement		
Current tax result		
Actual current tax result	(12,162)	(8,668)
Adjustments for actual taxation on profits accrued in previous years	(10)	(10)
Deferred tax result		
from accrual and reversal of temporary differences	(66)	247
from tax loss carryforwards	63	(1,328)
Tax expenditure shown in the consolidated income statement	**(12,175)**	**(9,759)**
Consolidated shareholders' equity		
Unrealised losses from financial assets available-for-sale	(2)	2
Tax expenditure recorded in shareholders' equity	**(2)**	**2**

The reconciliation between income tax expenditure and the product of the balance sheet result for the period and the tax rate to be applied to the Group in Germany for the financial years at 31 December 2007 and 2006 are made up as follows:

in EUR thousand

	2007	2006
Earnings before income tax	**30,183**	**23,454**
Income tax expense at a rate of 40.5% (2006: 40.72%)	12,224	9,550
Adjustments of actual accrued income tax in previous years	10	10
Adjustments due to findings of the external tax audit (decrease of tax loss carryforwards)	0	86
Tax-free gains on disposals	(186)	0
Non-deductible expenses	28	98
Result of associated companies	62	0
Effect from change in tax rate	46	15
Other	(9)	0
Income tax expense at effective income tax rate of 40.3% (2006: 41.77%)	12,175	9,759
Income tax expense shown in the Group income statement	**12,175**	**9,759**

As a result of the corporate tax reform, the tax rate to be applied by the Group starting on 1 January 2008 has been reduced to 32.5%. This new tax rate was used to assess temporary differences which are reversed with effect from 1 January 2008.

Deferred tax liabilities at 31 December were as follows:

in EUR thousand

	Consolidated balance sheet		Consolidated income statement	
	2007	**2006**	**2007**	**2006**
Deferred tax liabilities				
Development expenditure	12	41	29	53
General provision for receivables from commissions	27	31	4	(4)
Financial investments classified as AfS at fair value through profit or loss	0	19	19	(19)
Costs for preparation of the annual accounts	10	0	(10)	0
Discounting of long-term reserves	8	0	(8)	0
Total deferred tax liabilities	**57**	**91**		
Deferred tax assets				
Tax loss carryforwards	63	0	63	(1,328)
Discounting of long-term reserves	0	8	(8)	8
Non-deductible obligations for tax purposes	202	295	(92)	209
Revaluation of AfS financial investments recognised in equity at fair value through profit or loss	0	2	-	-
Total capitalised deferred taxes	**265**	**304**		
Deferred tax expense from temporary differences			(66)	247
Deferred tax income (expense) from loss carryforwards			63	(1,328)
Total deferred tax expense			**(3)**	**(1,081)**
Shown in the balance sheet as follows:				
Deferred tax assets	265	304		
Deferred tax liabilities	57	91		

Deferred tax assets and deferred tax liabilities from recognition of restoration costs were offset. The payout of dividends by Interhyp AG to shareholders had no impact on income tax either in 2007 or in 2006.

(22) Earnings per share

Undiluted earnings per share were calculated from consolidated net income in relation to shareholders of the parent company and the average number of outstanding shares during the year.

Undiluted earnings per share

	2007	2006
Consolidated net income in relation to shareholders of the parent company, in EUR	18,073,184.62	13,694,501.37
Weighted average of outstanding shares	6,499,097	6,498,350
Earnings per share in EUR	**2.78**	**2.11**

In order to calculate diluted earnings per share, the average number of outstanding shares during the year is 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.

Weighted average of outstanding shares

	2007	2006
Weighted average of outstanding shares for calculating undiluted earnings per share	6,499,097	6,498,350
Dilution effects:		
Convertible bonds	20,000	20,000
Stock options	32,472	39,447
Weighted average of outstanding shares, adjusted for dilution	**6,551,569**	**6,557,797**

Diluted earnings per share

	2007	2006
Consolidated net income in relation to shareholders of parent company, in EUR	18,073,184.62	13,694,501.37
Weighted average of outstanding shares, adjusted for dilution	6,551,569	6,557,797
Earnings per share in EUR	**2.76**	**2.09**

No transactions occurred with shares or potential shares in the period between the balance sheet date and the compilation of the consolidated financial statements.

(23) Paid and proposed dividends

Approved and paid dividends during the financial year

	2007	2006
Dividend for 2006: EUR 1.60 per share	10,397	0

Proposed for approval at the General Meeting of Shareholders

	2007	2006
Dividend for 2007: EUR 4.10 per share (previous year: EUR 1.60 per share)	26,655	10,397

V. Miscellaneous

Capital management

The aim of capital management for the Group is to ensure that the Group has sufficient financial flexibility to achieve its growth targets. The Group manages its capital structure and makes adjustments taking into account changes in current economic conditions. To adjust the capital structure, the Group establishes annually the amounts to be paid for dividends and repayment of capital. Capital is understood as shareholders' equity. The Group is not subject to any external minimum capital requirements. No changes were made in the targets and procedures at 31 December 2007 or 31 December 2006,

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, the Company does not trade in derivatives.

The risks to the Group arising from financial instruments are mostly interest risks. Interest risks result from changes in interest rates which might have negative effects on the Group's asset, financial and profit situation. Interest rate fluctuations lead to changes in income from interest and expenditure on interest and changes in the balance sheet figures for interest-bearing assets and liabilities. A reduction of interest rates for short-term investments by 1% would result in a reduction of approximately EUR 490 thousand, and an increase of interest rates by 1% would result in higher interest income of roughly EUR 490 thousand (previous year: EUR 490 thousand).

With the exception of financial liabilities from convertible bonds, all the Group's financial instruments that are subject to an interest risk have a residual term of up to one year. The term of the convertible bonds runs until 2015.

Classical default risks may basically be viewed as low since the receivables of the Company are exclusively due from highly creditworthy banks and insurance, companies and liabilities are constantly monitored. The maximum default risk corresponds to the book value of the financial assets shown in the balance sheet. However, a different type of default risk exists in the form of the potential cancellation of a loan agreement by the borrower. In order to allow for this risk, the Company has a created a provision for default 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 respond quickly to changed conditions in relation to individual banks. Enquiries for financing can be negotiated with competing lenders in 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.
The Interhyp Group does not perform business transactions in foreign currency. Thus there is no risk as a result of fluctuations in foreign exchange rates.

Liquidity management

The Group constantly monitors the risk of a liquidity shortage. The main factors considered here are the maturities of financial investments and financial assets as well as expected cash flows from business activity.

Segment reporting

Business segments are the primary format for Group segment reporting since the risks and the return on the Group's return on equity are influenced by differences in services. The business segments are organised and managed independently from each other according to the type of service provided. Each segment represents a strategic business segment, whereby the product range and markets differ from those of other segments.

The two principle business segments of the Group in 2006 and 2007 were the Direct Channel and the Intermediary Channel. In the Direct Channel segment, broking services are offered directly to the prospective customer and in the Intermediary Channel, the service offering is made available through local residential mortgage brokers and independent financial advisors.

External sales by segment *in EUR thousand*

	2007	2006
Direct Channel	54,876	45,114
Intermediary Channel	33,705	25,516
Group	**88,581**	**70,630**

Depreciation by segment *in EUR thousand*

	2007	2006
Direct Channel	1,740	1,219
Intermediary Channel	86	7
Group	**1,826**	**1,226**

Major non-cash expenditure by segment *in EUR thousand*

	2007	2006
Direct Channel	273	380
Intermediary Channel	91	107
Group	**364**	**487**

Earnings before interest and taxes by segment *in EUR thousand*

	2007	2006
Direct Channel	18,599	15,329
Intermediary Channel	9,876	7,084
Group – Earnings before interest and taxes	**28,475**	**22,413**
Group – Net interest	1,862	1,041
Direct Channel – Income from investments	(154)	0
Group – Tax result	(12,175)	(9,759)
Intermediary Channel – Shares of other associates	65	0
Group – Net income	**18,073**	**13,695**

Assets by segment *in EUR thousand*

	2007	2006
Direct Channel – Shares of associated companies	552	0
Direct Channel	59,091	54,115
Intermediary Channel	15,376	16,369
Non-assignable assets	472	305
Group assets	**74,939**	**70,789**

Liabilities by segment *in EUR thousand*

	2007	2006
Direct Channel	5,893	7,294
Intermediary Channel	4,417	3,453
Non-assignable liabilities	597	5,612
Group liabilities	**10,907**	**16,359**

Investments by segment *in EUR thousand*

	2007	2006
Direct Channel	2,244	2,463
Intermediary Channel	595	30
Group	**2,839**	**2,493**

Tax claims and liabilities in the financial year were shown as non-assignable assets or liabilities.

Litigation

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

Related party disclosures

According to IAS 24 "Disclosure of Related Party Transactions", transactions with entities which are influenced by the reporting company or which could influence the company must be disclosed provided they are not already included as consolidated companies in the consolidated financial statements. No transactions were performed in the financial year 2007 with the associated company iMakler GmbH.

Remuneration of boards

We refer to the details presented under the organisational structure of the boards.

Other financial liabilities

Leasing arrangements
Liabilities from rental and leasing contracts essentially include rental contracts for office space and leasing arrangements for various forms of hardware, software and vehicles. Neither the rental contracts nor the leasing arrangements contain an extension option beyond the originally agreed contract period. The leasing contracts have a term of between one month and five years.

in EUR thousand	2007	2006
Within one year	2,400	2,144
Within two to five years	5,360	4,776
After five years	51	0
Total	**7,811**	**6,920**

In the coming financial years, the following payments in connection with rental and leasing arrangements will fall due: In the financial year 2007, payments from leasing contracts of EUR 344 thousand (previous year: EUR 599 thousand) and from rental contracts amounting to EUR 1,942 thousand (previous year: EUR 1,168 thousand) were reported in the income statement.

Obligations to acquire fixed assets

At 31 December 2007, there are obligations regarding the acquisition of office equipment amounting to EUR 0 thousand (previous year EUR 15 thousand) on which prepayments of EUR 0 thousand (previous year: EUR 8 thousand) were made.

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

With reference to disclosure obligations, we refer to the Notes to the individual financial statements of Interhyp AG, Munich.

The boards

Management Board
Robert Haselsteiner, Co-CEO/Management Board in Munich
Marcus Wolsdorf, Co-CEO/Management Board in Munich

On 24 February 2008, the Supervisory Board appointed Jörg Utecht as Chief Financial Officer. He will assume office by 1 July 2008 at the latest and be in charge of accounting, controlling, investor relations and legal affairs.

Remuneration for members of the Management Board in the past financial year was as follows:

in EUR thousand	**Robert Haselsteiner**	**Marcus Wolsdorf**	**Total**	**Previous year**
Basic compensation	287	291	578	414
Performance-related compensation	219	219	438	200
Short-term benefits	**506**	**510**	**1,016**	**614**
thereof contributions to contribution-based pension schemes	4	4	8	8

Supervisory Board
The Supervisory Board consisted of the following members:

Peter Mark Droste Managing Director of Cordys Deutschland AG; Chairman

Dr Roland Folz T-Home Board of Management member responsible for Technical Customer Service, Telekom AG and Managing Director of Deutsche Telekom Technischer Service GmbH; Deputy Chairman

Gunther Strothe Economist; member

Following the decision of the Local Court of Munich dated 1 December 2006, Gunther Strothe has been appointed member of the Supervisory Board as successor for Thomas Geiger who left the Supervisory Board before his period of office expired. The Supervisory Board was of the opinion that this appointment should be approved by the Annual General Shareholders' Meeting. At the Shareholders' Meeting on 1 June 2007, Gunther Strothe was elected to the Supervisory Board for the remainder of the original period of office of Thomas Geiger, in other words, until the end of the Shareholders' Meeting which approves the actions of the Supervisory Board members for the financial year 2009.

With the decision of the Local Court (Court of Registry), Gunther Strothe was appointed to the Supervisory Board.

In addition, members of the Supervisory Board hold mandates for 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 Deputy Chairman of the Supervisory Board of HW-invest AG, Munich Member of the Supervisory Board of Vivento Customer Services GmbH, Bonn Member of the Advisory Board of IFA Institut für Finanz- und Aktuarwissenschaften GmbH in connection with the University of Ulm, Ulm
Gunther Strothe:	Member of the Advisory Board of Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg Member of the Supervisory Board of CareerConcept AG, Munich

For the year under review, EUR 94 thousand were granted for fixed salaries and attendance fees (previous year: EUR 61 thousand).

Employees

In the past financial year, the Company employed an average of 438 people (previous year: 365). This included on average 20 (previous year: 13) temporarily employed and 3 trainees (previous year: 2).

VI. Disclosures according to § 315 of the German Commercial Code (HGB)

Audit and professional fees

The auditor's fees recorded as expenditure in the financial year amount to EUR 207 thousand (previous year: EUR 113 thousand) for the audit, EUR 19 thousand (previous year: EUR 76 thousand) for other validation and valuation services and EUR 84 thousand (previous year: EUR 46 thousand) 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 2007 in accordance with § 161 of the German Stock Corporation Act (AktG) and has made this available to the shareholders.

Proposal for appropriation of net income of Interhyp AG

In agreement with the Supervisory Board, the Management Board proposes to pay out the full net profit for the year amounting to EUR 26,655,125.

If the Company holds treasury stock on the day of the Annual General Meeting of Shareholders, the proposal will be amended so that the amounts of these shares will be carried forward.

Munich, 25 February 2008

Marcus Wolsdorf	Robert Haselsteiner
Co-CEO	Co-CEO

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial statements, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the Group's business and the position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Marcus Wolsdorf
Co-CEO

Robert Haselsteiner
Co-CEO

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the Group Management Report:

"We have audited the consolidated financial statements prepared by Interhyp AG, Munich, comprising the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, shareholders equity and the Notes to the consolidated financial statements, together with the Group Management Report for the financial year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Mannheim, 26 February 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Broschulat
Auditor

Schmitt
Auditor

Report by the Supervisory Board

Report on activities

In the year under review, the Supervisory Board performed its duties required by law and the Articles of Association. We regularly advised the Company's Management Board in managing the Company and monitored its activities on a regular basis. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. During the reporting period, the Management Board kept us informed by means of written and oral reports about the development of the mortgage market, competition in the market for brokering residential mortgages, the Company's business position and development, its profitability and corporate planning for 2008. Deviations in the course of business from plans were discussed in detail with us. The Management Board coordinated the strategic orientation and further development of the Company with us.

With regard to important decision-making such as the opening of regional offices (Mannheim, Hanover, Wiesbaden, Bremen, Bielefeld, Karlsruhe, Essen), the stake in iMakler GmbH, the disposal of Haselsteiner & Wolsdorf Vermögensverwaltung GmbH and the foundation of MLP Hyp GmbH by Interhyp AG and MLP Finanzdienstleistungen AG, the Supervisory Board was involved at an early stage in an advisory capacity in close consultation with the Management Board.

In the past financial year, the Supervisory Board held six presence meetings and two telephone conferences. All members of the Supervisory Board attended the presence meetings and participated in the telephone conferences. At the meetings of the Supervisory Board, the reports of the Management Board were discussed in detail and the Company's prospects for development as the well as the opportunities and risks of the Direct Channel and the Intermediary Channel were intensely debated.

The Supervisory Board adopted 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, in particular approval of the financial statements for the financial year 2006, setting the agenda for the Annual General Meeting of Shareholders for 2007, on the Corporate Governance Code, and on important cooperation and investment agreements.

Annual financial statements and consolidated financial statements

Ernst & Young AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the financial year 2007 by resolution of the General Meeting of Shareholders of 1 June 2007 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 financial year 2007.

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 early on 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 10 March 2008. 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 10 March 2008. The financial statements of Interhyp AG are thereby established. The Supervisory Board agrees to the Management Board's proposal on the allocation of unappropriated profits of Interhyp AG.

Composition of the Supervisory Board and the Management Board

In December 2006, Gunther Strothe was legally appointed member of the Supervisory Board. At the Shareholders' Meeting on 1 June 2007, Gunther Strothe was elected member of the Supervisory Board.

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 2007.

Peter Mark Droste
Chairman of the Supervisory Board
March 2008

Corporate Governance Report

The Management Board and Supervisory Board of Interhyp AG identify 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 10 March 2008, 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 14 June 2007 published by the German Ministry of Justice 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 a deductible, for the Management Board and the Supervisory Board. This insurance will be continued without a deductible, as introducing a new policy with a deductible would not offer 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 deductible 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. Therefore the by-laws do not govern the work of the Management Board, in particular the allocation of duties among the individual Management Board members, matters reserved for the Management Board as a whole, and the required majority for Management Board resolutions (unanimity or resolution by majority vote).

Contrary to Item 5.3.1 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 5.3.3 of the Code, no nomination committee will be formed which proposes suitable candidates to the Supervisory Board for recommendations to the Annual General Meeting of Shareholders. 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 simultaneously online 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-Chief Executives 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 5.3.4, 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 financial year just ended was as follows:

Management compensation *in EUR thousand*

	Robert Haselsteiner	Marcus Wolsdorf	Total	Prior year
Basic compensation	287	291	414	414
Performance-based compensation	219	219	438	200
Short-term benefits	**506**	**308**	**1,016**	**614**
thereof contributions due to contribution-based pension schemes	4	4	8	8

Page 32 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 were effected by members of the Supervisory Board for personally performed service, particularly consulting and brokerage services.

Page 31 of this Annual Report contains a detailed presentation of the remuneration and incentive systems for our employees.

Five-Year Review *in EUR thousand*

	2007	2006	2005	2004	2003
Revenues	88,581	70,630	46,703	18,523	9,301
Cost of services purchased	13,230	10,547	7,347	1,946	639
Net revenues	75,351	60,084	39,356	16,577	8,662
Other operating income	951	-	-	-	-
Personnel expenses	28,502	22,922	16,691	9,351	5,934
thereof sales and sales-related	23,791	18,723	13,722	7,109	4,692
Other operating expenses	17,499	13,522	8,776	4,339	2,355
thereof marketing	8,061	6,086	2,695	1,297	294
Depreciation	1,826	1,226	954	986	531
EBIT	28,475	22,413	12,934	1,902	(158)
Share of results from investments in other associates	(154)	-	-	-	-
Net interest income	1,862	1,041	71	(225)	(147)
Income taxes	(12,175)	(9,759)	(2,156)	(1,196)	95
Net income	18,008	13,695	10,850	480	(211)
Share of third-party associates	(65)	-	-	-	-
Net income in regard to associates of the corporation	18,073	13,695	10,850	480	(211)
Non-current assets	5,948	4,430	4,116	1,483	2,689
Current assets	68,991	66,358	46,828	8,790	4,820
thereof cash and cash equivalents	48,963	37,594	33,945	2,933	2,313
Total assets	74,939	70,789	50,944	10,273	7,509
Shareholders' equity	64,032	54,430	40,258	2,479	1,957
Long-term liabilities and provisions	573	836	779	3,762	3,622
Short-term liabilities and provisions	10,334	15,523	9,907	4,033	1,930
Net cash from operating activities	10,149	15,464	11,186	2,451	(246)
Net cash from investing activities	10,002	(11,459)	(1,612)	(1,831)	(1,001)
Net cash from financing activities	(8,782)	(357)	21,438	0	3
Cash and cash equivalents (end of year)	48,963	37,594	33,945	2,933	2,313
Number of closed mortgages	38,645	28,072	18,273	8,118	5,250
New residential mortgage volume (EUR m)	5,658	4,403	3,022	1,332	876

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 2008	7 May 2008
General Meeting of Shareholders 2008 (Munich)	4 June 2008
Half-year report 2008	7 August 2008
Quarterly report Q3 2008	10 November 2008

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

Your Contact Person:
Florian Prabst
Phone: +49 89 20 30 7 13 10
Fax: +49 89 20 30 75 13 10
E-mail: florian.prabst@interhyp.de

Interhyp AG | Marcel-Breuer-Str. 18 80807 Munich | Phone +49 89 2030 71310 | ir@interhyp.ag | www.interhyp.ag