

*Results of* **3rd Quarter 2006**



***interhyp***

[www.interhyp.de](http://www.interhyp.de)

## 1 Preface by the Management Board

Dear Shareholders,

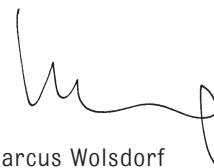
We are pleased that we can report strong growth of all key financials in this report on the third quarter of 2006 despite a persistently challenging market environment. With 6,884 closed mortgages, we have set a new quarterly record. The mortgage volume of EUR 1,060 million corresponds to a market share of 2.46% (based on the Bundesbank's statistics for new mortgages), which has thus risen significantly from the 2.03% of the second quarter of 2006. The importance of this increase in our mortgage volume by 21% compared with the third quarter of 2005 is impressive when seen upon closer observation of the development on the real estate market. Analysis of the preliminary figures of surveyor councils in the largest cities in Germany reveals that there was no increase in the number of real estate transactions in the third quarter of 2006; compared with the very strong third quarter of 2005, a contraction of some 30% can even be assumed. The distinct increase in the net revenue margin to 1.43% is particularly gratifying as it has enabled us to boost net revenue by 19% compared with the second quarter. This demonstrates how highly mortgage lenders value the distribution strength of Interhyp, particularly in phases when the entire market is weak. Earnings before interest and taxes (EBIT) consequently rose by 35% over the previous quarter to a new record high of EUR 5.8 million.

In our Direct Channel business, we opened a regional office in Düsseldorf in September, thus concluding Phase 1 of our regional strategy. Interhyp now maintains its own regional offices in the seven largest cities in Germany. Phase 2, which will be launched in the fourth quarter when our office in Nuremberg opens, will comprise eight additional regional offices by the end of 2007. In the Intermediary Channel under the Prohyp brand we took the first step in the segment of institutional partners by forming a partnership in August with the financial portal FinanceScout24—a segment which we plan to continue expanding in future. Developments in recent months have convinced us that we can look forward to a successful fourth quarter this year.

Yours sincerely,



Robert Haselsteiner  
Co-CEO



Marcus Wolsdorf  
Co-CEO

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EUR m	9M 2006	9M 2005
Revenues	50.7	30.6
Net revenues	42.7	25.8
Earnings before interest and taxes (EBIT)	15.2	8.1
Net interest expense	0.6	(0.1)
Earnings before income taxes (EBT)	15.9	8.0
Income taxes	(6.7)	(0.1)*
Net income	9.1	7.9
EBIT margin in %	35.6	31.4
Total assets	61.8	51.5
Shareholders' equity	49.6	37.2
Mortgage volume	3,131	1,987
Number of mortgages closed	19,742	11,888
Employees end of period	367	245

\* adjusted; see page 6

## 2 Market environment

### 2.1 Economic development

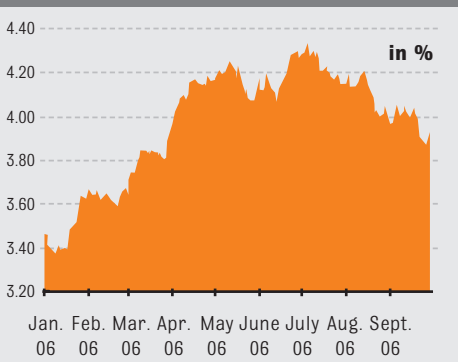
Following a sharp increase in long-term interest rates in the first half of the year, a counter-movement occurred in the third quarter. Concern over rising inflation subsided following definite signs of a weakening of the American real estate market and a marked decline in oil prices. Suddenly, fear of weaker consumer demand in the U.S. came to the fore. Many bond market investors were convinced that the Federal Reserve had stopped raising interest rates and now even expect in 2007 that the Fed will slash interest rates again. In the U.S., this expectation led to an inverse yield curve and in the euro zone to an extremely flat yield curve. In August and October, the ECB again raised key interest rates by 0.25% each to the current level of 3.25%. The ECB confirmed its intention to raise interest rates further to restore a level it deems neutral. However, since bond investors assume that there is a limit to the ECB's scope for interest rate hikes, long-term rates fell by some 40 basis points in the course of the quarter. This makes mortgage rates much more attractive again. Since at present we firmly believe that central banks worldwide are determined to contain excessive growth of the money supply through the most restrictive money market policy possible, we consider speculation about interest rate cuts by the Fed in the near future exaggerated, and thus we consider the long end of the bond market too expensive. In the months ahead, we will therefore see stronger fluctuations in long-term interest rates.

### 2.2 Industry development

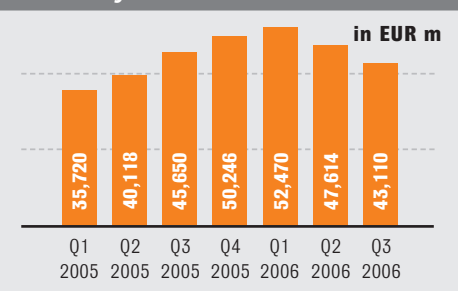
According to the German Bundesbank's interest rate statistics, in the third quarter the volume of new business contracted 9.5% to EUR 43.1 billion from EUR 47.6 billion in the second quarter. This shows that special factors which made the volume of new business in the first half appear surprisingly large, were of no or at least less importance in this quarter. Compared with the first half of the year, utilization of KfW programmes for modernization and environmentally-friendly construction declined from EUR 6.2 billion to the current EUR 2.2 billion. Moreover, accelerated rate resets of existing mortgages appear to have cost some volume as well.

The development of real estate transactions is disappointing. After the very strong contraction in the first half of the year which was attributed to pre-emptive purchases at the end of 2005, we had expected a return to normal already in the third quarter.

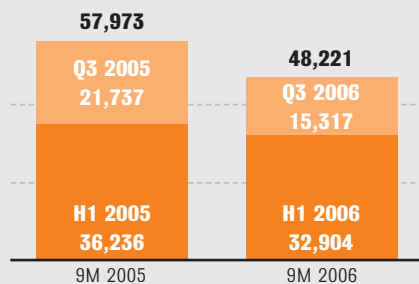
10-year Pfandbrief yields



New mortgage lending activity in Germany



**Transactions in 11 large cities (houses, apartments and construction plots)**



However, according to our analysis of the preliminary data for 11 cities in the third quarter, the number of transactions has decreased still further. In the cities we assessed, the number of transactions totalled around 7% below the extremely low level of the two previous quarters. Compared with the strong third quarter of 2005, the figure is even 30% lower. This shows that the market for residential real estate is still extremely weak, despite low interest rates and an increase in consumer confidence. Nevertheless, our business model enabled us to oppose this trend and in the third quarter we expanded our market share, based on the Bundesbank's statistics, from 2.03% in the second quarter to the present 2.46%.

For the final quarter, against the background of rising employment and continuation of very low interest rates, we expect activity in the residential real estate market to begin increasing gradually. With the exception of the regional market of Berlin, which is driven by international demand and where price increases of up to 20% in the past twelve months were noted, no appreciable changes in prices in Germany were observed.

### **3 Company development**

#### **3.1 Development of revenues**

##### **Revenues in the first nine months two-thirds higher than comparable prior-year figure**

We succeeded in raising revenues to EUR 18.0 million in the third quarter of 2006, up 33% over the strong corresponding period last year (EUR 13.6 million). In the first nine months of the year, we boosted revenues by 66% to EUR 50.7 million compared with the same period the year before (EUR 30.6 million).

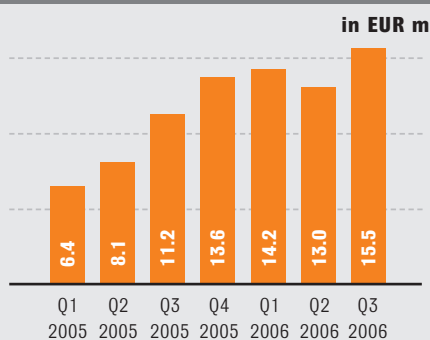
After deducting expense for commission payments to intermediaries, net revenues rose in the third quarter by 38% to EUR 15.5 million against the comparable period in the previous year (EUR 11.2 million).

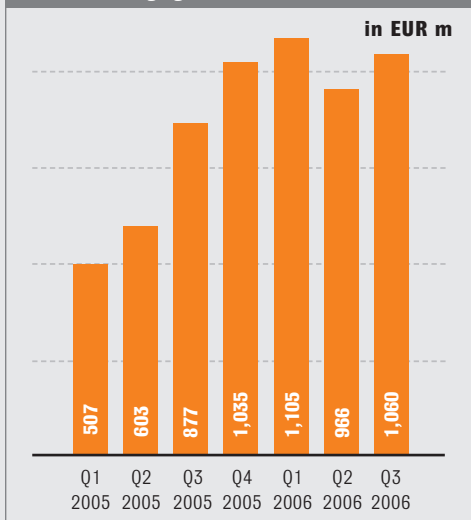
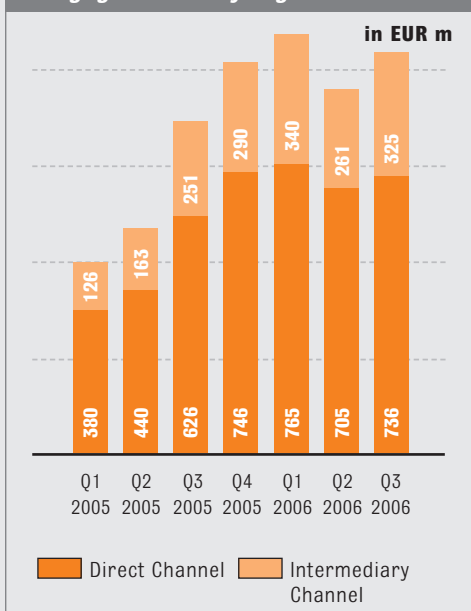
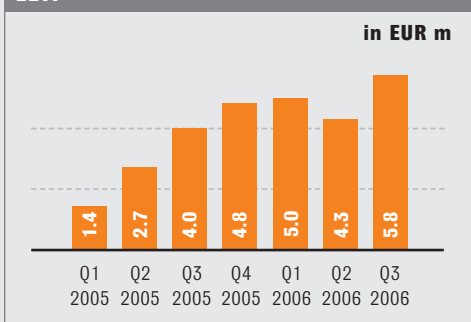
Like revenues, this key indicator thus also increased in the nine-month period by 66%, namely from EUR 25.8 million in the preceding year to EUR 42.7 million.

##### **Record figure for closed mortgages and 58% higher mortgage volume in the first nine months**

In the third quarter, the mortgage volume of EUR 1,060 million was based on the record number of 6,884 closed mortgages

**Net revenues**



**Closed mortgage volume****Mortgage volume by segments****EBIT**

(previous year: 5,137 mortgages). In the first nine months, a total of 19,742 mortgages were successfully closed (previous year: 11,888 mortgages). The volume of mortgages closed was therefore 21% above the volume for the third quarter of 2005 and for the nine-month period, at EUR 3.1 billion, 58% higher than for the comparable prior-year period (EUR 2.0 billion).

### **Direct Channel business segment accounts for more than three-quarters of net revenues**

The Direct Channel business segment under the Interhyp brand accounted for 76.9% of the net revenues in the last quarter, while the Intermediary Channel business segment under the Prohyp brand contributed 23.1%. In the third quarter of 2005, the ratios of net revenues from Interhyp and Prohyp were 78.9% and 21.1% respectively.

In a nine-month comparison, the share contributed by the Direct Channel up to 30 September 2006 was 76.3% of net revenues (previous year: 78.7%), while the share contributed by the Prohyp Intermediary Channel business rose from 21.3% to 23.7%. The number of active Prohyp partners increased from 30 September 2005 to the end of the last quarter by 92% from 1,138 to 2,180.

### **Gratifying growth of net revenue margin**

In the third quarter Interhyp achieved a net revenue margin of 1.43% in relation to closed mortgage volume (compared with 1.25% in the third quarter of 2005). In the first nine months of 2006, remuneration from our bank partners accounted for 1.33% of the mortgage volume (compared with 1.25% in the corresponding prior-year period). This very gratifying trend shows that particularly in times of weak markets, Interhyp's distribution strength is in demand, and our bank partners reward our efficiency and high degree of value-added accordingly.

## **3.2 Development of earnings**

### **Earnings before interest and taxes grew at above-average rate in first nine months**

Due to the higher net revenue margin and economies of scale in the cost structure, Interhyp posted record earnings before interest and taxes (EBIT) of EUR 5.8 million. This represents growth of 46% over the same quarter last year (EUR 4.0 million).

Compared with the first nine months of 2005 (EUR 8.1 million) EBIT grew by 88% and now stands at EUR 15.2 million. The adjacent chart shows the positive development and at the same time the solid

profitability of our business model under changing market conditions since the beginning of 2005.

### **EBIT margin rises to over 37%**

Compared with the third quarter of 2005 (35.7%), the EBIT margin related to net revenues rose to 37.7% in the third quarter of this year.

The EBIT margin, an important measure for the profitability of our company, stood as at 30 September 2006 at 35.6%, thus well above the result for the first nine months of 2005 (31.4%) and at the same time within the target region of around 35% for the fiscal year 2006.

### **Net income of EUR 9.1 million**

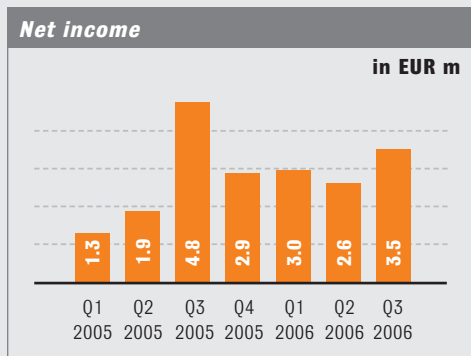
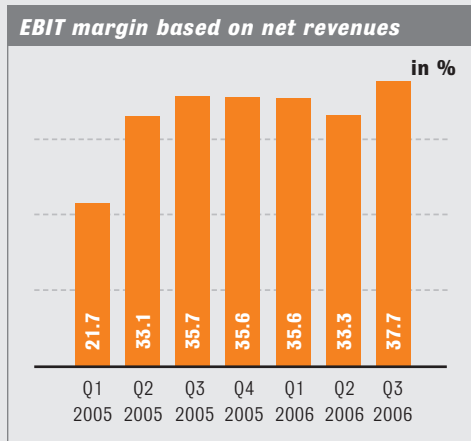
In the third quarter, net revenue came to EUR 3.5 million, and already EUR 9.1 million in the nine-month period. This result demonstrates once again the sustained profitability of our business model and at the same time the strong growth of revenues.

Unfortunately, the prior-year comparison of quarterly or nine-month figures says little due to the one-time special effects in the tax result. With regard to the various tax effects in connection with the IPO, when preparing the quarterly accounts for the third quarter of 2006, we opted for a more adequate booking judging by today's knowledge in compliance with IAS 8, and adjusted the tax result for the third quarter of 2005 accordingly.

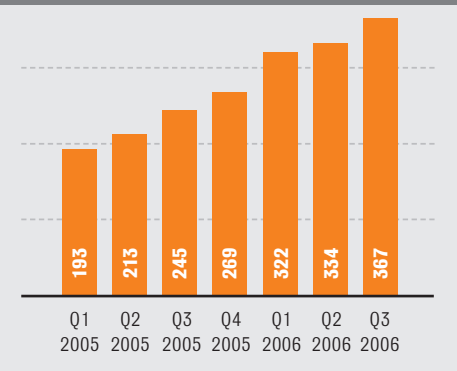
The tax-deductible capital procurement costs related to the equity transaction in 2005 were deducted directly from equity in accordance with IAS 32.37. As the tax loss carryforwards and thus also the capital procurement costs were partially tax-deductible in 2005, we have adjusted the utilization of the deferred tax asset relating to the capital procurement costs to correspond respectively. This adjustment leads to a reduction in deferred tax assets and an increase in deferred tax expenses of EUR 2.106 million in 2005.

The tax expense recorded is non-cash in nature.

With these adjustments, a positive tax result of EUR 809 thousand was achieved in the third quarter of 2005. In the third quarter of 2006 in contrast, without these special effects, the tax rate was 41.8%, so taxes amounting to EUR 2.5 million were assessed.



#### Employees end of period



#### Map of regional offices



### 3.3 Employees

The number of staff in the first nine months of 2006 rose by 98 to 367 salaried employees, up 50% above the number as at 30 September 2005 (245 employees). In recruiting, the focus remained on hiring junior employees and experienced mortgage consultants.

In the first nine months of 2006, salaried staff at Interhyp averaged 332 as opposed to an average of 209 in the comparable prior-year period.

### 3.4 Activities and initiatives

#### **Regional offices: Düsseldorf opened**

After opening a regional office in Düsseldorf on 1 September 2006 we now offer face-to-face advice locally in seven attractive and important metropolitan areas. This does not alter the fundamental logic in Interhyp's mortgage advisory process. Based on the mortgage application, customers in the catchment area of the regional offices now have the additional option of arranging an appointment with their personal mortgage consultant in our office. Plans are now under way for the second phase of the regional strategy, in the course of which nine additional locations with initially smaller teams will be opened by the end of 2007. The regional office in Nuremberg will open in December. Offices in Mannheim, Hannover and Wiesbaden will follow in the first quarter of 2007.

As of the end of September 2006, already 97 of a total of 367 staff members were employed in our regional offices.

#### **Prohyp–focus on institutional partners: cooperation with FinanceScout24, ASG24 and pma**

In the third quarter, we sharpened our focus on the institutional partner segment for Prohyp's enabling services.

As of 1 August 2006, we succeeded in winning an important partner in FinanceScout24. Under a cooperation agreement, we have given FinanceScout24 a white label functionality through which all mortgage applications submitted to [www.financescout24.de](http://www.financescout24.de) are handled by a special team of Prohyp staff members. The 130 tied agents working for FinanceScout24 are linked to the Prohyp platform and can take advantage of Prohyp's broad product spectrum, professional expertise and interest rates. At the same time, the over 1,000 free agents cooperating with FinanceScout24 can also access the Prohyp platform.

We concluded a partnership with the insurance broker pool ASG24 which offers ASG24's over 1,000 insurance brokers access to the Prohyp service.

pma GmbH, a subsidiary of Pramerica Financial, has also opted for collaboration with Prohyp in order to offer its more than 500 pool partners ideal solutions for mortgages.

**Marketing activities: cooperation with Engel & Völkers**

On 28 September 2006 we announced a cooperation agreement with Engel & Völkers AG, Germany's leading real estate broker in the top-of-the-line segment: since October, customers of Engel & Völkers AG can access our mortgage offers directly via [www.engelvoelkers.com](http://www.engelvoelkers.com). In addition, individual franchisees and real estate brokers in Engel & Völkers' network can take direct advantage of Interhyp's mortgage brokerage services for their customers.

With a share of 9.7% of net revenues, marketing activities in the third quarter amounting to EUR 1.5 million were performed. (prior-year quarter: EUR 679 thousands). This expense lies within the target range for 2006 of around 10% of net revenues.

**3.5 Shares**

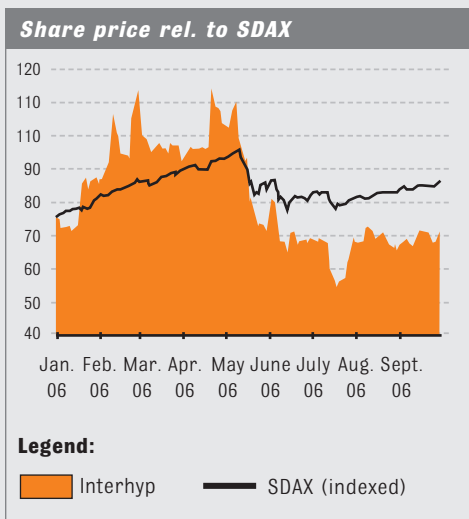
**Interhyp shares recover well from this year's low in July**

Interhyp shares rose considerably, particularly compared with the low in July (+32.1%) and closed in Xetra trading on 29 September 2006 at EUR 71.31.

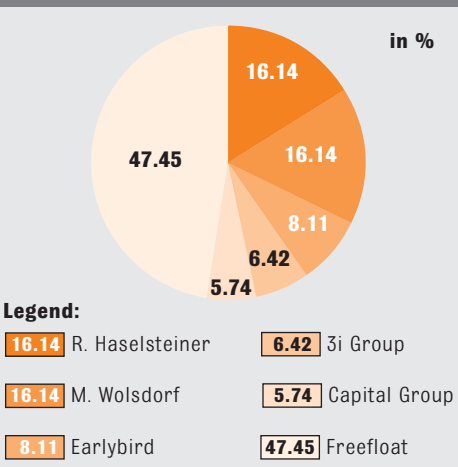
However, the price has slipped by 5.2% since the beginning of the year. If this development is compared with the SDAX (+15.0%), it becomes apparent that the Interhyp shares clearly suffered from profit-taking after the peaks in April. This led to a decline of 24.7% in the second quarter.

In contrast, in the third quarter, a positive sign was noted (+4.0%); the benchmark index, SDAX, also recovered from the temporary market weakness in July to a similar extent (+4.2%).

The lowest price (Xetra closing price) this year was EUR 54.00 in the third quarter, while the highest price in the first nine months of the year was EUR 115.10.



**Shareholder structure as at  
18 October 2006**



### **Free float slightly higher in third quarter**

Following a change subject to statutory announcement relating to the major shareholder, Earlybird Venture Capital (a reduction of its holding from 8.87% to 8.11%), the free float rose correspondingly in the third quarter from 52.43% to 53.19%.

On 18 October 2006, after the end of the reporting period we were informed of the stake of Capital Group Inc. amounting to 5.74% of the outstanding shares. This reduces the free float again to 47.45%.

### **3.6 Outlook**

#### **Agreement on far-reaching cooperation with Cortal Consors**

At the beginning of October, we reported the start of a cooperation agreement with another institutional partner. As of October, the online bank Cortal Consors, a subsidiary of BNP Paribas, is offering its over 500,000 customers in Germany an open-architecture mortgage solution through cooperation with Prohyp. For this purpose, Cortal Consors will use an online platform based on our technology and will get access to our entire product spectrum.

#### **Business prospects**

For the fourth quarter, we expect distinct growth of the mortgage volume and thus a further increase in revenue and EBIT. This expectation is based on the current positive trend in the number of mortgage applications which already in the third quarter rose by 17,6% over the second quarter. We can thus also confirm our guidance for net revenues of around EUR 60 million and an EBIT of some EUR 21 million for the entire fiscal year. Nevertheless, we cannot reach the target volume of EUR 4.8 billion since real estate transactions failed to recover in the third quarter. To achieve the guidance for net revenue and EBIT, however, an annual volume of around EUR 4.4 billion is sufficient—a figure which should be attainable through greater market share even under less favourable market conditions.

## 4 Consolidated financial statements

### 4.1 Consolidated income statement of Interhyp AG as at 30 September 2006

EUR	Q3 2006	Q3 2005 adjusted	+/-	01.01.–30.09.06	01.01.–30.09.05 adjusted	+/-	
Revenues	17,993,613	13,569,531	33%	50,662,788	30,563,731	66%	
Cost of services purchased	2,491,804	2,343,356	6%	7,932,153	4,790,164	66%	
<b>Net revenues</b>	<b>15,501,809</b>	<b>11,226,175</b>	<b>38%</b>	<b>42,730,635</b>	<b>25,773,567</b>	<b>66%</b>	
Other operating income	0	446		0	1,130		
Personnel expenses	5,939,179	4,849,825	22%	17,012,080	11,746,120	45%	
thereof sales and sales-related	4,976,324	4,117,906	21%	14,182,388	9,743,620	46%	
Other operating expenses	3,421,621	2,100,096	63%	9,611,147	5,261,032	83%	
thereof marketing	1,497,945	678,706	121%	4,368,323	1,626,374	169%	
Amortization and depreciation	298,143	265,185	12%	884,500	673,994	31%	
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,842,866</b>	<b>4,011,515</b>	<b>46%</b>	<b>15,222,908</b>	<b>8,093,551</b>	<b>88%</b>	
Interest income	266,362	51,333	419%	740,267	125,227	491%	
Interest expense	21,094	74,738	(72%)	99,412	220,159	(55%)	
<b>Net interest income</b>	<b>245,268</b>	<b>(23,404)</b>		<b>640,855</b>	<b>(94,932)</b>		
<b>Net income before income taxes (EBT)</b>	<b>6,088,134</b>	<b>3,988,111</b>	<b>53%</b>	<b>15,863,763</b>	<b>7,998,619</b>	<b>98%</b>	
Income taxes	(2,543,735)	809,395		(6,724,593)	(54,387)		
<b>Net income</b>	<b>3,544,399</b>	<b>4,797,506</b>	<b>(26%)</b>	<b>9,139,170</b>	<b>7,944,232</b>	<b>15%</b>	
<b>Earnings per share IAS 33</b>				<b>01.01.–30.09.06</b>			<b>01.01.–30.09.05 adjusted</b>
Net income				9,139,170			7,944,232
Weighted average of outstanding shares				6,498,350			6,498,350
<b>Earnings per share (undiluted)</b>				<b>1.41</b>			<b>1.22</b>
Weighted average of outstanding potential shares				6,559,368			6,549,350
<b>Earnings per share (diluted)</b>				<b>1.39</b>			<b>1.21</b>

## 4.2 Consolidated balance sheet of Interhyp AG as at 30 September 2006

<b>Assets</b>		
<b>EUR</b>	<b>as at 30.09.2006</b>	<b>as at 31.12.2005 adjusted</b>
<b>Non-current assets</b>		
Intangible assets	498,016	441,787
Fixed assets	2,520,013	1,546,604
Receivables from commissions	414,280	316,586
Other assets	484,523	397,649
Deferred tax assets	58,351	1,413,848
	<b>3,975,183</b>	<b>4,116,473</b>
<b>Current assets</b>		
Receivables from commissions	16,310,238	11,626,034
Other assets	495,675	253,348
Securities	15,949,000	1,003,150
Cash and cash equivalents	25,092,453	33,945,470
	<b>57,847,366</b>	<b>46,828,003</b>
<b>Total assets</b>	<b>61,822,549</b>	<b>50,944,476</b>
<b>Equity and liabilities</b>		
<b>EUR</b>	<b>as at 30.09.2006</b>	<b>as at 31.12.2005 adjusted</b>
<b>Shareholders' equity</b>		
Common stock	6,498,350	6,498,350
Additional paid-in capital	32,779,504	32,528,058
Revaluation surplus	(20,580)	0
Retained earnings	123,131	0
Net accumulated profit	10,247,802	1,231,763
	<b>49,628,207</b>	<b>40,258,171</b>
<b>Long-term liabilities and provisions</b>		
Other provisions	279,100	279,100
Non-current financial liabilities	800	800
Deferred tax liabilities	62,096	121,173
Other liabilities	514,089	378,325
	<b>856,085</b>	<b>779,398</b>
<b>Short-term liabilities and provisions</b>		
Trade accounts payable	2,331,132	3,404,680
Other provisions	119,200	88,100
Tax provisions	3,518,411	1,321,558
Current financial liabilities	0	352,380
Other liabilities	5,369,514	4,740,188
	<b>11,338,257</b>	<b>9,906,906</b>
<b>Total equity and liabilities</b>	<b>61,822,549</b>	<b>50,944,476</b>

### 4.3 Shareholders' equity of Interhyp AG as at 30 September 2006

EUR	Common stock	Additional paid-in capital	Revaluations surplus	Retained earnings	Net accumulated profit/loss	Total
<b>1 January 2005</b>	<b>114,975</b>	<b>11,981,684</b>	<b>0</b>	<b>0</b>	<b>(9,617,906)</b>	<b>2,478,753</b>
Net income					7,944,232	7,944,232
Increase in capital by conversion of convertible bonds	43,916	(41,932)				1,984
Expense from the issuance of convertible bonds and stock options		234,432				234,432
Increase of common stock from conversion of additional paid-in capital	5,639,459	(5,639,459)				0
Increase of shareholders' equity from issuance of shares	700,000	28,700,000				29,400,000
Settlement of initial public offering expenses with additional paid-in capital less tax effect		(2,819,686)				(2,819,686)
<b>30 September 2005 adjusted</b>	<b>6,498,350</b>	<b>32,415,039</b>	<b>0</b>	<b>0</b>	<b>(1,673,674)</b>	<b>37,239,715</b>
Net income					2,905,437	2,905,437
Expense from the issuance of convertible bonds and stock options		88,483				88,483
Settlement of initial public offering expenses with additional paid-in capital less tax effect (reduction)		24,536				24,536
<b>31 December 2005 adjusted</b>	<b>6,498,350</b>	<b>32,528,058</b>	<b>0</b>	<b>0</b>	<b>1,231,763</b>	<b>40,258,171</b>
Net income					9,139,170	9,139,170
Expense from the issuance of convertible bonds and stock options		251,446				251,446
Revaluation of securities			(20,580)			(20,580)
Transfer of profit carried forward to retained earnings, Haselsteiner & Wolsdorf GmbH (subsidiary)				123,131	(123,131)	0
<b>30 September 2006</b>	<b>6,498,350</b>	<b>32,779,504</b>	<b>(20,580)</b>	<b>123,131</b>	<b>10,247,802</b>	<b>49,628,207</b>

#### 4.4 Consolidated cash flow statement of Interhyp AG as at 30 September 2006

EUR	01.01.–30.09.2006	01.01.–30.09.2005 adjusted
Consolidated net income	9,139,170	7,944,232
Income tax	(6,724,593)	(54,387)
<b>Earnings before income tax</b>	<b>15,863,763</b>	<b>7,998,619</b>
Adjustments:		
Amortization and depreciation of non-current assets	884,500	673,994
Financial result	(640,855)	94,932
Expense from the issuance of convertible bonds and stock options	251,446	234,432
Increase in receivables and prepaid expenses	(4,854,999)	(5,181,409)
Change in provisions	31,100	(752,994)
Change in liabilities	(308,458)	7,106,993
Income tax paid	(3,231,320)	(220,703)
Interest paid	(88,512)	(153,403)
<b>Net cash from operating activities</b>	<b>7,906,665</b>	<b>9,800,461</b>
Cash paid for investments in non-current assets	(1,914,138)	(880,465)
Interest received	465,737	100,210
Cash paid for investments in securities	(25,041,250)	0
Cash received from disposal of securities	10,086,500	0
<b>Net cash from investing activities</b>	<b>(16,403,151)</b>	<b>(780,255)</b>
Cash paid for the repayment of debt	(356,531)	(197,941)
Capital increase due to issuance of shares	0	29,400,00
Cash received for issuance of convertible bonds	0	(720)
Cash paid for initial public offering expenses	0	(4,945,083)
<b>Net cash from financing activities</b>	<b>(356,531)</b>	<b>24,256,256</b>
Changes in cash and cash equivalents	(8,853,017)	33,276,462
Cash and cash equivalents at the beginning of the period	33,945,470	2,933,087
Cash and cash equivalents at the end of the period	25,092,453	36,209,549

## **5 Notes to the consolidated financial statements**

### **5.1 General information**

The abridged interim financial statements for the period from 1 January 2006 to 30 September 2006 were released for publication following a resolution by the Management Board of 27 October 2006.

#### **General information**

The unaudited, abridged interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. International Accounting Standard (IAS) 34, "Interim Financial Reporting", has been applied. The interim financial statements at 30 September 2006 should be read in connection with the consolidated financial statements as at 31 December 2005.

#### **Accounting policies**

The accounting and consolidation policies applied in the interim financial statements at 30 September 2006 are consistent with those at 31 December 2005, with the exception of amended and new standards which must be applied to reporting periods beginning on or after 1 January 2006. The interim financial statements have been drawn up in EUR. The income statement has been drawn up in the total expenditure format.

#### **New accounting standards**

No IFRS standards with a material impact on the net assets, financial position and operating results of the group have been issued since 1 January 2006.

#### **Estimates and assumptions**

Preparation of the interim financial statements in conformity with IAS/IFRS requires estimates and assumptions to be made that affect the amount and disclosure of reported assets and liabilities, revenues and expenses and contingent liabilities. Actual amounts may differ from these estimates.

#### **Seasonal influences on business**

Net assets, financial position and operating results of the group are not subject to seasonal influences due to the nature of the group's business activities.

### **5.2 Earnings per share**

Earnings per share were calculated in accordance with IAS 33, "Earnings per Share". Basic earnings per share comprise group

earnings divided by the weighted average number of outstanding shares. In order to calculate diluted earnings per share, the average number of shares in circulation during the year must be increased by the potential number of ordinary shares.

The number of shares in circulation has not changed in the period from 30 September 2005 to 30 September 2006. The potential number of ordinary shares changed due to the dilution effect of the employee stock option programme.

### **5.3 Earnings situation**

#### **Revenues**

Revenues comprise fees charged to the contractual partners for services rendered in conjunction with normal business activities, less revenue reductions and cancellation charges.

#### **Personnel expenses**

The higher personnel expenses are mainly due to an increase in the number of employees.

#### **Other operating expenses**

Other operating expenses are as shown in the table opposite.

#### **Net interest income**

Earnings from interest increased due to the investment of the available liquid assets.

#### **Tax result**

The increase in tax expense relates directly to the positive development of net income. Of the total expense, EUR 5.428 million relates to actual current taxes while EUR 1.296 million relates to deferred taxes. The tax deductible capital procurement costs related to the equity transaction (or capital increase) in 2005 were deducted directly from equity in accordance with IAS 32.37. As the tax loss carryforwards and thus also the capital procurement costs were partially tax-deductible in 2005, we have adjusted the utilization of the deferred tax asset relating to the capital procurement costs to correspond respectively. This adjustment leads to a reduction in deferred tax assets and an increase in deferred tax expenses of EUR 2.106 million in 2005. The tax expense recorded is non-cash in nature. The adjustment will be made in accordance with IAS 8.

<b>Other operating expenses</b>		
<b>EUR k</b>	<b>Q3 2006</b>	<b>Q3 2005</b>
Marketing	1,498	679
Office and administrative expenses	987	562
External programming	30	42
Staff hiring costs	76	193
Legal and professional fees	379	230
Others	452	395
<b>Total</b>	<b>3,422</b>	<b>2,100</b>

## **5.4 Balance sheet information**

### **Capital expenditure**

Capital expenditure amounted to EUR 1.914 million in the first nine months of the fiscal year. This represents an increase of 117.5% (EUR 880 thousand) over the previous year. The largest share relates to operational and office equipment for recently opened branch offices and investments in IT.

### **Receivables from commissions**

Receivables from commissions are allocated at the original invoice amount less a correction factor for irrecoverable debts. The increase in receivables is due to the positive development of business.

### **Deferred tax assets**

Deferred tax assets are reduced in line with the description under "Tax result" according to IAS 32.37.

### **Securities**

Securities include investments in publicly traded Pfandbriefe. They are classified as securities available for sale.

### **Other long-term provisions**

Other long-term provisions relate to restoration costs in respect of rented office premises.

### **Tax liabilities**

Tax liabilities contain liabilities in respect of current taxes on profits.

### **Other provisions and other liabilities**

Other provisions include a calculated deduction for possible cancellation of brokered mortgage contracts.

Other liabilities mainly include items in respect of outstanding invoices, staff sales commissions and provision for holidays.

## **5.5 Cash flow statement information**

Cash flow from ongoing business operations amounts to EUR 7.9 million (previous year EUR 9.8 million). The prior-year figure contains liabilities from the IPO. Total expense for the IPO last year came to EUR 4.9 million.

The purchase of Pfandbriefe is the main item under cash flow from investment.

## **5.6 Segment reporting**

Financial statement data is broken down according to business segment. Allocation is based on internal reporting (management approach). This segmentation presents the profitability and prospects as well as the opportunities and risks for the group's diverse business segments. The two main business segments of the Interhyp group are the Direct Channel and the Intermediary Channel.

<b>EUR</b>	<b>Direct Channel</b>	<b>Intermediary Channel</b>	<b>Group</b>
	<b>30.09.2006</b>	<b>30.09.2006</b>	<b>30.09.2006</b>
Revenues	32,617,974	18,044,814	50,662,788
Net revenues	32,617,974	10,112,661	42,730,635
Earnings before interest and taxes	10,720,592	4,502,316	15,222,908

<b>EUR</b>	<b>Direct Channel</b>	<b>Intermediary Channel</b>	<b>Group</b>
	<b>30.09.2005</b>	<b>30.09.2005</b>	<b>30.09.2005</b>
Revenues	20,273,022	10,290,709	30,563,731
Net revenues	20,273,022	5,500,545	25,773,567
Earnings before interest and taxes	5,576,629	2,516,922	8,093,551

## **5.7 Further disclosures**

### ***Own shares and subscription rights of board members and employees***

After the company went public, an employee stock ownership plan was created which affected expenses according to IFRS in the current year in the amount of EUR 155 thousand.

Convertible bonds issued to employees before the IPO resulted in personnel expenses according to IFRS amounting to EUR 96 thousand. No options were issued or converted in the current year.

### ***Major changes in risk factors***

No significant changes in risk factors occurred during the reporting period.

### ***Dividends***

No dividends were proposed or paid in the reporting period.

### ***Significant events after the balance sheet date***

No significant events have occurred since the balance sheet date.

## **6 Contacts and financial calendar**

For cost reasons, the quarterly report is being published exclusively in electronic form.

For further up-to-date information on Interhyp shares, please visit

**[www.interhyp.ag](http://www.interhyp.ag)**

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### **Management Board**

Robert Haselsteiner

Marcus Wolsdorf

### **Supervisory Board**

Peter Mark Droste (Chairman)

Dr Roland Folz (Deputy Chairman)

Thomas Geiger

### **Postal address**

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Parkstadt Schwabing

Marcel-Breuer-Str. 18

80807 Munich

### **Financial calendar**

<b>Event</b>	<b>Date</b>
Roadshow Q3 – Frankfurt, London, New York	10–15 Nov. 2006
Analyst conference German Equity Capital Forum Frankfurt	28 Nov. 2006
Report on the 1st quarter 2007	10 May 2007
Report on the 1st half-year 2007	9 Aug. 2007
Report on the 3rd quarter 2007	8 Nov. 2007