

*Results of* **1st quarter 2008**

## Summary

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### Key figures (in EUR m)

	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>+/-</b>
Mortgage volume	1,263	1,339	(6%)
Net revenues	15.3	16.4	(7%)
Earnings before interest and taxes (EBIT)	3.5	6.1	(43%)
Net income	2.5	3.9	(34%)
EBIT margin in %	22.9	37.3	0%
Earnings per share (diluted)	0.39	0.59	(34%)
Number of mortgage applications	42,476	45,284	(6%)
Number of mortgages closed	8,182	9,182	(11%)

## 1 Preface by the Management Board

### Dear Shareholders,

Interhyp's performance in the first quarter suffered from a very weak volume of mortgages closed in January, which in turn was the result of the very low number of applications received due to the holiday season in December 2007. This is the first time we have experienced a seasonal low in December/January which, on account of special situations, had not occurred in this form in previous years. At the turn of the year in 2005/06, the abolition of the state housing subsidy was a strong growth driver and at the turn of the year in 2006/2007, the trend reversal on the interest market generated extremely robust demand for remortgage loans. However, the strong pick-up in applications in the first quarter (42,500 vs. 34,300 in the fourth quarter 2007) could not offset the slowdown effect caused in December, which must almost be seen as half a month, resulting in a decreased mortgage volume in the first quarter of EUR 1,263 billion and 8,182 mortgages. The resulting lower volume commissions reduced net revenues to EUR 15.3 million and, combined with higher costs compared with the first quarter of 2007, led to a decline in EBIT to EUR 3.5 million. The higher expenses reflect an increase of 76 employees and a now complete infrastructure of 17 regional offices for Direct Channel and Intermediary Channel business. In addition, one-time expenses for management recruiting, Prohyp marketing and IT initiatives arose in the first quarter, although these costs must be seen as investments in future growth. The EBIT margin contracted to 22.9% due the very weak January, but in March it was already up to 36%. We assume that, without special situations in future, the December/January effect will generally make the first quarter the seasonally weakest quarter in terms of mortgage volume, net revenue and EBIT.

The German residential mortgage market is still marked by weak development in new construction and consumers' reluctance to purchase residential real estate. Measured by the Bundesbank's figures, new business was 12% lower at EUR 40.9 billion in the first quarter compared with the prior-year quarter. Interhyp's market share of new business came to 3.09% in the first quarter, although January acted as a brake here as well. In February and March, market share was at 3.81% and 3.85% respectively.

Although the market environment remains challenging and we cannot count on growth impetus from the overall mortgage market in the short-term, we expect strong structural growth in the remaining quarters of the year due to our regional positioning in the Direct Channel and the expansion of our partner base in the Intermediary Channel operated under Prohyp. In the last twelve months, we have created operational structures which position us extremely well to win market share and achieve growth, even in a difficult market environment. Applications in the first quarter grew to 42,500 compared with 34,300 in the fourth quarter, and the momentum in April suggests that we will see substantial growth in the second quarter. This expansion will be underpinned in the second half of the year by a stronger contribution from our new Prohyp partner deals. For the entire year, therefore, we continue to expect double-digit growth in the financial indicators of volume, net revenue and EBIT.

Yours sincerely,



*Marcus Wolsdorf*

Marcus Wolsdorf  
Co-CEO

*Robert Haselsteiner*

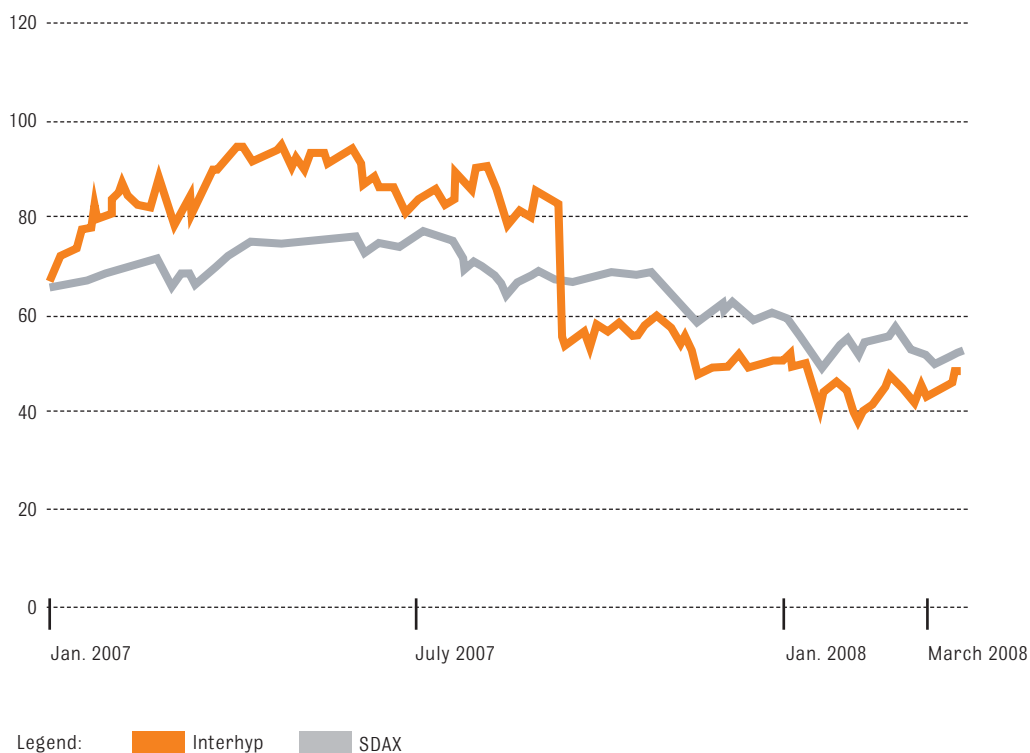
Robert Haselsteiner  
Co-CEO

## 2 Shares

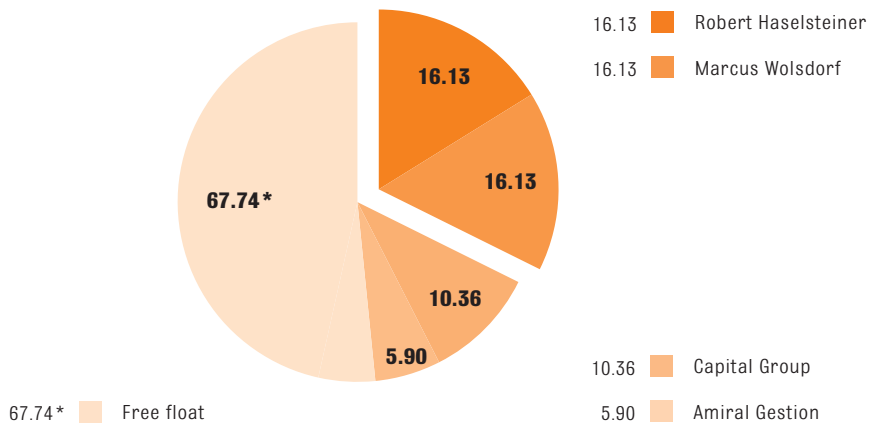
### The share performed better than the SDAX in the first quarter

After the Interhyp share performed much like the SDAX in the fourth quarter of 2007, it outperformed this index in the quarter just ended in a stock exchange environment which remained difficult. On 31 March 2008, the share closed at EUR 48.82, down 2% from the Xetra closing price in 2007 of EUR 49.43. In the same period, the SDAX declined 14%. The highest and lowest prices in the first quarter reflect a strong degree of volatility: the peak price (Xetra closing price) was already reached at EUR 52.00 in the first week of January. While this level was reached once again in April, both the share and the market performed negatively thereafter, dropping to a low of EUR 37.50 in the first half of February.

Share price performance Interhyp vs. SDAX (indexed)



**Interhyp shareholder structure** as at 2 April 2008, holdings in %



\* In compliance with Deutsche Börse AG free-float guidelines, our free float includes the 16.26% stake of the above-listed companies as well as 51.48% of further shareholders.

**Free float unchanged at 67.7%**

We were informed by statutory notices of the following changes in voting rights of institutional investors: DWS Investment GmbH initially informed us in January that the 5% threshold had been exceeded, reduced its holding in the reporting period to 4.77%, and again at the beginning of April to 2.998%, of the voting rights. In the middle of January, the French Amiral Gestion reported that it was increasing its interest to 5.90%.

According to the definition of Deutsche Börse AG, these shares count as part of the free float, which thus remains unchanged 67.7%.

## 3 Interim Group management report

### 3.1 Significant events and initiatives

#### Opening of the 18th location to round off the regionalisation strategy in Augsburg



To round off the regionalisation strategy which we launched in the middle of 2005, we decided to open another regional office, which will be the 18th Interhyp location, in the summer of 2008. This will enable customers in Augsburg to arrange an appointment for advice on the spot with their personal mortgage consultant. This will reinforce our presence in southern Germany, an attractive environment for real estate in which we intend to expand our market share.

#### More cooperation agreements with Prohyp initiated

Operative collaboration with our cooperation partner comdirect bank took off in the first quarter of 2008. Mid-January saw the launch of mortgage offers on comdirect's website, which is supported by Prohyp. comdirect Private Finance can also access the eHyp software platform, and thus all products of our bank partner and the support functions for procedures in mortgage consulting.

After the successful test phase from November 2007, efforts were focused in the first quarter on linking the offices of our cooperation partner MLP on schedule. To this end, training seminars for the eHyp software platform are being held at various offices. In the course of 2008, gradually all of the approximately 2,600 MLP consultants will have the opportunity, supported by the system and mortgage consultants, to offer their customers our mortgage solutions. Already in the course of the first quarter, MLP Hyp reached the operative break-even point.

Furthermore, additional agreements were concluded with institutional cooperation partner CreditPlus Bank and the financial services provider tecis in the period under review.

### ***Interhyp receives awards – best website and best residential mortgage provider***

In December 2007, the magazine FINANZtest, financial services provider specialists of Stiftung Warentest, Germany's leading consumer organisation, tested the quality of online services of residential mortgage providers. Interhyp emerged the clear winner and was the only company to receive the quality seal "VERY GOOD". 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 and user-friendliness of the website. We are delighted that in this test, Interhyp was singled out as having "by far the best website in its field". Naturally, we will make use of this distinction in our communication with customers.

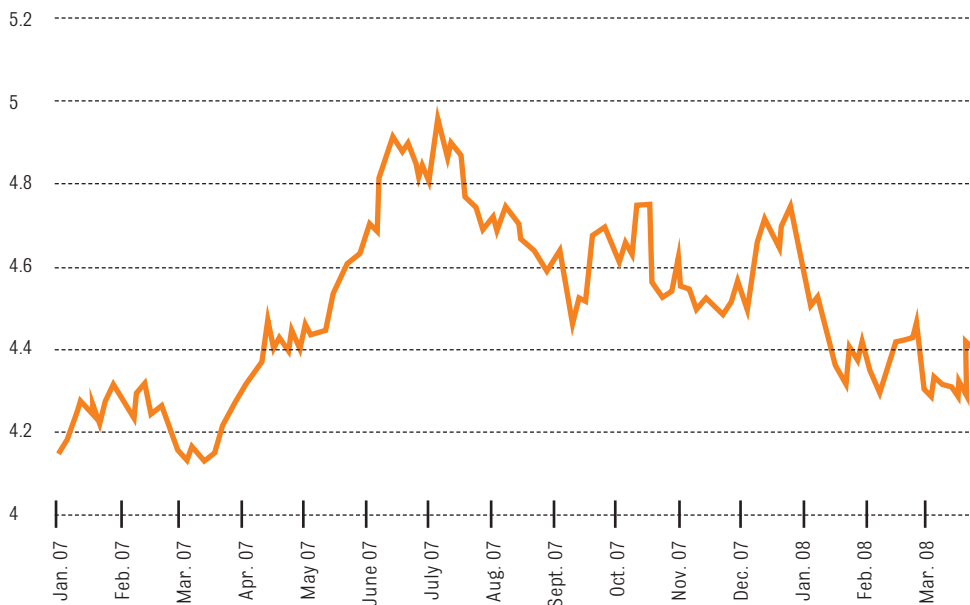
This also applies to the extended test described in the April edition of the financial magazine FocusMoney, conducted by the German Institute for Service Quality. Altogether, 17 providers of residential mortgages were tested for their service quality and products. The extensive service test was based on over 500 concealed-identity client contacts via e-mail and telephone. Moreover, the website was analysed intensively and the consulting and offering procedure was studied and assessed. Once again, Interhyp emerged as the overall winner of the test.

## **3.2 General economic conditions**

### ***Economic development***

In the first quarter, growth prospects in the U.S. dimmed significantly and fears that this could lead to slower economic growth in the euro zone have increased. At the same time, the Federal Reserve, against the background of the credit market crisis, saw itself compelled to lower key lending rates from 4.25% to 2.25% to provide the banking system with sufficient liquidity. Investors have fled to secure government bonds, thus also causing lower capital market interest rates, although inflation rates have risen in parallel through high oil prices and food prices. In contrast, the European Central Bank has held key lending rates steady at 4.0% and thus refrained from prematurely responding to the credit market crisis by lowering interest rates. It remains faithful to its focus on the trend in inflation and endeavours to maintain stability by pursuing a dependable interest rate policy. With the decline in interest rates in the U.S., yields in Germany fell by some 30 basis points at the beginning of the year, although they ended the quarter somewhat higher after it had become increasingly apparent that expectations that the ECB would lower key lending rates would not be fulfilled. How capital market interest rates will develop depends, on the one hand, on the inflation trend, and on the other, on the actual slowdown in the economy. The strength of the euro plays an important role here because this could put the brakes on exports which have performed so successfully so far but also dampen inflationary pressures. We expect a slight upward pressure in mortgage rates in the coming months since inflation concerns will remain in the foreground for the time being.

**10-year Pfandbrief yields in %**



**Sector development**

The total market volume for residential mortgages according to the Bundesbank's statistics fell in the first quarter to EUR 40.9 billion. This represents a decline of 12% compared with the first quarter of 2007, and a decline of another 3% compared with the already weak fourth quarter of 2007. At the same time, the volume was underpinned by EUR 16.2 billion – a strong figure – for January. This figure reflects a high percentage of in-house extensions by banks since January, like July, is a strong month for mortgage resets. The weakest part of the market in terms of demand is still the new construction segment. Building permits in January contracted another 6% compared with the extremely weak figures for January 2007 to 10,900 units. The market for new construction is thus persisting at a historically low level for the time being. Our market analyses of real estate transactions in eleven large German cities suggest, at the same time, that business in the residential real estate sector at the beginning of the year was approximately 10% lower than the figure for previous quarters, reflecting customers' reluctance to make long-term purchase decisions. The German residential real estate market is thus still seeking a solid foundation in 2008, whereby the historically low volume of new construction business, in particular, is likely to result in a noticeable rise in rents over the mid-term. The return of rent inflation will then gradually generate more activity in the residential real estate market through prices and more investment activity.

### 3.3 Company development

#### Revenues reflect slight seasonal decline

<b>Net revenues</b> (in EUR m)	
Q1 2007	16.4
<b>Q1 2008</b>	<b>15.3</b>

Revenues of Interhyp AG fell 4% against the comparable prior-year period (EUR 19.2 million), totalling EUR 18.5 million in the first quarter of 2008.

After deducting the cost of commission payments which were transferred to brokers, Interhyp AG generated net revenues of EUR 15.3 million in the reporting period. This corresponds to a decrease of 7% compared with EUR 16.4 million in the first quarter of 2007. The decline was due to weak demand arising from holidays in December 2007 which, with a delay, led to a very low mortgage volume in January 2008. Weak demand in the past two years was concealed by special demand (abolition of the state subsidy for home ownership in 2005/2006, the change in the trend in the interest market in 2006/2007 with strong refinancing demand) and, as already announced on presentation of the preliminary results for 2007, will become apparent this year for the first time.

#### Mortgage volume contracts by 6% to EUR 1.3 billion – overall market declines by 12%

<b>Closed mortgage volume</b> (in EUR m)	
Q1 2007	1,339
<b>Q1 2008</b>	<b>1,263</b>

In the quarter just ended, a mortgage volume of EUR 1.263 billion was brokered. The figure was thus down 6% compared with the comparable prior-year quarter (EUR 1.339 billion). In contrast to the expired quarter, the first quarter of 2007 profited from additional business with remortgages due to the trend reversal on the interest market at that time. Without this special effect, the volume of mortgages closed was weaker, but still better than the market according to Bundesbank statistics, which contracted 12% compared with the previous year.

In the reporting period, Interhyp closed 8,182 mortgages. This corresponds to 1,000 mortgages less than in the comparable prior-year period. From this we can see a stabilisation in the average size of mortgages, which in the prior-year quarter came to some EUR 146 thousand due to the large proportion of remortgages and has now climbed again to EUR 154 thousand.

**Share of Intermediary Channel exceeds 40 %****Number of active Prohyp partners**

Q1 2007	2,606
<b>Q1 2008</b>	<b>3,076</b>

If the Direct Channel and the Intermediary Channel are seen separately, the picture is similar to that of the net revenue margins achieved by each segment. The Intermediary Channel held its own against the weak market through structural growth and reported growth of 26% of its mortgage volume (from EUR 406 million in the previous year to EUR 514 million in the first quarter of 2008), while the Direct Channel registered a decline of 20% from EUR 933 million to EUR 749 million.

Moreover, in terms of the number of mortgages closed, the Intermediary Channel succeeded in compensating for the difficult market environment through structural growth and with 3,409 mortgages, was up 18% over the corresponding prior-year figure (2,894 closed mortgages).

As a result, the share of the Intermediary Channel was over 40% in both overall volume and the number of mortgages closed.

**Net revenue margin rises in Direct Channel business, institutional cooperation agreements influence Intermediary Channel**

In the quarter just ended, Interhyp posted a net revenue margin of 1.18% in relation to the volume of closed mortgages. The margin is thus virtually unchanged from the level of 1.20% in the first quarter of 2007. When calculating the net revenue margin, it must be remembered that a seasonally smaller contribution is obtained from volume rebates at the beginning of each calendar year. This produces a seasonal effect which means that the net revenue margins in the second half of the year are higher than in the first half.

In terms of the individual segments, the Direct Channel under the Interhyp brand achieved a net revenue margin of 1.41%. This represents an increase of 8 percentage points compared with 1.33% in the first quarter of 2007.

As expected, the margin was slightly lower in the Prohyp Intermediary Channel than in the previous year (0.86% as opposed to 0.91% in the first quarter of 2007). This is due to a stronger contribution of the institutional and professional segment to the volume of business.

**Development of earnings****EBIT (in EUR m)**

Q1 2007	6.1
<b>Q1 2008</b>	<b>3.5</b>

**Earnings before interest and taxes at EUR 3.5 million**

At EUR 3.5 million, earnings before interest and taxes (EBIT) weakened compared with the first quarter of 2007 (EUR 6.1 million) by 43%. This was due, on the one hand, to the smaller mortgage volume, and on the other, to an increase of 14% in expenses for a more extensive organisation. Although some cost factors are variable and scaleable, with a smaller mortgage volume, others (such as marketing, rental for office premises, etc.) are fixed or are purposely not adjusted due to fluctuations in consumer demand, since otherwise we could not fully leverage future opportunities for growth.

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

Q1 2007	37.3
<b>Q1 2008</b>	<b>22.9</b>

**EBIT margin weaker in first quarter due to negative scaling factors**

The EBIT margin in relation to net revenue was therefore 22.9% in the first quarter of 2008, and thus distinctly lower than the 37.3% reported for the same period in the previous year. Cost factors contained marketing expenditure which accounted for 13.6% of net revenue, for which we continue to aim at a level of approximately 10% for all of 2008. Investments in future growth (new Prohyp marketing campaign, hiring costs for management positions) raised other expenses in the first quarter of 2008 from 8.0% to 12.1%.

**Net income (in EUR m)**

Q1 2007	3.9
<b>Q1 2008</b>	<b>2.5</b>

**Tax rate falls to 34.1% due to corporate tax reform**

Net income after minorities for the first quarter of 2008 came to EUR 2.5 million, down 34% from the prior-year figure of EUR 3.9 million. As a result of the corporate tax reform the tax rate was 34.1% as opposed to 41.4% in the comparable prior-year quarter.

**Financial and assets position**

Net assets of Interhyp AG in the first quarter of 2008 remained strongly influenced by the profitability of our business model and the related good liquidity position of our company. At EUR 73.5 million, total assets in the reporting period were slightly below the level of EUR 74.9 million at the turn of the year. The cash flow from ongoing business activities (EUR 5.3 million compared with EUR 6.2 million in the first quarter of 2007) was primarily influenced by paid-off receivables from bank partners. An increase from EUR 1.3 million to EUR 3.2 million in income tax paid also affected cash flow.

The cash flow from investment activities, at EUR 162 thousand in the first quarter of 2008, influenced mainly by interest received, was comparatively low. In the first quarter of 2007, this item came to EUR 10.4 million due to maturing securities.

There was no cash flow from financing activities in the reporting period and the comparable prior-year period. Accordingly, the free cash flow amounts to EUR 5.5 million compared with EUR 16.5 million in the first quarter of 2007.

Cash and cash equivalents totalled EUR 54.5 million at 31 March 2008, as opposed to EUR 49.0 million at the beginning of the reporting period. This increase reflects the cash flow from ongoing business activities.

## Employees

<i>Number of employees (end of period)</i>	
Q1 2007	394
<b>Q1 2008</b>	<b>470</b>

Core personnel grew by 76 new staff members to a total of 470 permanent employees, an increase of 19% (at 31 March 2007: 394 staff members). Once again, we focused on recruiting junior staff and experienced mortgage consultants.

Interhyp employed an average of 474 permanent staff members in the first quarter. This figure averaged 372 in the comparable prior-year period.

## 3.4 Forecast report

### **Business prospects for 2008**

Based on the flow of orders in the first quarter and the positive moment at the beginning of the second quarter, Interhyp expects an increase in all financial indicators for the second quarter. For all of 2008, Interhyp continues to expect double-digit growth for the financial indicators of mortgage volume, net revenue and EBIT.

### **Changes in forecasts**

No changes were made to the forecasts in the period under review.

## 3.5 Opportunities and risks

The opportunities and risks described in our Annual Report for 2007 remain unchanged. The Annual Report was published on 27 March 2008, and can be downloaded from the Internet at <http://www.interhyp.ag>. Printed copies can be obtained through the free order service provided there.

## 3.6 Other information

### **Significant transactions with related parties**

There were no significant transactions with related parties in the reporting period.

## 4 Interim consolidated financial statements

### Consolidated income statement of Interhyp AG as at 31 March 2008 in EUR

	01.01.-31.03.2008	01.01.-31.03.2007	+/-
Revenues	18,489,261	19,233,051	(4 %)
Cost of services purchased	3,226,834	2,816,453	15 %
<b>Net revenues</b>	<b>15,262,427</b>	<b>16,416,598</b>	(7 %)
Other operating income	0	0	
Personnel expenses	6,508,748	6,222,596	5 %
thereof sales and sales-related	5,480,185	5,342,524	3 %
Other operating expenses	4,772,369	3,710,503	29 %
thereof marketing	2,076,419	1,696,168	22 %
<b>Amortisation and depreciation</b>	<b>481,022</b>	<b>367,903</b>	31 %
<b>Earnings before interest and taxes (EBIT)</b>	<b>3,500,287</b>	<b>6,115,597</b>	(43 %)
Investments in associates	(67,786)	0	
Interest income	551,157	478,475	15 %
Interest expense	3,108	2,640	18 %
<b>Net interest income</b>	<b>548,049</b>	<b>475,835</b>	15 %
Net income before income taxes (EBT)	3,980,550	6,591,432	(40 %)
Income taxes	(1,365,028)	(2,729,956)	(50 %)
<b>Net income</b>	<b>2,615,522</b>	<b>3,861,476</b>	(32 %)
thereof: share of third-party associates	79,550	0	
<b>Net income in regard to associates of the corporation</b>	<b>2,535,972</b>	<b>3,861,476</b>	<b>(34 %)</b>
<b>Earnings per share IAS 33</b>	<b>01.01.-31.03.2008</b>	<b>01.01.-31.03.2007</b>	
Net income in regard to associates of the corporation	2,535,972	3,861,476	
Weighted average of shares outstanding	6,502,194	6,498,350	
<b>Earnings per share (undiluted)</b>	<b>0.39</b>	<b>0.59</b>	
Weighted average of potential shares, adjusted for dilution effects	6,525,682	6,559,487	
<b>Earnings per share (diluted)</b>	<b>0.39</b>	<b>0.59</b>	

**Consolidated balance sheet** of Interhyp AG as at 31 December 2007**Assets**

	per 31.03.2008	per 31.12.2007
<b>Non-current assets</b>		
Intangible assets	659,462	674,359
Fixed assets	3,221,850	3,426,274
Receivables from commissions	390,148	463,392
Other assets	567,043	567,044
Deferred tax assets	185,890	265,069
Investments in associates	521,385	551,964
	<b>5,545,778</b>	<b>5,948,102</b>
<b>Current assets</b>		
Receivables from commissions	10,730,883	18,843,915
Other assets	1,219,834	976,891
Securities	1,573,715	206,577
Deferred tax assets	0	0
Cash and cash equivalents	54,458,225	48,963,312
	<b>67,982,657</b>	<b>68,990,695</b>
<b>Total assets</b>	<b>73,528,435</b>	<b>74,938,797</b>

**Equity and liabilities**

	per 31.03.2008	per 31.12.2007
<b>Shareholders' equity</b>		
Common stock	6,503,750	6,501,250
Additional paid-in capital	28,614,139	28,527,043
Revaluation surplus	0	0
Net accumulated profit	30,110,570	27,574,600
Equity in regard to associates of the corporation	<b>65,228,459</b>	<b>62,602,893</b>
Share of third-party associates	1,508,196	1,428,646
	<b>66,736,655</b>	<b>64,031,539</b>
<b>Long-term liabilities and provisions</b>		
Other provisions	199,610	197,426
Non-current financial liabilities	700	800
Deferred tax liabilities	52,534	56,709
Other liabilities	276,125	317,909
	<b>528,969</b>	<b>572,844</b>
<b>Short-term liabilities and provisions</b>		
Trade accounts payable	2,414,349	2,553,692
Other provisions	144,900	149,600
Tax liabilities	7,300	539,398
Other liabilities	3,696,262	7,091,724
	<b>6,262,811</b>	<b>10,334,414</b>
<b>Total equity and liabilities</b>	<b>73,528,435</b>	<b>74,938,797</b>

**Consolidated cash flow statement of Interhyp AG as at 31 March 2008**

	<b>01.01.–31.03.2008</b>	<b>01.01.–31.03.2007</b>
Consolidated net income	2,535,972	3,861,476
Share of results of third-party associates	79,550	0
Income tax	(1,365,028)	(2,729,956)
<b>Earnings before income tax</b>	<b>3,980,550</b>	<b>6,591,432</b>
Adjustments:		
Amortisation and depreciation of non-current assets	481,022	367,903
Net interest income	(548,049)	(475,836)
Expense from the assessment of investments in associates	67,786	0
Expense from the issuance of convertible bonds and stock options	89,495	105,227
Increase in receivables and other assets	8,022,162	4,132,656
Increase in provisions	(2,515)	4,370
Increase in liabilities	(3,576,589)	(3,224,265)
Income tax paid	(3,178,091)	(1,314,268)
Interest paid	(924)	(869)
Other non-cash items	(2,185)	2,891
<b>Net cash from operating activities</b>	<b>5,332,663</b>	<b>6,189,241</b>
Cash paid for investments in non-current assets	(261,700)	(552,152)
Cash paid for investments in associates	(37,207)	0
Interest received	461,157	461,840
Cash received from disposal of securities	0	10,447,900
<b>Net cash from investing activities</b>	<b>162,250</b>	<b>10,357,588</b>
Changes in cash and cash equivalents	5,494,913	3,648,311
Cash and cash equivalents at the beginning of the period	48,963,312	33,945,470
<b>Cash and cash equivalents at the end of the period</b>	<b>54,458,225</b>	<b>37,593,782</b>

**Shareholders' equity** of Interhyp AG

	Common stock	Additional paid-in capital	Revaluation surplus	Net accumulated profit	Equity in regard to associates of the parent company	Share of other associates	Total
<b>01.01.2007</b>	<b>6,498,350</b>	<b>33,008,021</b>	<b>(2,782)</b>	<b>14,926,265</b>	<b>54,429,854</b>	<b>0</b>	<b>54,429,854</b>
Sum of items recorded directly in shareholders' equity		2,935			2,935		2,935
Group result				3,861,476	3,861,476		3,861,476
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2,935</b>	<b>3,861,476</b>	<b>3,864,411</b>	<b>0</b>	<b>3,864,411</b>
Expense from the issuance of convertible bonds and stock options		105,227			105,227		105,227
<b>31.03.2007</b>	<b>6,498,350</b>	<b>33,113,248</b>	<b>153</b>	<b>18,787,741</b>	<b>58,399,492</b>	<b>0</b>	<b>58,399,492</b>
Sum of items recorded directly in shareholders' equity			(153)		(153)		(153)
Group result				14,211,709	14,211,709	(65,354)	14,146,355
<b>Total</b>	<b>0</b>	<b>0</b>	<b>(153)</b>	<b>14,211,709</b>	<b>14,211,556</b>	<b>(65,354)</b>	<b>14,146,202</b>
Dividends paid				(10,397,360)	(10,397,360)		(10,397,360)
Expense from the issuance of convertible bonds and stock options		267,405			267,405		267,405
Capital paid in by exercise of stock options	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		(4,972,510)		4,972,510			
<b>31.12.2007</b>	<b>6,501,250</b>	<b>28,527,043</b>	<b>0</b>	<b>27,574,600</b>	<b>62,602,893</b>	<b>1,428,646</b>	<b>64,031,539</b>
Group result				2,535,972	2,535,972	79,550	2,615,522
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,535,972</b>	<b>2,535,972</b>	<b>79,550</b>	<b>2,615,522</b>
Expense from the issuance of convertible bonds and stock options		89,495			89,495		89,495
Exercise of convertible bonds	2,500	(2,400)			100		100
<b>31.03.2008</b>	<b>6,503,750</b>	<b>28,614,139</b>	<b>0</b>	<b>30,110,570</b>	<b>65,228,459</b>	<b>1,508,196</b>	<b>66,736,655</b>

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

### **5.1 General information**

The unaudited abridged interim consolidated financial statements for the period from 1 January to 31 March 2008 were released for publication on 28 April 2008, by resolution of the Management Board.

#### **General information**

The abridged interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The provisions of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" were applied. The interim consolidated financial statements at 31 March 2008, are to be read in connection with the consolidated financial statements at 31 December 2007.

#### **Accounting policies**

The accounting, valuation and consolidation policies applied in the interim financial statements at 31 March 2007, are consistent with those at 31 December 2007, with the exception of amended and new standards and interpretations which must be applied for the first time for reporting periods beginning on or after 1 January 2008. Application of the amended and new standards and interpretations, which had to be applied for the first time for reporting periods beginning on or after 1 January 2008, had no impact on the Group's financial position and operating results. The interim consolidated financial statements were prepared in EUR. The income statement was prepared according to the total expenditure format.

#### **New accounting standards**

Application of IFRIC 11, 12 and 14 for the first time in 2008, produced no changes in the interim consolidated financial statements as there were no underlying transactions. The Group did not prematurely apply the following standards issued at 1 January 2008 but not yet effective nor the IFRIC interpretations. Application of the revised IFRS 3 and amended IAS 27 – Presentation of corporate acquisitions and transactions with holdings without controlling influence, IFRS 2 – Vesting conditions and cancellations, – IAS 32 and IAS 1 – Redeemable financial instruments – will presumably not have any significant impact on the Group's net assets, financial position and operating results.

#### **Consolidated companies**

There were no changes in the Group of consolidated companies in the first quarter of 2008.

#### **Estimates and assumptions**

Preparation of the interim financial statements requires that estimates and assumptions 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. Compared to 31 December 2007, no changes have occurred.

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

Due to the nature of the Group's business activity, the Group's net assets, financial position and operating results are not subject to seasonal influences with the exception of the rise in proceeds from super commissions in the course of the year.

### **5.2 Earnings per share**

Earnings per share were calculated in accordance with IAS 33 – Earnings per share. Undiluted earnings per share are calculated on the basis of the Group earnings in relation to associates of the parent company, divided by the average number of outstanding ordinary shares in the period under review. In order to calculate diluted earnings per share, the number of shares must be increased by the potential number of ordinary shares.

The number of shares in circulation rose by 2,500 in the period from 1 January 2008 to 31 March 2008, due to the conversion of convertible bonds. As a result, the weighted average of shares in circulation rose on a pro rata basis. The number of potential ordinary shares changed due to the dilution effect of the employee stock option programme and the conversion of convertible bonds.

### 5.3 Consolidated income statement

#### Revenues

Revenues comprise fees charged to the contractual partners for services rendered in conjunction with normal business activity, less discounts, allowances and cancellation charges.

#### Other operating expenses

Other operating expenses are as described in the table below.

<b>Other operating expenses</b> in thousands of EUR		
	<b>Q1 2008</b>	<b>Q1 2007</b>
Marketing	2,076	1,696
Office and administrative expenses	1,326	1,074
External programming	155	108
Staff hiring costs	260	115
Legal and professional fees	181	304
Other	774	414
<b>Total</b>	<b>4,772</b>	<b>3,711</b>

#### Net interest income

Net interest income in the first quarter was comprised mainly of interest from term deposits.

#### Income tax

Expenses on income tax declined as a result of the 2008 corporate tax reform and lower earnings before tax. As a result, actual taxes came to EUR 1,290 million (comparable prior-year period: EUR 2,754 million) and deferred tax liabilities totalled EUR 0.075 million (comparable prior-year period: expense of EUR 0.024 million).

### 5.4 Consolidated balance sheet

#### Capital expenditure

Capital expenditure in the first three months of the 2008 financial year came to EUR 262 thousand. This corresponds to a decline of 52.6% compared with the comparable prior-year reporting period (EUR 552 thousand). A large part of the expenditure relates to operational and office equipment and IT in recently opened regional offices.

#### **Investments in associated companies**

In the reporting period, investments in associated companies declined by EUR 31 thousand to EUR 521 thousand compared with 31 December 2007. This is due to a capital injection of EUR 37 thousand in the period under review (comparable prior-year period: EUR 0 thousand) to iMakler GmbH and the expense related to the associated company amounting to EUR 68 thousand (comparable prior-year period: EUR 0 thousand). At 31 March 2008, the share of assets including goodwill contained in the valuation of the investment amounted to EUR 546 thousand. The share of debts came to EUR 25 thousand.

#### **Receivables from commission**

Receivables from commission are stated at the original invoice amount less a correction for irrecoverable debts. The decrease compared with 31 December 2007 is mainly due to the payment of volume rebates on the part of our financial partners.

#### **Shares of other shareholders**

The share of the minority shareholder MLP Finanzdienstleistungen AG in the profit of the consolidated company MLP Hyp GmbH totalled EUR 80 thousand (previous year: EUR: 0) in the first quarter.

#### **Treasury shares**

The Company was authorised by the Annual General Meeting of Shareholders on 1 June 2007 to acquire its own shares up to a total of 10% of the capital stock of EUR 6,498,350.00 on the day of the Annual General Meeting of Shareholders until 1 August 2008.

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

Other long-term provisions contain unchanged provisions for restoration costs for rented office premises.

#### **Tax liabilities/assets**

Tax assets refer to assets from current taxes on profits amounting to EUR 1.6 million (as opposed to EUR 0.2 million at 31 December 2007).

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

Other provisions contain a calculated discount for any cancellations of loan agreements already brokered.

Other liabilities contain mostly items for outstanding invoices, sales commission for employees, special bonuses for sub-brokers and amounts for unused holiday entitlement.

### **5.5 Consolidated cash flow statement**

Net cash from ongoing business activities came to EUR 5.3 million (comparable prior-year period: EUR 6.2 million).

Net cash from investment activities (EUR 0.2 million, comparable prior-year period: EUR 10.4 million) in the previous year mainly reflected repayments from maturing covered bonds.

### **5.6 Segment reporting**

Financial statement data are broken down according to business segment since the risks and return on equity of the Group are influenced by differences in services. The business segments are organised and managed independently from each other according to the nature of services offered. The two main business segments of the Interhyp Group are the Direct Channel and the Intermediary Channel.

**Segment reporting in EUR**

	<b>Direct Channel 31.03.2008</b>	<b>Intermediary Channel 31.03.2008</b>	<b>Group 31.03.2008</b>
Revenues	10,531,509	7,957,751	18,489,261
Net revenues	10,531,509	4,730,917	15,262,427
Earnings before tax and interest	1,660,913	1,839,373	3,500,287

	<b>Direct Channel 31.03.2007</b>	<b>Intermediary Channel 31.03.2007</b>	<b>Group 31.03.2007</b>
Revenues	12,730,029	6,503,022	19,233,051
Net revenues	12,730,029	3,686,569	16,416,598
Earnings before tax and interest	4,402,921	1,712,675	6,115,597

**5.7 Further disclosures****Treasury shares and subscription rights of members of executive boards and employees**

From 1 January to 31 March 2008, an expense according to IFRS arose from the employee share programme amounting to EUR 59,000 (comparable prior-year period: EUR 57 thousand).

Personnel expenses of EUR 30 thousand in accordance with IFRS resulted from the issuing of convertible bonds to employees from 1 January to March 31 2008 (comparable prior-year period: EUR 48 thousand).

No options were issued or converted in the period from 1 January to 31 March 2008 (comparable prior-year period: none). In the first quarter of 2008, 50 convertible bonds were converted into 2,500 shares of the Company (none in the comparable prior-year period).

**Major changes in risks**

No major changes in risks occurred in the period from 1 January to 31 March 2008, compared with the risks described in the consolidated financial statements at 31 December 2007.

**Dividends**

In the reporting period, dividends for 2007 amounting to EUR 26.7 million (EUR 4.10 EUR per share) were proposed for approval (previous year: EUR 10.4 million or EUR 1.60 per share).

**Supervisory Board**

There were no changes in the composition of the Supervisory Board in the period under review.

**Transactions with related parties**

No changes occurred at 31 December 2007.

**Significant events after the balance sheet date**

No significant changes have occurred since the balance sheet date.

## 6 **Contacts and financial 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

#### **Company calendar**

<b>Event</b>	<b>Date</b>
Annual General Meeting	4 June 2008
Results of the first half 2008	7 August 2008
Results of third quarter 2008	10 November 2008

#### **Your contact person:**

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