Annual Report 2006

06

Hahn
Group

Key Figures Hahn Group

Hahn Group	Data in thousand Euro	2006	2005
Sales		127,850	263,034
EBITD		8,508	11,131
EBIT		8,293	10,062
EBT		6,251	2,641
Net annual profit		4,118	1,048
Cash flow from operating activities		4,597	9,848
Equity ratio	in %	40.0	10.0
Employees	headcount	55	55

Share		2006	
Number of shares		12,000,000	
Share price on December 31	in Euro	10.49	
Earnings per share	in Euro	0.40	
Market capitalization on December 31	in mill. Euro	125.88	

Trading segment	Data in thousand Euro	2006	2005
Sales		121,728	258,573
EBITD		8,353	11,123
EBIT		8,138	11,085
Assets		55,366	91,317

Management segment	Data in thousand Euro	2006	2005
Sales		6,010	4,259
EBITD		2,407	1,830
EBIT		2,407	1,678
Annual rental volume under management		133,665	122,594
Total space under management	in m²	1,366,000	1,328,000

Investment segment	Date in thousand Euro	2006	2005
Sales		253	430
EBITD		541	335
EBIT		226	– 544
Assets		19.967	15.198

Company Profile

For the past 25 years the Hahn Group has specialized in large-scale retail real estate. With a rental space of 1.4 million m^2 under management spread out over 150 locations and a total volume of investments of around Euro 2 bn, the Hahn Group ranks as one of Germany's market leaders for the asset management of large-scale retail real estate. With its management services to private and institutional investors the Group taps all sources of revenues and potentials for value increase connected with real estates and additionally acts as investor.

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Letter to the Shareholders

Dear Shareholders,
Dear friends and partners of our Group,

Together we can look back on a successful fiscal year 2006, which was not only marked by a positive course of business and the consistent further development of our Group as asset manager and co-investor for large-scale retail properties in Germany, but also, and particularly, by the IPO of HAHN-Immobilien-Beteiligungs AG in the month of October.

Accordingly, one of the highlights of the completed fiscal year was the admittance of the listing of our Group in the regulated market (General Standard) at the Frankfurt Stock Exchange on October 30, 2006. The placement of two million new bearer shares was made in a difficult scenario. During this period several large property companies went public, and a great part of the investors' interest already focused on these companies. The initial offering price for our share was quoted at Euro 10.00, in our opinion, a conservative evaluation of HAHN-Immobilien-Beteiligungs AG.

During the course of fiscal year 2006 the business with institutional investors and our position as co-investor enjoyed a positive development. The Hahn group was able to integrate ten new objects with a total volume of Euro 166 mill. into the mutual portfolios held together with the institutional customers MEAG and Capital & Regional. As scheduled, we launched four property funds in the private investor segment. In 2006, investments in properties totaled around Euro 250 mill. We were thus able to further expand our assets under management, which form the basis for stable proceeds from the Management segment.

Another significant milestone was the foundation of the HAHN Asset Management GmbH. The separation of assets management from the HAHN Immobilien Service GmbH emphasizes, also from the point of view of organization, that the continuous portfolio analysis and measures for the long-term value-maintenance and appreciation of the property, apart from the commercial, technical and infrastructural management, represents a fundamental activity of the company in the Management segment.

We are satisfied with the development of turnover and profit in the Group. Following the scheduled adjustment of our trading portfolio in 2005, sales returned to Euro 127.85 mill. Turnover and proceeds generated by the management of real estate increased considerably. Asset, property as well as fund management equally contributed to this increase. We were able to noticeably strengthen our co-investor function as well. Already in the preceding year our proceeds from property investments benefited from a portfolio shake-out. These are significant steps along the way to a lasting strength in the earnings power of the Hahn Group.

We have almost quadrupled the Group's net profit for the year, from Euro 1.05 mill. to Euro 4.12 mill., owing in particular to a noticeably improved financial result. The result per share with respect to the weighted average of the shares issued amounts to Euro 0.40.

Bernhard Schoofs (CEO) Norbert Kuhn

Owing to the good earnings development in the Hahn Group, we will be able to distribute a dividend to our shareholders. Management Board and Supervisory Board will mutually propose to distribute a dividend of Euro 0.12 per share for the fiscal year 2006, at the shareholders' Meeting in June 2007.

The Hahn Group focuses on a special real estate segment, for which we unite an extensive market and property know-how all in one hand. We bring together retail property tenants and investors / owners who are active on the capital market. At the same time, we participate as co-investor. By exercising all functions of a specialized real estate company we participate extensively in the value-added chain created by large-scale retail properties during their entire life cycle – from the acquisition over the own portfolio management, the asset, property and fund management up to their disposal.

The earnings thus achieved stem from the segments Trading, Management and Investment, showing a balanced chance-risk-profile in their entirety. This positioning and the strict observance of the highest quality criteria sustain our business model, linked with 25 years of market experience.

The clearly focused corporate strategy is fundamental for a further growth of HAHN-Immobilien-Beteiligungs AG. With a good capital base – strengthened by the IPO – we will be able to use future market chances even more actively. The scheduled extension of the property investments will include an expansion into other European countries. We are expecting the first acquisition in this area during the second half-year. In addition we intend to expand the property assets in the Investment segment. Apart from an increase of rental revenues, new sources of income will be opened up on a long term also for the Management segment by these plans.

Without the long-standing experience and the extensive professional know-how, the high commitment and identification of our employees with our Group, the positive development of the past would not have been possible. We would like to thank you all for this.

Dear shareholders, please be assured of our gratitude for the confidence you placed in our traditional, albeit only recently listed, company. We would be grateful if you stayed with us on our way into the future.

Yours sincerely,

Bernhard Schoofs
Chairman of the Management Board

Norbert Kuhn
Management Board

Report of the Supervisory Board

The fiscal year 2006 was a very successful one for the HAHN-Immobilien-Beteiligungs AG. It was highlighted by the initial listing of the shares at the Frankfurt Stock Exchange (General Standard). The Supervisory Board as well as the management board intensively accompanied the IPO, and performed the advisory and controlling duties required by law and the articles of incorporation. The Supervisory Board granted its unconditional approval to the Management Board's resolution of October 20, 2006. With this resolution the management board exercised its authorization to stipulate the details of the cash capital increase and its execution; the board was so authorized by the extraordinary Shareholders' Meeting of August 17, 2006. The Supervisory Board resolved an amendment of the articles of incorporation with respect to an increase of the share capital of Euro 12 mill.

During the period under review, the management board extensively informed the Supervisory Board about the business development, the economic situation of the Group and each of its business segments, as well as about the financial and investment plans. In addition, the chairman of the Supervisory Board was kept informed about any material developments and current decisions on a continuous basis during individual conversations with members of the management board. Apart from the preparation and execution of the IPO, the most significant subject was the foundation of the Asset Management GmbH as further subsidiary, whose field of duties had previously been performed by the HAHN Immobilien Service GmbH.

Furthermore, the Supervisory Board is informed that the spouses Andrea and Michael Hahn often participate in property funds initiated by the Hahn Group. Purchases and sales of shares correspond to the purchase prices also agreed upon with third parties. Other remunerations for personal performances of the members of the Supervisory Board are mentioned in the Corporate Governance report.

Meetings and attendance by the Supervisory Board
In the completed fiscal year, the Supervisory Board met five times to discuss the current situation of the company. In addition a telephone conference took place in order to pass a resolution prior to the IPO, and three resolutions were passed in writing. All members, except one (who was excused), of the Supervisory Board attended all the meetings.
The Supervisory Board did not establish any committees. This was waived on account of the size of the company.

Adoption of the financial statements and approval of the group's financial statements and report concerning relations with affiliated companies
The financial statements as of December 31, 2006 as presented by the management board, and the consolidated financial statements of HAHN-Immobilien-Beteiligungs AG as set up according to international financial reporting standards (IFRS), and its consolidated management report for the fiscal year 2006 were audited by and bear the unresitricted opinion of Wirtschaftsprüfungsgesellschaft Dr. Breidenbach, Dr. Güldenagel & Partner KG, Wuppertal.

In its meeting on March 29, 2007, the Supervisory Board discussed and examined in detail the financial statements and the consolidated financial statements, the management report and the consolidated management report of HAHN-Immobilien-Beteiligungs AG as of December 31, 2006, as well as the proposal for the appropriation of profits. The auditors attended the meeting of the Supervisory Board, during which the latter deliberated the financial statements and the consolidated financial statements. At this occasion they reported on essential results of their audit. The audit focused in particular on the definition of the consolidated group, final consolidation of fund management companies, verification of deferred taxes, decline in value of assets, as well as the verification of equity capital. The Supervisory Board has taken note of and concurs with the reports of the auditors. There were no objections on the part of the Supervisory Board. The Supervisory Board has approved the financial statements as set up by the management board, the consolidated financial statements and the management report of HAHN-Immobilien-Beteiligungs AG; the financial statements and the consolidated financial statements as of December 31, 2006 are hereby adopted.

Auditors' opinion on the report concerning relations with affiliated companies 2006

The auditors, Wirtschaftsprüfungsgesellschaft Dr. Breidenbach, Dr. Güldenagel & Partner KG, Wuppertal, also audited the report concerning relations with affiliated companies as set up by the management board according to section 312 AktG (Aktiengesetz – Corporation Law). The result of the audit bears the following audit opinion:

"As a result of our audit we hereby grant the report concerning relations with affiliated companies for 2006, as set up by the management board of HAHN-Immobilien-Beteiligungs AG according to section 312 AktG, the following audit opinion: Based on our audit in accordance with our professional duties and judgment we confirm that

1. the actual statements in the report are correct,
2. the company's performance under the legal transactions listed in the report was not unduly high, or that no disadvantages were compensated, considering the circumstances known at the time of their performance,
3. with respect of the measures listed in the report no circumstances speak for an evaluation substantially different from that of the management board."

Wuppertal, March 12, 2007
Dr. Breidenbach, Dr. Güldenagel und Partner KG
Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Dr. Wollenhaupt	ppa. Eisenberg
Wirtschaftsprüfer (auditor)	Wirtschaftsprüfer (auditor)

The Supervisory Board as well has examined the report of the management board concerning relations to affiliated companies. There were no objections against the final statement of the management board and the result of the examination by the auditors.

Corporate Governance

The Board of Management and Supervisory Board of HAHN-Immobilien-Beteiligungs AG issued their first joint declaration in September 2006 regarding compliance with the recommendations of the "German government commission for a Corporate Governance Code", in their latest valid version of June 12, 2006. This declaration of conformity is subject to one exemption, namely the formation of committees, and has been made permanently available for shareholders on the company's website. The Board of Management and Supervisory Board's actions have also been in compliance with this declaration until the end of the financial year under review.

Changes in the governing boards

The following changes occurred in the Supervisory Board's composition during the year under review:
On August 17, 2006 the Shareholders' Meeting appointed Mr. Robert Löer as new Supervisory Board member. The term as Supervisory Board members of Messrs. Dr. Fritz Reimnitz, Ludwig Stoffel and Dr. Bernd Wassermann ended with the close of the Shareholders' Meeting on September 21, 2006. Dr. Fritz Reimnitz was re-elected by Shareholders' Meeting, Messrs. Dr. Eckart John von Freyend and Dr. Reinhard Frhr. von Dalwigk were elected and accepted as new members of the Supervisory Board. Following the Supervisory Board's constitutive resolution on September 27, 2006, Dr. Fritz Reimnitz took over as Chairman of the Supervisory Board, Dr. Eckart John von Freyend as deputy Chairman.

The election by the Shareholders' Meeting of Mr. Michael Hahn as Supervisory Board member on September 21, 2006 became effective with his resignation as Chairman of the Board of Management of HAHN-Immobilien-Beteiligungs AG on November 28, 2006. Dr. Fritz Reimnitz resigned his membership on the Supervisory Board at the end of the Supervisory Board meeting in November 28, 2006. Following his resignation Mr. Michael Hahn was elected as new Supervisory Board chairman.

Michael Hahn (Chairman of the Supervisory Board)

Dr. Eckart John von Freyend was confirmed as deputy chairman.
We wish to express our gratitude to Messrs. Dr. Fritz Reimnitz, Ludwig Stoffel and Dr. Bernd Wassermann for the long and constructive cooperation.

The following personnel changes occurred in the Board of Management during financial year 2006:
Mr. Norbert Kuhn was appointed member of the Board of Management effective October 1, 2006. Following Mr. Michael Hahn's resignation from the Board on November 28, 2006, Mr. Bernhard Schoofs, member of the company's Board of Management since 2002, was appointed new chairman of the Board of Management.

Mr. Bernhard Schoofs owns 100,000 shares and HAHN-Holding GmbH holds a total of 9,430,800 shares. With the exception of 497,500 shares held by the latter, both of the aforementioned have given an undertaking to Concord Effekten AG that they will not sell these shares staggered over time for a period of 24 months as of the first quotation on the stock exchange of the 'regulated market / General Standard' of the Frankfurt stock exchange, October 30, 2006. This undertaking also covers future shares which the Board of Management members will acquire as part of the total of 425,000 stock option rights granted by HAHN-Holding GmbH. The Management Report contains further details hereto. This lock-up commitment was made prior to the initial listing, in order to demonstrate to the circle of shareholders that the IPO was intended to raise capital and not to sell shares of former shareholders.

The Supervisory Board wishes to express its gratitude to the Board of Management and all employees for their dedicated performance and achievements in the last financial year 2006.

Bergisch Gladbach, March 30, 2007
Supervisory Board

Michael Hahn
Chairman

Corporate Governance Report

Already prior to the initial listing on the Frankfurt stock exchange, the Board of Management and Supervisory Board of HAHN-Immobilien-Beteiligungs AG dealt with the subject of compliance with the German Corporate Governance Code, issued in 2002 and last amended in June 2006. The corresponding declaration is printed at the end of this annual report and is also published on the company's website. It will be updated in the case of changes or amendments.

Board of Management
The Board of Management runs the company at its own responsibility in compliance with the laws, the provisions under the articles of incorporation, the by-laws of the Board of Management as well as in due consideration of the decisions taken by the Shareholders' Meeting and the Supervisory Board. The Board of Management currently comprises two members, Mr. Bernhard Schoofs acting as the chairman of the Board of Management and Mr. Norbert Kuhn.

Supervisory Board
In accordance with legal stipulations and its byelaws, the Supervisory Board monitors and consults the Board of Management in its corporate management duties. The by-laws of the Board of Management furthermore define which of the business transactions undertaken by the Board of Management require the approval of the Supervisory Board.

The Supervisory Board currently comprises four members:
Michael Hahn (Chairman of the Supervisory Board)
Dr. Eckart John von Freyend (Deputy chairman of the Supervisory Board)
Dr. Reinhard Frhr. von Dalwigk
Robert Löer

The report of the Supervisory Board on page 7 provides further information regarding the changes that occurred on the Board of Management and Supervisory Board.

Remuneration Report

Remuneration of the Board of Management
The remuneration system of the current Board of Management consists of a fixed annual salary and a performance-related bonus that is granted subject to a defined profit being achieved in each financial year. This profit target is defined by the Board of Management and the Chairman of the Supervisory Board at the end of the preceding financial year. For the financial year 2006 it was fixed for the first time in September 2006. Falling below and / or exceeding the targeted results will reduce and / or increase the bonus payments accordingly at a percentage ratio. The increase is capped at a maximum of a twofold bonus.

Non-performance-related remuneration components are the fixed salary and incidental benefits, which essentially comprises the use of a company car. Further benefits following termination of the employment contract are not otherwise provided for. There are no financial liabilities for pension or annuities either.
In the wake of Michael Hahn's switch from the Board of Management to the Supervisory Board, the fixed remuneration for the entire Board of Management totaled Euro 940 thousand in 2006. Of these, Euro 690 thousand was for non-performance-related components and Euro 250 thousand for bonuses under the profit sharing plan. The company did not grant any stock option rights under stock option programs.

Remunerations are as follows:

Earnings of the Board of Management (Data in thousand Euro)	2006 fixed earnings	profit-sharing bonus	Total
Michael Hahn (to November 28, 2006)	405	–	405
Bernhard Schoofs	226	280	506
Norbert Kuhn (from October 1, 2006)	59	120	179
Total	**690**	**400**	**1.090**

Supervisory Board remuneration

The remuneration for the Supervisory Board is currently based on Sec. 11 of the Articles of Incorporation of HAHN-Immobilien-Beteiligungs AG, resolved by the shareholders meeting on August 17, 2006. According to these articles the members of the Supervisory Board receive a fixed annual remuneration of Euro 40 thousand, payable after the end of the respective financial year. Further to this, the members of the Supervisory Board receive a variable remuneration of Euro 1 thousand for each percentage point, by which the dividend paid out to the shareholders for the preceding financial year, exceeds five percent of the capital stock entitled to a dividend. The chairman of the Supervisory Board receives three times, his deputy, one-and-a-half times the fixed and variable remuneration. In addition, the company reimburses expenses reasonably incurred by the Supervisory Board members. No pension commitments have been made to any member of the Supervisory Board or their relatives.

The total remuneration for the Supervisory Board was Euro 73 thousand in financial year 2006 and was divided up between the individual members as follows:

Remuneration of the Supervisory Board (Data in thousand Euro)	2006 fixed remuneration
Michael Hahn (from November 28, 2006)	10
Dr. Eckart John von Freyend (from September 21, 2006)	15
Dr. Reinhard Frhr. von Dalwigk (from September 21, 2006)	10
Robert Löer (from August 8, 2006)	13
Dr. Fritz Reimnitz (to November 28, 2006)	14
Ludwig Stoffel (to September 21, 2006)	5
Dr. Bernd Wassermann (to September 21, 2006)	5
Total	**73**

ABB Treuhand GmbH Wirtschaftsprüfungsgesellschaft as well as the law firm Dr. Reimnitz & Partner, in both of which Dr. Fritz Reimnitz has a share, were awarded legal and tax consultancy services over Euro 77,340 in the year under review. The legal firm and tax consultancy Rotthege Wassermann & Partner (RWP), in which Dr. Wassermann holds a share, received a total of Euro 255,678 for corresponding services provided in the financial year under review. The Aderholt v. Dalwigk Knüppel Rechtsanwaltsgesellschaft GmbH in which Dr. Reinhard Frhr. von Dalwigk holds a share receeived Euro 71,080 prior to the IPO and his membership in the supervisory board. The co-partner of HAHN-Holding GmbH, Mr. Michael Hahn, received commissions of Euro 64,000 for the personal assumption of guarantees.

Shares Ownership

Shares of Board of Management members

As of December 31, 2006 the Board of Management held 100,000 shares, which is less than 1 percent of the capital stock of HAHN-Immobilien-Beteiligungs AG. In addition, the Board of Management holds stock option rights for the acquisition of up to 425,000 shares.

Shares of the Supervisory Board

As of December 31, 2006 the Supervisory Board held 9,436,300 shares, which is more than 78 percent of the capital stock of HAHN-Immobilien-Beteiligungs AG.

The chairman of the Supervisory Board, Mr. Michael Hahn, holds a share of approximately 79 percent in HAHN-Holding GmbH, which held 78.59 percent of shares (= 9,430,800 shares) in HAHN-Immobilien-Beteiligungs AG as of reporting date, December 31, 2006.

No Directors' Dealings were registered in financial year 2006 after the initial listing.

Declaration of Conformity

In September 2006, the Board of Management and the Supervisory Board decided to make the following declaration of conformity pursuant to Sec. 161 of the (German) Stock Corporation Act:

"Declaration of Conformity by the Board of Management and the Supervisory Board of HAHN-Immobilien-Beteiligungs AG regarding the recommendations of the ‚German Corporate Governance Code' in the version of June 12, 2006 pursuant to Sec. 161 of the (German) Stock Corporation Act

The Board of Management and the Supervisory Board of HAHN-Immobilien-Beteiligungs AG declare in compliance with Sec.161 of the (German) Stock Corporation Act:

The independent commission appointed by the German federal government presented the German Corporate Governance Code for the first time on February 26, 2002. This code defines a responsible management and control of companies focused on value creation. This comprises, above all, the efficient cooperation between the Board of Management and the Supervisory Board, the transparency of business transactions and events, a performance-related remuneration systems as well as consideration on the shareholder's interests. The Management and Supervisory Boards of exchange-listed companies are obligated to declare once every year whether or not the code was complied with and which recommendations of the code were or are not applied. The German Corporate Governance Code was updated in May 2003, June 2005 and June 2006.

The HAHN-Immobilien-Beteiligungs AG welcomes the principles defined by the government commission 'German Corporate Governance Code'. The efficient cooperation between the Board of Management and the Supervisory Board, clear rules and regulations, the consideration on the shareholder's interests as well as transparency in the company's communication are key aspects of good Corporate Governance. HAHN-Immobilien-Beteiligungs AG started in financial year 2002 to follow the guidelines under Sec. 161 of the (German) Stock Corporation Act. The company understands Corporate Governance to be a process that is continuously developed further and improved.

As a non-exchange listed company, HAHN-Immobilien-Beteiligungs AG has so far not been obligated to issue a declaration of conformity with the code. In future the declaration of Conformity with the German Corporate Governance Code pursuant to Sec. 161 of the (German) Stock Corporation Act will be made available to shareholders on a permanent basis.

The recommendations on company management and supervision made by the government commission 'German Corporate Governance Code' on June 12, 2006, and which were published in the electronic Federal Gazette, will be complied with in future subject to the following exception:

"Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise, especially an Audit Committee (item 5.3.1 and 5.3.2). Given the size of the company, no committees have been established."

The Share

IPO in a difficult environment

The IPO of HAHN-Immobilien-Beteiligungs AG took place in a comparatively difficult environment. In fall, a generally friendly German stock market (DAX: up 22 percent in 2006) was forced to cope with a relative high number of IPOs – including numerous capital measures of real estate companies. Owing to the accumulation the investors' interests focused on the larger-sized fresh issues. IPOs with a comparatively low volume, like the Hahn group, were thus confronted with a reduced receptiveness of the market.

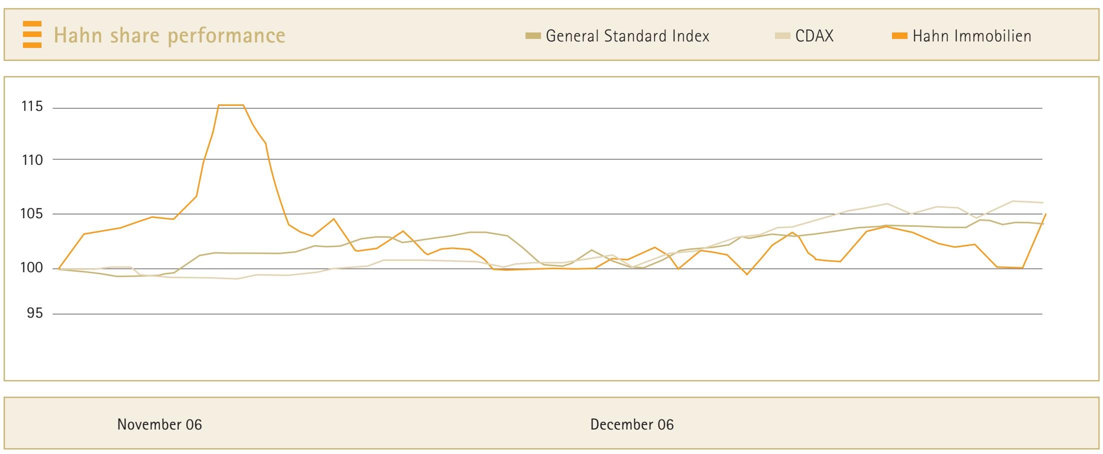
The initial offering price of Euro 10.00 of the Hahn share, determined by the book-building method, found itself at the lower end of the price spread, from Euro 10.00 to Euro 13.00. We placed a reduced volume of 2 mill. new bearer shares of HAHN-Immobilien-Beteiligungs AG. All shares stemmed from a capital increase; no existing stocks were sold. This issue generated an inflow of proceeds of Euro 20 mill. After allowing for the immediate transaction costs, the remaining net issue proceeds amount to Euro 18.8 mill. These funds are to strengthen the equity capital and secure the financing of further growth. The listing was admitted in the regulated market (General Standard) at the Frankfurt Stock Exchange on October 30, 2006, at an initial offering price of Euro 10.20.

Markup of 4.9 percent

Our share enjoyed a positive development in the first few months following the IPO. The peak rate based on the closing price was quoted at Euro 11.50 on November 7, 2006. Only at one occasion the share closed below its initial offering price. This all-time low of Euro 9.95 was hit on December 8. At year-end 2006 the price of the share was quoted at Euro 10.49. Compared to the initial offering price this is a plus of Euro 0.49 or 4.9 percent. Thus, our share showed a better development than the comparative index General Standard, which rose a mere 3.9 percent. At the end of the fiscal year 2006, the market capitalization of the Hahn AG increased by approx. Euro 6 mill. as against the initial offering price, to around Euro 126 mill.

Dividend

The management board and the Supervisory Board will propose a dividend of Euro 0.12 per share to the Shareholders' Meeting. The amount to be distributed totals Euro 1.44 mill.; with respect to the group profit this corresponds to a dividend rate of 35.0 percent. The shares generated by the capital increase are fully entitled to dividend payments. The net dividend yield for the entire year amounts to 1.1 percent. No dividends were distributed in the years 2003 to 2005.



For the coming years as well, the Hahn group is striving at a balanced dividend policy, which will take into consideration both the shareholders' interests and the general situation of the company. Possible future dividend payments are therefore predominantly dependent on the general state of the business, the earnings situation as well as the financial and fiscal condition of the enterprise.

Shareholders' structure – free float of stock with a high share of foreign investors
Owing to the capital increase, the shareholders' profile has changed significantly. The share of new investors in the group amounts to approx. 16.7 percent or 2 mill. shares. The Hahn share was predominantly subscribed by institutional investors. The allocated share for private investors was below 5 percent. The IPO was marketed in the German-speaking area as well as at the financial centers London and Amsterdam. This is reflected by the shareholders' structure. The comparative high interest from abroad (approx. 59 percent of the subscribers) explains itself by the long-standing tradition and greater significance enjoyed by property shares as Investment segment in foreign countries.

Capital market communication
With the IPO in October investor relations work of the Hahn group recommenced. Valuable contacts were established to institutional investors at the occasion of the IPO road shows in Frankfurt, Vienna, Amsterdam and London. Many of these are specialists in the real estate industry.

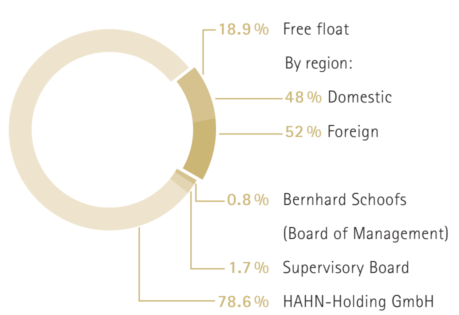
Henceforth, these contacts are to be deepened. Moreover, our IR communication will, in future, particularly focus on making our business purpose accessible for a wider group of investors, and in strengthening the particularities of our group – also within the real estate business.

Apart from investor road shows and the continuous participation in capital market conferences, we plan to address the group of private investors more intensively by expanding our Internet presentation in 2007. It is our aim to increase the attractiveness of our share and to expand the shareholder basis by transparency and active communication.

Key figures 12/31/2006

Price at end of year	in Euro	10.49
Annual high	in Euro	11.67
Annual low	in Euro	9.95
Number of shares		12,000,000
Market capitalization	in mill. Euro	125.88
Earnings per share	in Euro	0.40
First listing		on October 30, 2006
WKN		600 670
ISIN		DE0006006703
Segment		General Standard
Main trading platform		XETRA
Further stock exchanges		Berlin-Bremen, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart

Shareholder structure in percent



Strategy

The Hahn Group – Manager and Co-Investor in Large-Scale Retail Real Estate

The specialist – Focus on one property segment

In more than 25 years the Hahn Group has developed to become the asset manager and co-investor of large-scale retail real estate in Germany.

The specific retail properties managed by Hahn are, in particular, superstores, hypermarkets, DIY stores and shopping centers. The following table shows the different types of stores in the retail trade, their product mix and other specifications, as well as the focus of activity of the Hahn Group.

Hahn Focus

Large-scale retail properties	Retail space in m²	Sales focus	Location
Superstores	1,500 – 5,000	Food, Non-Food	Accessible by car, Inner city
Hypermarkets	> 5,000	Food, Non-Food	Accessible by car, Inner city
DIY stores	> 8,000	Non-Food	Accessible by car
Shopping centers	> 10,000	Food, Non-Food	Accessible by car, Inner city

Accessible by car · Inner city · Food · Non-Food

The Hahn Group manages such retail properties with a total sales space of approx. 1.4 million m² and an investment volume of about Euro 2 bn at around 150 different locations in Germany. Investments for each location averaged around Euro 12 to 14 mill., exceeding Euro 50 mill. in the individual case.

Whereas the large German office properties are located in the metropolis, the smaller and medium-sized towns and cities have proved to be attractive investment locations for large-scale retail properties. Consumer demand is not dependent on the size of the city, but on the catchment area. In cities of manageable sizes the individual trading area with its buying power potential and the competitive situation can be defined more effectively and analyzed better.

Particularly in the smaller and medium-sized cities and towns the objects offer a specific competitive advantage. While the given locations are protected by legal provisions, new shopping malls and specialized markets may only be erected on designated premises outside the city centers, due to legal building regulations, particularly the German zoning regulations. Such authorizations are handled quite restrictive, all the more so when neighboring communities have to approve a respective development plan; this is often the case.

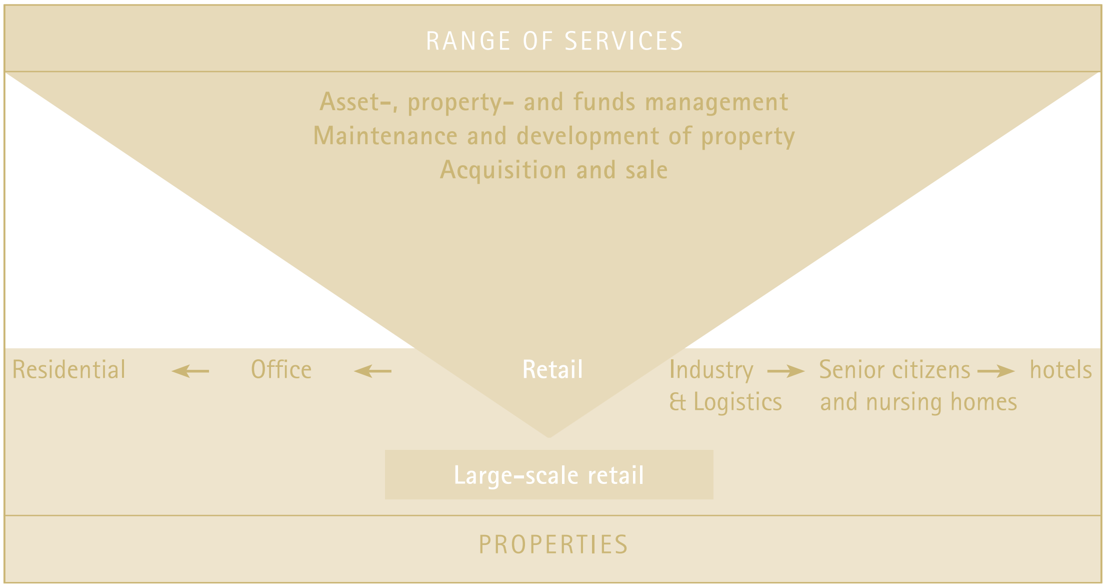
The entire market and property know-how all in one hand

The clear positioning of the Hahn Group consists, on the one hand, of the strict focus on one single property segment, on the other hand, in the in-house bundling of the entire market and property know-how required.

The Hahn Group offers a wide range of services in the **property economy**:

- Location, market and object analysis
  - Micro and macro location
  - Target group analysis
  - Analysis of operator
  - Market development analysis
- Planning and coordination of construction measures
- Acquisition of properties and buildings as well as of property companies
- Property portfolio management
- Object management (commercial, technical, infrastructural)
- Brokerage of properties
- Fund concepts
- Raising of own capital
- Raising of borrowed capital
- Fund management
- Portfolio development, revitalization and new positioning
  - Optimization of location
  - New user structure
  - New area structure
  - Bundling of attractive sales spaces for whole-sale tenants and multiple shops
  - Rental concepts and their implementation
- Sale of properties

Hahn – specialist with a broad basis



Strict focus on one property segment with a broad range of services around real estate management.

Interface of the property, retail and capital market

Owing to the clear focus on the market segment of large-scale retail properties and the bundling of the entire specific market and property know-how within the own company, the Hahn Group has not only established itself as an accepted and independent asset manager in this segment of the property market, it has, at the same time, developed to become an authority in the retail market and – due to its fund activities – of this segment of the capital market. The co-investors in a property who belong to the retail and capital market, are brought together by Hahn in such a way that tenants on the one hand and investors on the other hand are won as owners for large-scale retail properties.

The major tenants who claim the largest share of the sales space by far through long-term tenant agreements, are normally retail trade groups of good credit standing or their affiliates. These tenants achieve the largest turnover with foodstuffs and other consumer goods; in particular the self-service stores, large supermarkets and price-oriented specialized markets contribute to the growth of turnover.

The demand for essential goods runs quite consistently and is, for that matter, hardly subject to economic fluctuations. These circumstances and the fact that locations / properties for large-scale retail trade tend to be in short supply, lead to a comparatively stable demand for such sales spaces; the abandonment of a location is rather seldom as it would amount to a retreat from the region.

The Hahn Group is the system partner for the retailers and the German private investors as well as for international institutional investors, who participate in the general funds and / or private placements conceived and marketed by the Group, or within the scope of co-investments. Up to the end of 2006 the Hahn Group has financed more than 140 objects through general funds and private placements.

The Hahn Group itself invests in large-scale retail property and participates as co-investor in its own established funds. The group does not only act as manager, but also as investor, and thus creates a high congruence of interests. The attractiveness of this property segment created by the limited number of locations and properties, the long-term tenant agreements and the good credit standing of the tenants is further increased by the fact that the return on property for retail properties is currently higher than in other segments.

Hahn – Interface between the retail property market and capital markets

Tenants	Large-scale retail	Investors / Owners
Metro Marktkauf REWE Tengelmann Kaufland Edeka OBI Bauhaus Hornbach	Superstores Hypermarkets DYI stores Shopping centers	Private investors through general funds Institutional investors / Special funds Hahn Group as Co-Investor

The Hahn Group brings together all retailers and capital market participants holding a stake in the property.

The business model

The business model of the Hahn Group is geared to participating extensively in the value added created by the large-scale retail properties during their entire life cycle, from their acquisition over the asset, portfolio and fund management, the own asset management and portfolio development of the objects – up to their disposal.

The value of the given retail objects and / or locations still exists at the end of their useful lives, because the portfolio development, revitalization and new positioning of the entire location experiences great significance on account of the specific building laws. The further constructional development generally goes in line with the reorganization of the users / tenants, sales space and owner structure. The life cycle of the property and the value added cycle start from the beginning again.

This wide and long-term participation in the value added chain is given because the Hahn Group covers all the necessary entrepreneurial functions, and is thus particularly qualified to not only manage its own portfolio, but also to act for international institutional investors as comprehensive asset manager. These investors, who are often pure financial investors, usually lack the property know-how or the knowledge of the local markets. Moreover, the – strongly property-based – activities and the management of the property funds generate synergies that have positive effects for both the investor and the Group.

The activities of the Hahn Group are structured in accordance with their chance–risk–profile into three segments; Management, Investment and Trading. The Management segment obtains current and non-recurring fees and commissions, the investments generate current income from rents and non-recurring income from investments, while the Trading segment generates brokerages and sales proceeds. The proceeds achieved during the entire value-added cycle from various sources and their allocation to the three segments is shown in the chart below.

Hahn – Value-added chain and earnings

Value addition throughout the entire life cycle of the property	Retail properties		Earnings		Segment earnings
	private and institutional investors	own property	one-time	continu-ous	
Site analysis	□		□		Management
Acquisition	□		□		Management
Planning and coordination of construction measures		□			
Renting	□			□	Management
Maintain in own portfolio		□		□	Investment
Property Management (commercial / technical / infrastructural)	□			□	Management
Brokerage of properties	□		□		Trading
Acquire equity capital	□		□		Trading
Acquire loan capital	□		□		Trading
Fund management / services	□			□	Management / Trading
Property development / revitalization	□		□		Management
Sale			□		Trading

The Hahn Group participates throughout the entire value-added chain and generates management-, investment- and trading revenues.

Trading: One-time brokerage fees and one-time sales revenues **Investment:** Continuous revenues from rent and equity investments

Management: One-time and continuous fees and commissions

The Property Portfolio of the Hahn Group

At the end of 2006 we managed retail properties at more than 150 different locations in Germany; these had a rental space of 1.4 million m² and an investment volume of around Euro 2 bn. The sales spaces were let to approx. 640 different tenants at an annual rent of Euro 133.7 mill.; the vacancy quota was a mere 4.4 percent. The properties are owned by more than 150 fund managing companies, with the participation of 2,445 private and institutional investors as well as our Group as co-investors. These performance data substantiate our leadership in the market as manager of large-scale retail properties in Germany.

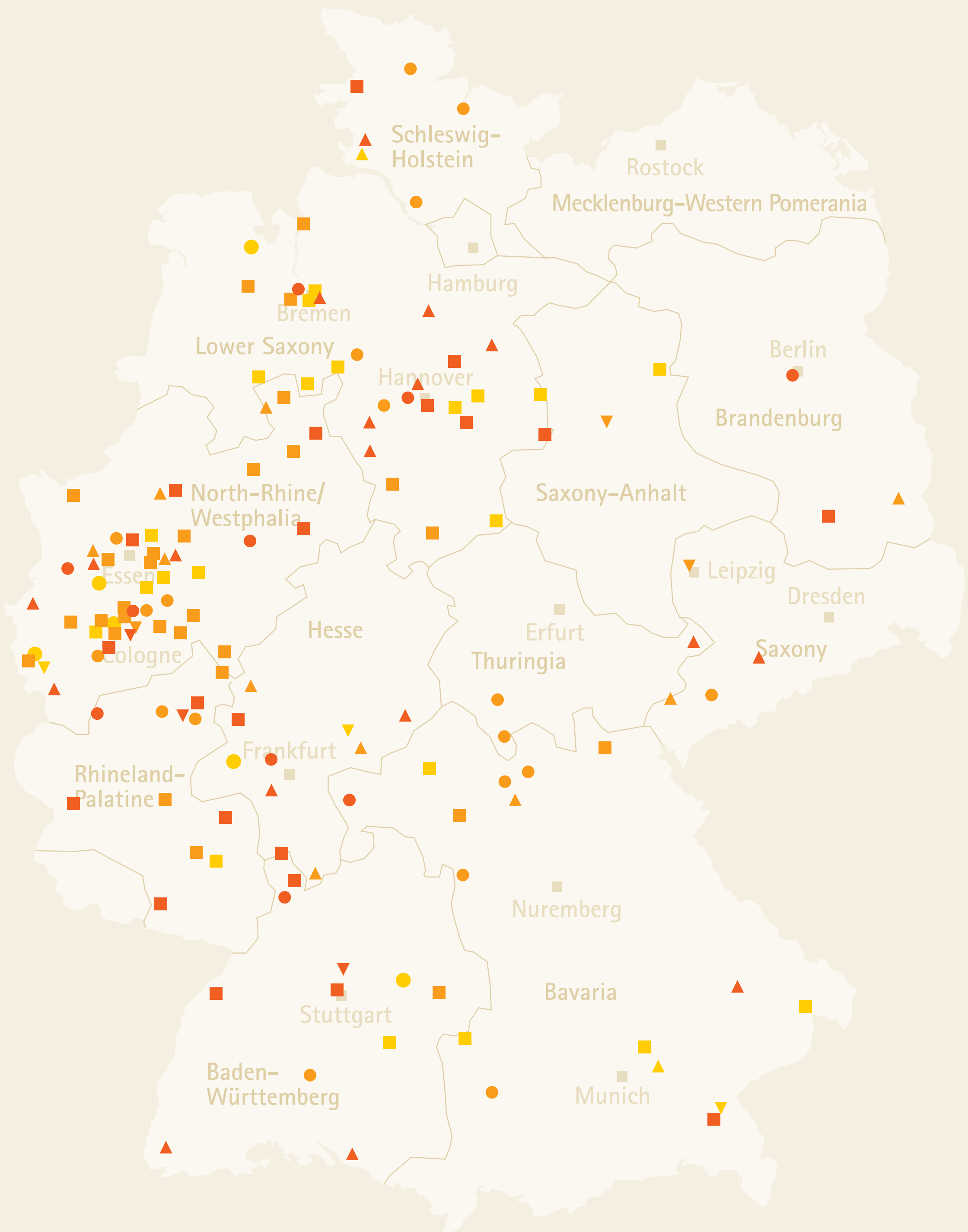
The 10 largest locations:

Property	Rental space in m²	Investment in Euro million	Type of property	Number of tenants	Letting rate
Dortmund-Aplerbeck	34,000	50 – 60	Shopping center	10	98 %
Fulda	36,000	50 – 60	Shopping center	18	97 %
Stuttgart	16,000	40 – 50	Shopping center	4	98 %
Lübeck	29,000	40 – 50	Hypermarket	1	100 %
Friedrichshafen	40,000	30 – 40	Shopping center	15	100 %
Traunreut	19,000	30 – 40	Hypermarket	2	100 %
Glauchau	23,000	30 – 40	Shopping center	10	100 %
Hückelhoven	15,000	20 – 30	Shopping center	10	100 %
Ludwigsburg	21,000	20 – 30	Furniture store	1	100 %
Garbsen	18,000	20 – 30	Shopping center	14	100 %

Locations in Germany: Areas with high buying power and large catchment areas.

Properties by regions within Germany	Data in %
North	30
East	6
South	18
West	46

Hahn-Immobilien Locations in Germany



rented space in m²

- 0 – 5,000
- 5,000 – 10,000
- >10,000

■ = Hypermarkets / Superstores
● = DIY-stores
▲ = Shopping center
▼ = Others

We invest almost exclusively in large-scale retail properties – our tenants are Germany's market leaders.

Top 5 tenants	Lease contracts	Rental space in m²
Metro-Group	47	330,000
Edeka	35	238,000
REWE	35	159,000
Tengelmann	34	129,000
Kaufland Trust	18	120,000
Others	470	390,000

Selected indexes on our property portfolio:

Key figures		12/31/2006	12/31/2005
Letting rate	in %	95.6	95.2
Rental space under management	in m²	1,366,000	1,328,000
Rental volume under management	in thousand Euro	133,665	122,594
Total investment volume since foundation	in bn Euro	rd. 2.2	rd. 2
Closed-end funds placed since foundation		149	145
Average age of properties	in years	18.5	18.7
Average remaining term of rental agreements	in years	6	5.7
Average number of tenants	per property	4.1	3.9

1982	1990	1993	1994	1997
Company foundation in Cologne	Foundation of HAHN-Immobilien-Beteiligungs AG, Cologne	Investment volume > Euro 500 mill.	Relocation of company seat to Bergisch Gladbach	Investment volume > Euro 1 bn

Kaiserwiesen (Fulda)

The shopping center Kaiserwiesen in Fulda was built in 2004 and provides a sales area of around 36,000 m². It is rented out to financially sound tenants such as OBI, Müller Drogerie, Adler Modemarkt, Aldi and Deichmann. For nearly 85 percent of the entire area the remaining term of the rental agreements is between 10 to 15 years.

Anna-Park-Center (Alsdorf)

The Anna-Park-Center was built in 2002 and holds a rental space of close to 15.000 m². The property is fully rented out and sits in an advantageous traffic location at the junction of 2 federal highways. Main tenants are a hypermarket (Kaufland) and a clothing specialist (Wehmeyer).

Sterkrader Tor (Oberhausen)

The specialist retail center Sterkrader Tor in Oberhausen was completed in the spring of 2007. Already the end of 2006, 95 percent of the property was rented out. Main tenants are Edeka and Aldi. While the property caters primarily for local demand in Sterkrade its convenient traffic locations means that some 40,000 PKW motor vehicles pass by it every day.

Bodensee-Center (Friedrichshafen)

The Bodensee-Center Friedrichshafen is located in close proximity to Lake Constance. It provides rental space of around 40,000 m² which is entirely rented out to 15 parties. The main tenants include a hypermarket (Kaufland), a DIY-store (OBI) and a consumer electronics superstore (Media Markt).

2002	2003	2004	2005	2006
Launch of the Holding Organization	Investment volume > Euro 1.5 bn	Expansion of the Co-Investment and Asset Management units		IPO investment volume > Euro 2 bn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MANAGEMENT REPORT

Business and Operating Environment

Group Structure and Operating Activity

The Hahn Group is an independent real estate manager and investor for large-scale retail properties with 25 years of experience in the sector in Germany. As a specialist for this market segment Hahn covers the complete value-added chain.

With its three business segments
- Trading
- Management and
- Investment

the Hahn Group acts as systems partner for real estate owners and global retail chains as potential tenants as well as the partner for national and international investors. Thus, the company combines the real estate and the capital markets and consequentially positioned itself on an international platform.

The **Trading** segment comprises the conceptualization and marketing of funds as well as the sale of properties or stakes in property companies on behalf of Hahn or third parties.
The **Management** segment covers the asset and property management.
Asset management includes the continuous portfolio analysis as well as all and any measures required for maintaining and increasing the properties' value over the long-term. It also extends to the new development of properties in cooperation with renowned project developers. Property management comprises the commercial, technical and infrastructural facility management.
The **Investment** segment includes own equity investment and co-investments held with strategic cooperation partners in retail properties.

With its three business segments, the Hahn Group covers the entire bandwidth of a real estate's lifecycle. The objective is for keeping the properties under the management of Hahn Group over the long-term and thereby generating various different revenue sources.

The Hahn Group essentially comprises the HAHN-Immobilien-Beteiligungs AG as well as the three operative subsidiaries HAHN Fonds GmbH, HAHN Asset Management GmbH and HAHN Immobilien Service GmbH (each of which is 100 percent owned). The subsidiaries' respective focus of activities is not congruent with the business segments Trading, Management and Investment. There are further subsidiaries in addition, which are not engaged in operative activities, but serve as equity holders (generally as limited or unlimited partners) in real estate companies as part of equity investment or fund construction.

Economic Environment

Domestic economy

In 2006 Germany registered substantial economic growth, the dynamism of which picked up toward the end of the year. Adjusted for price changes, the Gross Domestic Product (GDP) rose by 2.7 percent on the year before. Allowing for the fact that 2006 had two working days less than the year before, the GDP-growth totaled 2.9 percent calendar-adjusted. Thus, GDP not only more than doubled last year's value, but came second only to the value generated in 2000 over a ten year period.

German GDP performance

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Changes in the year before shown in percent, Adjusted for price changes, linked	+ 1.0	+ 1.8	+ 2.0	+ 2.0	+ 3.2	+ 1.2	+ 0.0	– 0.2	+ 1.2	+ 0.9	+ 2.7

Source: (German) Federal Statistical Office, February 2007

While over the last two years the German economy had seen growth impulses coming mainly from abroad, in 2006 the 1.5 percentage point growth of the domestic market for the first time again provided a bigger share toward GDP growth than foreign growth. Especially remarkable was the development of gross asset investments, which registered the strongest growth since German reunification. Thus, following the sizeable growth of 6.1 percent in 2005, investments in equipment topped this figure in 2007 with an expansion by 7.3 percent. After a prolonged period of weakness, investments in construction likewise rose significantly by 4.2 percent.

Consumption also increased in 2006 again, after it had remained more or less stagnant the previous two years. Private consumption expenditures were up by 0.8 percent over the course of the year. The state's consumption was 1.8 percent up on the figure for the prior year.

Taking the average for the year the German Consumer Price Index was 1.7 percent higher than the previous year. This meant that inflation slowed down significantly, especially during the second half of the year. As of July 2006, the monthly upwards trend of prices no longer passed the two percent barrier.

The cost of energy increased once more over the course of the year, with prices for energy products (household energy and fuels) up by 8.5 percent. If energy prices are discounted, prices would have increased by an annual average for the year of merely 0.9 percent. While food prices – especially for fruits and vegetables – were up, durable consumer goods registered declining prices. In particular, the price level for personal computers and TV-sets fell sharply, with double-digit figures of – 14.7 and / or – 14.5 percent respectively.

Retail Sector

According to preliminary figures of the Federal Statistical Office, sales in the German retail sector saw a nominal increase of 0.8 percent and a real increase of 0.1 percent on last year. Due account has to be taken of the fact that 2005 had two more days of sales available than 2006.

Growth in total sales is attributable especially to increased sales made with non-food stuffs in the retail sector. For these goods, sales climbed nominally by 1.1 percent, with real growth at 1.2 percent. Statistical figures for food, beverages and tobacco goods show nominal growth of merely 0.3 percent, which in real terms spells out as decline of 1.6 percent.

Retail	Nominal	Real
Total	**0.8**	**0.1**
thereof		
Food, beverages, tobacco goods	**0.3**	**– 1.6**
of which		
Non-specialist retailers (e.g. supermarkets, superstores)	0.3	– 1.5
Specialist retailers (e.g. beverages, fish, meat)	0.1	– 2.3
Non-food	**1.1**	**1.2**
thereof		
Textiles, clothing, shoes and leather goods	2.1	2.7
Furniture and fittings, household appliances, building material	3.3	4.5
Other specialist retail (e.g. books, jewelry)	– 2	– 1.4
Cosmetics, pharmaceutical and medical products	2.1	2.2
Other retailers with various goods (e.g. department stores)	– 1.2	– 1.1
Mail order	– 4.8	– 4.3

(Change on prior year shown in percent, calculated from source values, not calendar and seasonally adjusted, preliminary results, excluding retail with motor vehicles and excluding gasoline stations)
Source: (German) Federal Statistical Office, January 2007 (Preliminary figures)

Investment Market Real Estate

The consensus of opinion among real estate market experts is that 2006 was a positive year. All over the world the majority of real estate market reaped the benefits of robust economic development. The predominant trend on the investment markets for real estate was one of strong demand. The markets were supported especially by large institutional investors, who held ample liquidity available for investments in real estate.

According to an initial estimate by the international estate agent and consulting firm Jones Lang LaSalle published at the end of the year, approximately Euro 455 bn in investment capital was worldwide invested in the commercial real estate market in 2006. Adding to this the residential real estate and the indirect stakes held by investment companies, the total volume of transactions comes to a figure of around Euro 600 bn, which is more than twice as much as the total in 2003. A substantial part of these transactions it is said were cross-border investments.

The positive development on the real estate market, which could be witnessed significantly earlier in a number of countries, has now also made itself felt in Germany since the turn of the year 2005/2006. This might well be one of the main factors why international investors have come to train their sights more than ever on the German real estate market in 2006. Numerous experts and market participants have singled out the German market as one of the world's favorite markets alongside Japan, China and India.

The strong interest shown by investors has precipitated an enormous rise in the volume of transactions generated on the German commercial property market for investments. According to Jones Lang LaSalle it reached a record all-time high in 2006 with a volume of around Euro 50 bn and outstripped last year's figure of Euro 20.55 bn by 140 percent. Simultaneously the share in the European-wide transaction volume rose to 25 percent, positioning Germany in second place after Great Britain. While the investors' focus over the last few years had been predominantly on residential real estate, the demand in 2006 expanded perceptibly to other market segments and properties with other usages.

Market for Investments in Retail Real Estate

The market for national and international institutional capital market partners

One of the market segments that witnessed a particularly steep increase in the volume of transactions in 2006 was the German retail property market. Over the course of the year, investors acquired shopping centers, superstores, supermarkets, discounters and department stores at a total volume of Euro 18.5 bn. This nearly tripled the volume of Euro 6.5 bn from the prior year and in turn made retail real estate for the first time the asset class with the strongest sales performance on the German real estate investment market. Office properties as the market segment with the traditionally strongest sales performance, on the other hand, saw the volume of incoming capital slightly decrease in 2006 to Euro 18.2 bn.

What held true for the German real estate investment market as a whole, also applied to the retail market segment with large portfolio transaction dominating the scene. Thus, 71 percent of all capital invested in retail properties was made as part of a large-scale package deal. In 2006, four of the ten biggest real estate transactions in Germany were deals made for retail properties.

Among the key investors are non-listed real estate companies holding a share of around 44 percent, following by real estate stock corporations with a share of almost 27 percent and foreign real estate investment trusts (REITs) with an interest of 11 percent. The market relevance of opportunistic investors, on the other hand, was declining. In 2005 these investors had been particularly active in the superstore segment, where they had been able to generate sizable leverage effects due to the combination of high net initial yields at simultaneously low interest levels.

At 88 percent, the bulk of capital invested in German retail properties in 2006 originated outside Germany, while the share of German investors was a mere 12 percent. 35 percent of the total transaction volume was generated by investors with a global exposure, whose capital funds are pooled from more than one country. British investors also proved to be very active, contributing 26 percent of the total transaction volume.

94 percent of all sellers were German companies, with Corporates dominating the field at 46 percent. Above all German retail companies seized the opportunity offered by the favorable price levels to sell large portfolios. The retail chains' key motives for selling their property holdings is the quest to concentrate on their core competencies and to release capital for further expansion, not least in foreign markets.

In the wake of strong investor demand for retail properties, the net initial yields to be realized slackened further in 2006. In the locations examined by Jones Lang LaSalle the mean peak yield for shopping centers was 5.13 percent, for superstore centers 6.15 percent and single superstores 5.7 percent.

Breaking this up into property types and / or retail store types reveals that retail and department stores take up the largest share in the total transaction volume. This is essentially attributable to this segment's greater supply as well as the sale of the Karstadt portfolio, which in itself generated a volume of Euro 4.5 bn. In addition, when compared with other store types in the retail industry, the performance of yields in retail and department stores had been below average over the last few years. As a consequence the motivation to release capital was likely to have been much stronger among companies in this segment. Further significant market segments were shopping center, selected superstores and retail warehouse centers as well as supermarkets. The role played by market segments with mixed usage and factory outlet centers, on the other hand, was markedly less pronounced.

Shares of property / store types in retail transaction volume 2006

Property type / store type	2006 volume of transaction in billion Euro	Share in total volume of transaction in %
Retail- and department stores	7.5	40.6
Shopping center	5.1	27.4
Supermarkets (incl. discounters)	2.2	12.0
Selected superstores / hypermarkets	1.9	10.6
Retail warehouse centers	1.0	5.4
Mixed	0.7	3.8
Factory outlet centers	0.02	0.1

Source: Jones Lang LaSalle, December 31, 2006

The market for private investors

Private investors provided a total of Euro 4.96 bn in equity for closed-end real estate funds in Germany in 2006 (Source: Stefan Loipfinger, "Marktanalyse der Beteiligungsmodelle 2007"). This was an increase of 24 percent on the year before. However, last year's result had been exceptionally low compared with the last few years. The total volume of investments of funds, including borrowed debt, increased by 31 percent in 2006 to Euro 11.2 bn (prior year: Euro 8.56 bn).

Exceptionally strong growth was recorded for the segment of closed-end funds investing in Germany. They raised a total of Euro 2.12 bn more in equity, or 39 percent, than the year before. Due to a higher share of debt capital, growth in the total investment volume of the funds in Germany was even more pronounced. They recorded a 58 percent increase to Euro 5.07 bn. This, however, must also take account of the fact that property prices picked up strongly over the course of the year.

As the combination of rising prices and declining rental yields was particularly evident for office properties, investments increasingly went into properties with other usages. As a consequence, the office properties' share in the total investment volume of closed-end property funds in Germany went down to 44.1 percent in 2006, after a 57.3 percent share the year before. Investment in shopping centers, on the other hand, witnessed significant increases, enlarging their share from 6.2 percent to 20.9 percent, as did social properties, whose share came to 12.2 percent (prior year: 4.6 percent).

Earnings, Finance and Asset Position

Sales and Earnings Performance

Hahn Group

With sales performing in line with strategy, the Group's EBITD of Euro 8.5 mill. is very gratifying in relation to sales. Material expenses reflect the acquisition costs of the properties sold and therefore developed proportional to sales revenues. The other operating expenses were cut by 12 percent in the financial year 2006. In the year under review, the financial income was released of interest for investment companies that are no longer consolidated and thus improved substantially against the last year. All in all, the profit after income tax came to Euro 4.12 mill., making it the highest ever in the history of the Hahn Group.

Earnings situation — Data in thousand Euro	2006	2005	2004
Sales	**127,850**	**263,034**	**77,431**
Other operating income	643	469	2,352
Cost of materials	105,919	237,529	58,993
Personnel expenses	4,909	4,490	4,501
Other expenses	9,157	10,353	6,881
EBITD	**8,508**	**11,131**	**9,408**
Depreciation	215	1,069	1,137
Financial results	– 2,042	– 7,421	– 6,156
Profit before income tax	**6,251**	**2,641**	**2,115**
Income taxes	2,133	1,593	560
Profit after income tax	**4,118**	**1,048**	**1,555**

Trading business segment

Following the scheduled adjustment of our trading portfolio in 2005 and the resulting exceptionally high sales volume, these sales have returned once again to an overall lower level at Euro 121.73 mill. (prior year: Euro 258.57 mill.). EBITD, on the other hand, declined disproportionate to sales from Euro 11.12 mill. to Euro 8.35 mill. As a consequence, the EBITD-margin increased significantly from 4.2 to 6.7 percent. The decline in assets is due to the sale of inventory properties to institutional investors.

The volume of placements earmarked for closed-end property funds was achieved, as was the volume targeted for institutional partners. Thus, the Trading segment recorded a successful development in line with strategy.

Trading segment (Data in thousand Euro)	2006	2005
Sales	121,728	258,573
EBITD	8,353	11,123
EBIT	8,138	11,085
Assets	55,366	91,317

In all, eleven properties were acquired in 2006, with a total value of approximately Euro 130 mill. (prior year: Euro 170 mill.). The average volume per property was Euro 11.8 mill. (prior year: Euro 18.8 mill.).

In return, seven properties were sold by the Hahn Group, whose location and outfit had fallen outside the focus of the Group's new orientation.

Among the closed-end property funds, four "Pluswertfonds", two funds for private investors and two private placements were launched. The equity raised totaled around Euro 30.5 mill. (prior year: approx. Euro 33.1 mill.). The corresponding investment volume came to around Euro 72 mill., following Euro 76 mill. in 2005.

In the summer of 2006 the "PWF 139 Hahn Einkaufszentrum Olpe und Neuwied GmbH & Co. KG" fund for private investors was placed with an equity volume of Euro 8.8 mill. This fund invested in two large-scale retail objects in the German cities of Olpe and Neuwied. The rental space totals 16,480 m^2 with both properties fully rented out for the next 20 years.

The two private placements launched during the course of the year, PWF 140 Montabaur and PWF 142 Holzminden, are both real estate plots with hypermarkets on them. The volume of equity placed was Euro 6 mill. and Euro 5 mill. respectively. Both properties are also rented out 100 percent with long terms of 15 and 20 years.

Additions to Pluswertfonds

Property	Rental space in m^2	Investment volume in million Euro	Letting rate in %
Olpe / Neuwied	16,480	10 – 20	100
Montabaur	7,906	10 – 20	100
Oberhausen	20,000	30 – 40	> 96
Holzminden	9,667	10 – 20	100
Total per December 31, 2006	**54,053**	**72***	

*Oberhausen on a pro rata basis for financial year 2006

At the end of the year the "PWF 141 Hahn FMZ Oberhausen Sterkrader Tor GmbH & Co. KG" fund for private investors was placed with a total investment volume of around Euro 38 mill. The fund's equity was Euro 13.8 mill., with a planned pay-out carrying an annual yield of 6.5 percent. The property for investment is a retail warehouse center located in the district of Oberhausen-Sterkrade and is one of the few new construction projects in this market segment. 96 percent of the total rental space of approximately 20.000 m^2 is already rented out to such financially sound tenants as the Edeka Group or C&A. Despite a late start of marketing activities for this fund in the 50th calendar week, 60 percent of the fund's volume was still placed in the financial year 2006. The financial year 2006 therefore includes realized sales and earnings to the appropriate amount.

Sales (Data in thousand Euro)	2006	2005
Sales / placements	112,845	241,472
Commissions	4,226	3,928
Service fees	1,164	1,233
Rental revenues	3,410	11,723
Other revenues	83	217
Total	**121,728**	**258,573**

Sales revenues for the Trading segment essentially comprise revenues generated from the sale of properties and / or placements, commissions, service fees and rental revenues. Revenues generated from the sale of properties and / or placements constitute income made from transactions with inventory properties as well as equity participations in property companies (listed under Sale / Placement). The corresponding expenses are listed under the item Cost of material. The item Commissions includes one-off compensations for the brokerage of real estate objects. Commissions were up by 7.6 percent on last year to Euro 4.23 mill. due to more performance-related commissions being earned. Service fees charged for the asset management of private clients remained more or less constant. Rental revenues for properties recognized as inventory assets are listed under the item Rental revenues. With the partial reduction of inventory assets, rental revenues declined accordingly from Euro 11.72 mill. to Euro 3.41 mill..

Management segment

Sales by the Management segment rose sharply from Euro 1.7 mill. to Euro 6.01 mill. This steep rise was, above all, the result of the expanding rental and conceptual activities. These were part of new developments made in cooperation with well-known real estate project developers and with a pre-defined placement structure. This approach secures that properties are acquired, which are conceptually designed for the future and can be rented out over the long-term, whilst simultaneously spreading the calculable risks through long-term management agreements.

Spinning-off the asset management into the newly founded HAHN Asset Management GmbH emphasizes also from an organizational perspective that the continuous portfolio analysis constitutes an essential element of the company's activities in the Management segment. This holds true also for the measures required for maintaining and increasing the properties' value over the long-term as well as the letting and conceptualization of new property developments in cooperation with well-known project developers.

HAHN Immobilien Service GmbH, the subsidiary assigned to the Management segment, will continue to oversee the commercial, technical and infrastructural management of the properties (Property Management).

Management segment in th. Euro	2006	2005
Sales	6,010	4,259
EBITD	2,407	1,830
EBIT	2,407	1,678
Managed annual rental volume	133,665	122,594
Managed total space in m^2	1,366,000	1,328,000

Parallel to these structural changes, the segment's efficiency was optimized through professional expansion of the financing sector as well the introduction of a customer relation managements (CRM) system. The latter ensures swift and efficient access to the all cross-company data, the entire documentation of properties as well as all transactions and deals.

Investment segment

Over the course of the financial year 2006, the Hahn Group increased the number of properties managed jointly with Capital & Regional (CapReg) from 14 to 21. The portfolio with MEAG was also stocked up and an own stake in the special fund German SuperStores I was taken over from MEAG. These strategic partnerships provide the Hahn Group with competitive advantages and continued revenues whilst simultaneously spreading the calculable risks.

The payouts generated from the co-investments were recognized as part of EBITD in order to make earnings transparent. Adjusted by the addition of these co-investments, EBITD improved from Euro 0.34 mill. in 2005 to Euro 0.54 mill.

Investment segment in th. Euro	2006	2005
Sales	253	430
EBITD incl. co-investments	541	335
EBIT	226	– 544
Assets	19,967	15,198

Together with the exchange-listed company CapReg, a total of seven properties and / or property companies were acquired last year. The volume of investment thereof came to Euro 87 mill., in which the Hahn Group holds stakes between 8.37 to 14.08 percent. As part of this joint venture Hahn is responsible as asset, property and fund manager for a total of 21 sites with a rental area of more than 200.000 m^2. The value of the property portfolio is put at around Euro 350 mill.

Additions to Capital & Regional portfolio				
Property	Rental space in m²	Investment volume in million Euro	Letting rate in %	Share of Hahn in %
Sobernheim	7,387	< 10	100	9.27
Bochum	6,388	< 10	100	8.37
Oschersleben	10,484	10 – 20	100	14.08
Leverkusen	4,999	< 10	100	9.9
Hösbach	12,000	10 – 20	98	9.9
Trier-Kenn	11,634	20 – 30	100	9.9
Stadthagen	10,913	10 – 20	100	9.9
Additions 2006	**63,805**	**87**	**> 99**	**10.29**
Total portfolio as of December 31, 2006	**220,000**	**approx. 350**	**approx. 98**	**10.15**

The three properties "Weil am Rhein", "Soest" and "Traunreut" were acquired for MEAG German SuperStores in 2006. As of year end 2006, the Hahn Group acted as asset and property manager of the fund with responsibility for eight properties with a total rental space of nearly 125.000 m². The value of the property portfolio held by MEAG German SuperStores has meanwhile climbed to Euro 190 mill. The volume of investments earmarked for this fund comes to Euro 300 mill. By agreeing on a 3.3 percent stake in MEAG German SuperStores, the Hahn Group managed to take another important step toward expanding its co-investor function.

Additions MEAG portfolio				
Property	Rental space in m²	Investment volume in million Euro	Letting rate in %	Share of Hahn in %
Weil am Rhein	13,666	30 – 40	97	3.3
Soest	13,995	10 – 20	100	3.3
Traunreut	24,633	30 – 40	100	3.3
Additions 2006	**52,294**	**79**	**99**	**3.3**
Total portfolio as of December 31, 2006	**125,000**	**approx. 190**	**> 99**	**3.3**

The Hahn AG intends to step up its own strategic stakes in the Investment segment in future. The proceeds of the IPO have provided the economic platform for this. As far as properties in its own portfolio were concerned, the business segment was confronted with a comprehensive re-focusing of its strategy in the financial year 2006. Following analysis and evaluation of the properties in stock, objects were divested as part of the strategic reorientation.

Investments in th. Euro	Total volume	Share of Hahn in %
Own investments	500	100
Capital & Regional portfolio	350,000	10.15
MEAG portfolio	190,000	3.3

Finance and Asset Position

Cash flow statement	2006	2005
Consolidated net profit	4,118	1,048
Cash flow	4,134	2,763
Cash flow from operating activities	4,597	9,848
Cash flow from investing activities	– 3,585	– 3,979
Cash flow from financing activities	17,812	– 7,113
Change in liquid funds	18,824	– 1,244

Owing, in particular, to the steep rise in the consolidated net profit, the cash flow from operating activities accomplished an amount of Euro 4.6 mill. This includes also assets released from the placement of investment companies, which in turn led to the reduction of the corresponding financing means. The liquid assets generated as proceeds of the IPO by and large represent the increase of available cash and cash equivalents, which will be available for the realization of strategic projects in the new financial year.

Assets	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
	in th. Euro	in %	in th. Euro	in %	in th. Euro	in %
Intangible assets	117	0.1	127	0.1	127	0.0
Tangible assets	3,956	4.6	9,671	8.8	10,670	3.4
Financial assets	17,644	20.7	13,981	12.7	10,836	3.5
Other non-current assets	3,217	3.8	4,193	3.8	4,708	1.5
Inventories	19,374	22.7	68,820	62.4	269,478	86.0
Accounts receivable and other assets	41,043	48.1	13,435	12.2	17,655	5.6
Total assets	**85,351**	**100.0**	**110,227**	**100.0**	**313,474**	**100.0**

Liabilities and shareholders' equity	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
	in th. Euro	in %	in th. Euro	in %	in th. Euro	in %
Shareholders' equity	34,138	40.0	10,981	10.0	9,933	3.2
Non-current liabilities	9,370	11.0	18,327	16.6	23,475	7.5
Current liabilities	41,843	49.0	80,919	73.4	280,066	89.3
Total liabilities and shareholders' equity	**85,351**	**100.0**	**110,227**	**100.0**	**313,474**	**100.0**

Consolidated balance sheet

As the size of the consolidated Group has diminished due to sales transactions, the balance sheet total also declined by 22.6 percent. The Euro 5.7 mill. decrease in tangible assets is part of this development. The expansive development of the financial assets, up by Euro 3.7 mill., reflects the increasing commitment in co-investments with strategic partners. Inventories no longer contain the company shares and real estate plots of the companies sold off. The position Other assets includes above all the proceeds generated through the IPO.

Equity increased as a result of the IPO. Paired with the effect of lower total capital, the equity ratio comes to 40 percent. This provides the Group with a very sound platform to pursue its strategic targets of domestic as well as foreign expansion. Following the sale transactions concluded non-current as well as current liabilities have been cut. Together with the proceeds from the IPO, this constitutes a solid basis that offers a new financing leeway to realize the strategic targets.

Principles and objectives of financial management

The financial management oversees and develops solutions to finance property acquisitions, Pluswertfond concepts, the co-operation with the partners MEAG and Capital & Regional as well as the establishment of own assets. In addition, it brokers financing for private investors as part of financing the investment stakes in the funds.

These financing solutions offered not only cover the classical financing models but also the full bandwidth of modern innovative financing tools. This makes it possible at any time to generate the potential value increase or implement value guarantee measures, without being encumbered by rigid financing arrangements with margin compensations in the case of premature termination of contract. Following an assessment of risks posed, the opportunities offered by currency receivables in Swiss Francs are used for private funds.

To this end, the Hahn AG collaborates with all key national bank partners specializing in real estate and is increasingly doing so also with international bank partners.

Employees

We are proud of our open company culture, which encourages everyone to take responsibility actively for his work sphere and continually foster and promote their interests and talents for the benefit of the company. It is therefore an essential company mission to promote the individual development and training of its employees and to provide them with professional perspectives.

For many years, the Hahn Group has made an active commitment and recognizes its social responsibility in training young people. In 2006, the Group employed 5 trainees, one of whom has meanwhile successfully completed her training as a commercial management assistant for the real estate industry and another as a commercial office administrator. Following completion of their training they were both integrated into the company's organization. The Hahn Group will continue to provide professional training and apprenticeships, in order to meet the demand for qualified and specialized employees.

The company additionally supports students in the preparation of their practical diploma thesis or by offering on-the-job internships that integrate them into daily business operations. Given the market's constantly shifting conditions, this way we secure that we are constantly abreast of current developments. Through permanent and individualized further training programs the employees are informed of and prepared for new legal conditions applicable to all departments of the Group. This enables us to take our decisions on an informed basis taking account of the developments pertaining to real estate as well as civil, fiscal and social law.

At the end of the financial year 2006, the Hahn Group had 55 employees and trainees on its books (prior year: 55). In all measures we take our personnel policy is geared toward promoting entrepreneurial thinking and acting, fostering and developing individual competence as well as demanding individual responsibility, flexibility and innovation in working life. Our success rests fundamentally on the qualification, motivation and the commitment of our employees. Given the complex interconnections, the ability to work in a team and the corresponding team spirit are central pillars of our success.

HAHN-Immobilien-Beteiligungs AG

HAHN-Immobilien-Beteiligungs AG acts as the executive holding company of the Hahn Group. Besides selling stakes, the company mainly generates revenues from fees charged on the brokerage of equity and receives revenues from equity investments in its subsidiaries. It also provides the headquarter functions for the Hahn Group.

Sales are closely connected with the placement of the Olpe and Neuwied fund as well as the private placements Holzminden and Montabaur by the HAHN Fonds GmbH subsidiary. For the brokerage of investors the company receives a brokerage fee based on the equity raised.

Following the IPO at the end of October 2006, cash flow generated from financing activities increased by Euro 20 mill. These financial resources shall be used to shore up the equity basis and for the strategic objectives of 2007.

Events Subsequent to the Reporting Date

Three properties with a total value of around Euro 40 mill. were acquired in financial year 2007:

The property in Zülpich has a volume of approximately Euro 10 mill. and is located favorably for traffic on the edge of the built-up area of Zülpich. This is a new construction project scheduled for completion in the fall of 2007. It will house a retail warehouse center with a rental space of approximately 5,600 m^2. Already today the property is 100 percent rented out to such financially sound tenants as the EDEKA Group, Aldi and Takko.

The newly acquired hypermarket properties in Wismar and Witten are also 100 percent rented out. Bought at a price of together Euro 30 mill., these hypermarkets provide rental space of approximately 8,200 and 8.700 m^2 respectively. Metro AG is the sole tenant for both properties, represented by its label 'real'.

Risk Report

Risk Management System

In the performance of its activities, the Hahn Group faces a number of different risks, which are inseparably linked to the actions of a real estate company. Regular assessment of the strategy paired with a targeted controlling guarantee that opportunities and risks are balanced out and identified early on when entrepreneurial decisions are taken.

Risks affecting the further performance can arise from the wider economic environment, especially cyclical and structural problems in the retail sector, or from a worsening of the financial and earnings situation of potential and existing tenants.

Focusing on asset management and extending the marketing platforms and customer bases from private investors to national and international investors has resulted in sustainable structures, which has lessened dependency on purely sales-oriented activities.

The current marketing and sales situations are considered as favorable, in particular in view of the volume of funds placed together with MEAG and the cooperation sealed with CapReg. Given the volume sought by the cooperation partners, the acquisition of high-quality retail properties could become a bottleneck, on the other hand. The company's future success will therefore depend, among other things, on the acquisition side of the business.

Due to its specialized business model the company depends on the availability of suitable investment objects in the sector of large-scale retail properties from which to select and conceptualize its investment and service offers. Because German zoning regulations restrict the ability to build such properties, there is the likelihood that market prices could generally increase, which in turn would lead to limited profitability. Especially with increasing demand from abroad for suitable large-scale retail properties in Germany, prices could climb further. The consequences of such a development could well be that for some time there will be no appropriate properties available at reasonable prices. This could adversely affect the net worth, financial standing and earnings situation of the company.

Risk Management for Financial Instruments

Financial requirements are increasing unabated due to the continued acquisition of properties and the ever-increasing necessity to purchase such properties from investment companies coupled with the need to revitalize them and replace them on the market. Yet, financial requirements are increasing at a time when the financial institutions lending policy is become ever more restrictive due to the impending stipulations under "Basle II". The Hahn Group's economic success will therefore depend, among other things, on its ability to meet the rising financial demand incurred by the acquisition of properties. Parallel to covering these increasing financial demands from retained earnings, external sources will have to be tapped.

Individual Risks

Loss of rent risk

The company-specific letting practice in the retail sector is to let to companies with a solid credit standing. Because German zoning regulations restrict the amount of construction permits for retail properties, demand for space is set to continue with the ongoing expansion of retail companies. The Hahn Group monitors the risk of loss of rent through a permanent analysis of the markets and locations as well as by observing the credit standing of the operators and their operative and strategic focus.

Risk of financing and interest rate fluctuations

In order to achieve its entrepreneurial targets the company depends on the assistance of banks for the acquisition financing and financial close. The conditions for financing property acquisitions are undergoing constant change. The attraction of the financing possibilities is contingent on a whole host of constantly changing factors, which the company has no influence over. This includes, for example, the interest rates for financing, the volume to be financed, the fiscal conditions, as well as the banks' assessment of the value and recoverability of the property if it serves as collateral for receivables as well as their estimation of the general economic climate. Any negative development on the supply side of financing could severely curtail the Hahn Group's ability to acquire and sell properties and thus have adverse effects on its net worth, financial standing and earnings situation.

Currency risk

The majority of the Group's financial liabilities are fixed in Euro. Interest rate derivates have been taken out in Swiss Francs merely for a few smaller investment companies, but noteworthy risks are not to be expected here.

IT risk

The company has its own in-house IT department, which is supported by two external IT service providers. In view of the future growth of the Hahn Group and to facilitate even earlier detection of potential risks in future, a new portfolio management system as well as a management information system (MIS) will be introduced in 2007. The portfolio management system collects qualitative and quantitative data from internal and external data sources. It will allow making an analysis of the location, market and property as well as a comprehensive assessment of the property and the individual portfolios true to international standards, and thereby reveal the risk parameters. At the same time it provides the operative companies of the Group with the necessary planning tool. The management information system (MIS), which is to be implemented, will make available to the Board of Management aggregated economic data from the portfolio management system, the property management and the operative accounting. The data will be provided in future system-inherently and on a quarterly basis in the form of actual and target values. The integrated planning process thus established will be the central medium in future, which will be the central medium in future, which will provide the Board of Management and Supervisory Board in a timely manner with an overview on the individual opportunities and risks of the funds, properties and the company in general.

Summary on the risk situation

Through a timely reporting system the Board of Management will be able in future to correct any deviations from plan with the corresponding counter measures at any time. Risk management constitutes an integral part of all business processes. Adequate provisions have been formed for the detectable risks. In the opinion of the Board of Management the risks listed do not endanger the continuation of the Hahn Group.

Forecast Report

Economic and Legal Conditions

The Hahn Group expects Germany's economy to continue its robust performance also in 2007.

The retail sector is likely to witness an initial degree of restraint on behalf of the consumers, which is essentially due to the pre-emptive effects ahead of the increase of German VAT per January 1, 2007. For the years ahead we estimate seeing a positive development of retail sales, in particular once a continued stable economy will filter through into higher income levels and greater purchasing power. We share the assessment of the market experts that German retailers will record a discernible improvement in their earnings as of 2008, which in turn will spell out as potentially higher rents for retail properties.

The strong interest shown by investors in the German property market for investments is set to continue also in 2007. In view of the record volume of transactions concluded in 2006, a renewed level anything near the figures of 2006 would be a clear indication of the market's buoyant health.

We reckon to see a continued high volume of transactions in the retail properties market, even though it will probably remain below the total generated in 2006, which had been dominated by the sale of the voluminous Karstadt portfolio.

The market for large-scale retail properties is undergoing changes. In the wake of the speculative acquisition by highly opportunistic-minded investors, who seized upon the favorable price level of the last few years, we expect further major increases in property values to be confined strictly to well-managed properties. We are observing more and more portfolios by national and international financial investors being returned to the market, as the increases in property values obtainable over the short-term have been realized meanwhile. The challenge now is to adapt these properties to the new competitive environment of the retailers. This, however, requires sound and proven real estate experience and knowledge of the industry, both of which we can offer. In the sector of large-scale retail properties, the Hahn Group specializes in developing existing portfolios and adjusting them to changing usage requirements.

We also reckon that the general trend of spinning-off property assets and focusing the core competencies will pick up speed also in the retail sector. One will have to wait and see which effect the introduction of G-REITs will have as a possible legal instrument for spinning-off property assets.

We consider the introduction of this new instrument of an indirect real estate investment as generally positive, not least because the G-REIT promotes acceptance of shares from the real estate industry. This year we will be examining closely the chances this holds for us. We seek to come to a final conclusion whether REITs can act as alternative to such other asset classes as closed-end property funds or special funds.

Business Development

Taking into consideration aforementioned factors influencing the retail property market we believe that we will be offered a significant number of attractive properties this year. Our strategy will be to acquire larger interconnected portfolios, while simultaneously trying to develop strategic cooperations with retailers, who will provide us with access to additional space whilst we will assist them in finding the optimal usage of the property.

For 2007 we are planning to raise investments in properties from Euro 250 mill. (2006) to Euro 300 mill. At the start of the year we are expecting to see persistent pressure on net initial yields, which nevertheless should abate over the further course of year, until yields will steady at a constant level. We intend to acquire properties not only within but also outside of Germany, with a focus on central Europe. We have enlisted the relevant management capacities ahead of our foreign expansion. This is scheduled for the second half of the year when we intend to acquire the first properties following a careful analysis of the market.

If markets offer us larger property portfolios, whose opportunity and risk profile we deem to be advantageous, the actual volume of purchases may well exceed our forecasts substantially. Following the IPO, the Hahn Group holds adequate financial resources to finance even such larger volumes together with its institutional partners.

The sales performance of the Trading segment depends to a large extent on the properties brokered by the Hahn Group. The market situation is currently favorable for us and our customers. If we are to seize this to further streamline our portfolio it would tell in higher sales and – deducted by material expenses – higher operative earnings. For 2007 we are planning to raise both, sales as well as EBIT.

We are also expecting to see increasing revenues for the Management business segment, and here in particular in the asset management. Sales and earnings driver for this is the extension of the managed property assets. With its extensive range of services offered for all aspects of real estate the Management segment will be able to draw long-term benefits from this.

We are currently collaborating with the institutional partners MEAG and Capital & Regional, taking over the role as co-investor. Here the property assets under our management will increase substantially.

Following the streamlining of the portfolios in 2006, the Investment business segment will drive into 2007 the consistent expansion of our own property portfolio. In addition, we want to increase our equity share in the MEAG German SuperStores step by step to Euro 5 mill. This fund is earmarked for a volume of Euro 300 mill. by the end of the current financial year.

The Hahn Group at present holds an equity investment of around 10 percent in the Capital & Regional joint venture property companies. It is our declared aim to increase this share as well. Parallel to a gradual expansion of the joint portfolio, Hahn Group and its partners are currently looking into the possibilities of additional portfolio concepts.

For the first half of 2007 we are planning the foundation of the HAHN Invest GmbH. Thus, the strategic positioning of the Investment segment will also be firmly established within our Group in a corresponding corporate scope. In future, HAHN Invest GmbH will hold all stakes of the Investment segment. For 2007 we expect an overall noticeable rise in assets in the Investment segment. This will be to the advantage of the results, including proceeds from co-investments.

Owing to the above conditions we anticipate increased turnover and earnings for the Group, with all three segments contributing.

Risks

This Management Report contains statements and information pertaining to the future. As these statements are based on our current expectations and specific assumptions they contain a number of risks and uncertainties. A whole host of factors, many outside of the Hahn Group's sphere of influence, affect business activities, the success, business strategy and results achieved by the company. These factors may cause actual results, successes and achievements of Hahn Group to deviate substantially.

In case one or more of these risks or uncertainties should materialize or show that the basic assumptions on which they were made are erroneous, this may lead to factual results varying substantially – either positively or negatively – from those results, which were alluded to in the forward-looking statements as expected, planned or estimated results. The Hahn Group will not assume any obligation nor intends to update such forward-looking statements or correct these in case developments prove to be otherwise than expected.

Remuneration Supervisory Board and Board of Management

The members of the Supervisory Board receive a fixed remuneration of Euro 40 thousand, payable after the end of the financial year. Further to this, the members of the Supervisory Board receive a variable remuneration of Euro 1,000 for each percentage point, by which the dividend paid out to the shareholders for the preceding financial year, exceeds 5 percent of the capital stock entitled to a dividend. The chairman receives three times, his deputy, one-and-a-half times the fixed and variable remuneration. Supervisory Board members whose membership did not extend over the full financial year shall receive a smaller remuneration proportionate to the period of time served on the Supervisory Board. The company reimburses expenses reasonably incurred by the Supervisory Board members plus VAT charged on their remuneration, if VAT can and is invoiced separately.

The employment contracts of the Board of Management provide for a fixed salary, the use of a company car and direct insurance policy to the amount of the non-taxable sum under Income Tax regulations. For the duration of the employment contract the company also pays the costs of an accident insurance covering invalidity and death as well as a D&O insurance.

The employment contracts of the Board of Management additionally provide for bonus payments over and above the fixed annual salary. These bonus payments are granted for the first time for financial year 2006 and subject to the defined profit being achieved in each financial year.

This profit target is defined by the Board of Management and the Chairman of the Supervisory Board at the end of the preceding financial year and in accordance with the annual budget plan. Subject to the budgeted profit being achieved 100 percent, bonus payment for Mr. Schoofs will be Euro 130 thousand and Euro 120 thousand for Mr. Kuhn. Falling below and / or exceeding the targeted results will reduce and / or increase the bonus payments accordingly at a percentage ratio. The increase, however, is capped at a maximum of a twofold bonus.

Dependent Company Report

The Board of Management of HAHN-Immobilien-Beteiligungs AG has prepared a dependent company report for the financial year from January 1, through December 31, 2006, which covers all relations to associated companies pursuant to Sec. 312 of the (German) Stock Corporation Act.
The report for the financial year 2006 contains the following concluding statement by the Board of Management:

"For every legal transaction listed in the dependent company report for financial year 2006, HAHN-Immobilien-Beteiligungs AG has received a fair consideration under the circumstances known at the time when the legal transaction was performed. Other measures as defined under Sec. 312, (1) of the German Stock Corporation Act were neither taken nor refrained from in financial year 2006."

Limitations on the Transfer of Shares

The Board of management member Bernhard Schoofs owns 100,000 shares and HAHN-Holding GmbH holds a total of 9,430,800 shares. With the exception of 497,500 shares held by the latter, both of the aforementioned have given an undertaking to Concord Effekten AG that they will neither directly nor indirectly offer, sell, or announce such or take any other measure, which would be economically tantamount to such a sale, without the express written approval of Concord. They have given their undertaking in compliance with the applicable national provisions governing share certificates and for a period of 24 months as off the first quotation on the stock exchange of the 'regulated market / General Standard' of Frankfurt stock exchange, October 30, 2006.

These lock-up provisions are staggered and comprise a 12 month lock-up period from the date of initial listing for 20 percent of the shares held by each of these shareholders, 18 months from the date of initial listing for a further 60 percent of the shares, and 24 months from the date of initial listing for the remaining 20 percent of the shares. Among others, the members of the Board of Management, Messrs. Schoofs and Kuhn, were granted options for aforelisted 497,500 shares of HAHN-Holding GmbH (together a total of up to 425,000 shares). In case these options are exercised, the provisions governing the lock-up period applies also for this total of up to 425,000 shares as of the time when the option is exercised.

In order to secure this lock-up period, the entire capital stock is registered under two different securities identification numbers, one for the shares traded on regulated market / General Standard and one for the shares subject to the lock-up period. The latter carry the German securities identification number AOK PLO and cannot be traded in the stock exchange.


family

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

Data in Euro	2006	2005	[Notes]
Sales	**127,850,201**	**263,034,293**	[1]
Change in inventories of finished goods and work in progress	–	– 113,478	
Other operating income	642,885	469,467	[2]
Total operating performance	128,493,086	263,390,282	
Cost of materials	105,919,370	237,529,539	[3]
Personnel expenses	4,908,466	4,489,650	[4]
Other operating expenses	9,156,769	10,239,793	[5]
Earnings before interest, taxes and depreciation (EBITD)	**8,508,481**	**11,131,300**	
Depreciation of intangible and tangible assets	215,394	1,068,685	[6]
Earnings before interest and taxes (EBIT)	**8,293,087**	**10,062,615**	
Share of profit / loss from associated companies	491,093	– 68,130	[7]
Result from the deconsolidation of funds	-	1,483,920	[8]
Shares of minority shareholders in fund results	– 316,651	– 659,872	
Other financial results	– 2,216,480	– 8,177,015	[9]
Financial results	– 2,042,038	– 7,421,097	
Earnings before taxes (EBT)	**6,251,049**	**2,641,518**	
Taxes on income	2,132,701	1,593,598	[10]
Consolidated annual net profit	**4,118,348**	**1,047,920**	
Earnings per share	0.40	0.10	[11]

Consolidated Balance Sheet for December 31, 2006

Assets (Data in Euro)	12/31/2006	12/31/2005	[Notes]
Non-current assets			
Intangible assets	**117,028**	**127,214**	[12]
Fixed assets			[13]
Land and buildings	3,150,631	3,242,613	
Other facilities and equipment	283,202	219,898	
Investment property	521,785	6,208,797	
	3,955,618	**9,671,308**	
Financial investments			[14]
Investment in associated companies valued at equity	5,346,504	4,458,659	
Other financial investments	12,297,810	9,522,364	
	17,644,314	**13,981,023**	
Other financial assets	1,445,552	1,842,645	[15]
Deferred tax assets	1,771,198	2,349,870	[16]
	24,933,710	**27,972,060**	
Current assets			
Inventories			
Properties held for sale	15,955,510	67,222,444	[17]
Current asset securities	2,058,527	3,811,436	[18]
Advance payments to suppliers	1,360,000	97,350	[18]
Advance payments from customers	–	– 2,311,516	[18]
	19,374,037	**68,819,714**	
Accounts receivable and other assets			
Trade accounts receivable	4,160,210	3,336,352	[19]
Receivables from affiliated persons and companies	6,314,062	1,558,537	[20]
Receivables from minority shareholders	403,295	400,995	[29]
Other financial assets	5,050,903	1,989,866	[21]
Sundry other assets	615,955	474,692	[21]
	16,544,425	**7,760,442**	
Liquid funds	24,498,716	5,674,693	[22]
	60,417,178	**82,254,849**	
	85,350,888	**110,226,909**	

Liabilities and shareholders' equity Data in Euro	12/31/2006	12/31/2005	[Notes]
Shareholders' equity			[23]
Subscribed capital	12,000,000	10,000,000	
Capital reserve	17,038,944	–	
Retained earnings			
Legal reserve	681,907	681,907	
Statutory reserves	–	576,652	
Miscellaneous revenue reserves	3,065,536	1,488,884	
Net profit/loss for the year	1,351,668	– 1,766,686	
	34,138,055	**10,980,757**	
Liabilities			
Long-term debts			
Provisions	2,624,967	2,333,437	[24]
Bank receivables	3,021,769	12,145,983	[25]
Other financial liabilities	94,952	109,765	
Deferred tax liabilities	3,628,429	3,738,090	[16]
	9,370,117	**18,327,275**	
Short-term debts			
Other provisions	1,496,363	1,791,245	[24]
Bank receivables	25,791,896	61,648,016	[25]
Trade accounts payable	1,663,613	2,339,838	[26]
Advance payments received on orders	850,164	3,820,723	[27]
Liabilities to affiliated companies	132,076	9,193	
Liabilities to affiliated persons and companies	1,760,195	78,797	[28]
Liabilities to minority shareholders	2,379	5,870,701	[29]
Other financial liabilities	6,878,844	3,488,726	[30]
Sundry other liabilities	3,267,186	1,871,638	[30]
	41,842,716	**80,918,877**	
	51,212,833	**99,246,152**	
	85,350,888	**110,226,909**	

Changes in Consolidated Shareholders' Equity

Data in thousand Euro	Sub-scribed capital	Revenue reserve	Retained earnings	Net profit/loss	Total	Interess of other share-holders	Group equity
2005							
As of 1/1/2005	**10,000**	**–**	**2,743**	**– 2,810**	**9,933**	**–**	**9,933**
Transfers to retained earnings	–	–	5	– 5	–	–	–
Consolidated annual net profit	–	–	–	1,048	1,048	–	1,048
As of 12/31/2005	**10,000**	**–**	**2,748**	**– 1,767**	**10,981**	**–**	**10,981**
2006							
As of 1/1/2006	**10,000**	**–**	**2,748**	**– 1,767**	**10,981**	**–**	**10,981**
Capital increase	2,000	18,000	–	–	20,000	–	20,000
Costs of the capital increase	–	– 961	–	–	– 961	–	– 961
Transfers to retained earnings	–	–	1,000	– 1,000	–	–	–
Consolidated annual net profit	–	–	–	4,118	4,118	–	4,118
As of 12/31/2006	**12,000**	**17,039**	**3,748**	**1,351**	**34,138**	**–**	**34,138**

Consolidated Cash Flow Statement

Data in thousand Euro	2006	2005
Consolidated annual net profit	**4,118**	**1,048**
Depreciation of fixed assets	215	1,755
Profit / loss from associates	– 491	68
Change in long-term provisions	292	– 108
Annual cash flow	**4,134**	**2,763**
Income from disposal of fixed assets	– 6	10
Change in deferred taxes	469	1,269
Changes in inventories, receivables and other assets	32,457	202,523
Changes in liabilities to banks assignable to properties held for sale	– 31,317	– 184,260
Changes in other debts	– 1,140	– 12,457
Cash flow from ordinary activities	**4,597**	**9,848**
Receipts from disposal of tangible and intangible fixed assets	37	–
Expenditures for investments in tangible fixed assets	– 186	– 47
Expenditures for investments in intangible fixed assets	– 22	– 32
Receipts from disposal of financial assets	5,754	3,004
Expenditures for investments in financial assets	– 8,926	– 6,904
Receipts from the sale of consolidated companies	503	–
Expenditures for acquisition of consolidated companies	– 745	–
Cash flow from investment activities	**– 3,585**	**– 3,979**
Receipts from injections of equity capital	19,039	–
Receipts from (financial) credits	10,132	46
Expenditures for retirement of (financial) credits	– 11,359	– 7,159
Cash flow from financing activities	**17,812**	**– 7,113**
Cash changes in the liquid fund	**18,824**	**– 1,244**
Liquid fund on 1 / 1	5,675	6,919
Liquid fund on 12 / 31	**24,499**	**5,675**

Segment Reporting

2006 Data in thousand Euro	Trading	Management	Investment	Transition	Group
Sales	121,728	6,010	253	– 141	127,850
thereof with other segments	–	141	–	– 141	–
EBITD	8,353	2,407	226	– 2,478	8,508
EBITD including co-investments			541		
EBIT	8,138	2,407	226	– 2,478	8,293
Result from associated companies	491	–	–	–	491
Depreciation	215	–	–	–	215
thereof extraordinary	–	–	–	–	–
Segment assets	55,366	1,017	19,967	9,001	85,351
of which shares in associated companies	5,347	–	–	–	5,347
Segment liabilities	13,274	2,780	1	35,158	51,213
Operational investments	208	–	–	–	208

2005 Data in thousand Euro	Trading	Management	Investment	Transition	Group
Sales	258,573	4,259	430	– 228	263,034
thereof with other segments	–	228	–	– 228	–
EBITD	11,123	1,830	335	– 2,157	11,131
EBITD including co-investments					
EBIT	11,085	1,678	– 544	– 2,157	10,062
Result from associated companies	– 68	–	–	–	– 68
Depreciation	38	152	879	–	1,069
thereof extraordinary	–	–	879	–	879
Segment assets	91,317	560	15,198	3,152	110,227
of which shares in associated companies	4,459	–	–	–	4,459
Segment liabilities	10,915	3,604	47	84,680	99,246
Operational investments	–	79	–	–	79

HAHN-Immobilien-Beteiligungs AG
Consolidated Financial Statements for December 31, 2006

Notes to the Consolidated Financial Statements

I. PRINCIPLES AND METHODS

The consolidated financial statements for December 31, 2006 of HAHN-Immobilien-Beteiligungs AG, Bergisch Gladbach, were prepared in accordance with the International Financial Reporting Standards (IFRS) enacted and published by the International Accounting Standards Board (IASB). As decreed by the European Union (EU), all companies domiciled in the EU whose securities are accepted for trading on a regulated market in the EU must prepare their consolidated financial report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU. The requirements of the IFRS in effect on the closing date were completely fulfilled, and result in the presentation of a true and fair view of the financial position and performance of the Hahn Group.

HAHN-Immobilien-Beteiligungs AG is an independent company established exclusively in Germany as a real estate manager for large-scale retail sales properties. Together with its subsidiaries it covers the entire value-added chain in this market segment.

The structure of the Notes has been changed from the prior year in the interest of greater clarity. The accounting and valuation methods will be described in conjunction with the explanations of the respective items. In the segment reporting, the Fund Management division was allocated to the Trading segment (prior year: Management). In addition, the management functions of the corporate group are presented in the Transition column (prior year: allocated to the segments). The presentation of the prior year has been adjusted accordingly. Individual items on the Income Statement and Balance Sheet have also been combined to improve clarity. These items and the corresponding accounting and valuation methods are explained in the Notes. The Income Statement is organized according to the total cost method.

The consolidated financial statements were prepared in Euro. Unless indicated otherwise, all amounts are stated in thousands of Euro (thousand Euro).

The consolidated financial statements and consolidated management report are on file with the commercial register of the Cologne District Court under commercial register number HRB 46697.

II. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING

The consolidated financial statements of the Hahn Group include all of the major subsidiaries for which HAHN-Immobilien-Beteiligungs AG has the possibility of directly or indirectly controlling the financial and business policies of these companies.

The capital consolidation of fund companies purchased from outside third parties was performed at the time of acquisition, using the purchase method. Under the purchase method, the acquisition costs of the purchased shares are offset against the pro-rated current value of the purchased assets and debts of the subsidiary at the date of acquisition. Any positive difference resulting from the offsetting is capitalized as a derivative goodwill value.

Negative differences deriving from the capital consolidation at the time of purchase are resolved immediately as revenue costs. The time of purchase is the moment when the possibility of controlling the net assets and the financial and operational activities of the purchased company passes to the Group.

The hidden reserves and encumbrances that are disclosed during the assessment of current market value of the assets and liabilities in conjunction with the initial consolidation are carried over, depreciated or released in the subsequent periods in accordance with the development of the assets and liabilities.

Funds for which the Hahn Group holds the majority of the shares are included in the consolidated financial statements as subsidiaries. Due to the classification of the limited partners' shares of the funds as debt capital according to IAS 32, the capital shares and shares of profit apportionable to the outside limited partners are shown under debt capital or as expense or income.

Expenses and income, claims and liabilities between consolidated companies are eliminated. Intermediate results, if significant, are calculated separately.

Associated companies in which voting rights of at least 20 % are held are included in the consolidated financial statements according to the equity method. With regard to determining the goodwill value and the pro rata current values of the assets and liabilities, the principles of full consolidation are applied. The inclusion according to the equity method is based on the IFRS financial statements of these companies as of the closing date for the Group. Losses from associated companies which exceed the book value of the interest held or other long-term claims from the financing of these companies are not recorded, if there is no assessment to cover the losses. Intermediate results are eliminated in proportion to the interest held, in accordance with IAS 28.22.

The financial statements of HAHN-Immobilien-Beteiligungs AG and of the included subsidiaries and associated companies are prepared according to uniform accounting and valuation methods. The financial statements of the included subsidiaries and associated companies were prepared for the balance sheet closing date of HAHN-Immobilien-Beteiligungs AG.

Transactions in foreign currencies

Assets and liabilities in foreign currencies are converted to the functional currency at the exchange rate for the balance sheet closing date. The foreign exchange profits and losses resulting from these conversions are recognized in the income statement.

Present values of the financial instruments

The present values of the financial instruments are determined on the basis of corresponding market values or appropriate valuation methods. For liquid funds and other short-term original financial instruments, the present values correspond to the book values carried on the balance sheet on the respective closing dates.

In the case of long-term receivables and other assets, as well as long-term provisions and liabilities, the present value is determined on the basis of the anticipated payment flows, using the reference interest rates in effect on the balance sheet closing date.

Use of estimates

Preparing the IFRS consolidated financial statements requires estimates and assumptions that affect the reporting of assets and liabilities, the statement of contingent liabilities on the closing date, and the reporting of revenues and expenses. Significant estimates and assumptions have been made in particular with regard to determining the current values of the real properties, the uniform depreciation period for the Group, the value adjustment rates for accounts receivable and the realizability of deferred taxes. The actual amounts may deviate from the amounts produced from estimates and assumptions.

III. NEW ACCOUNTING REGULATIONS OF THE IASB

In December, 2004 the IASB published IFRS 6, "Exploration for and Evaluation of Mineral Resources," which is applicable to all fiscal years that begin on or after January 1, 2006. Based on the business activities of the Hahn Group, this standard has no effect on the IFRS consolidated financial statements.

Also in December, 2004 the IASB published partial amendments to IAS 19, which are applicable to fiscal years that begin on or after January 1, 2006. The revised version of IAS 19 gives companies the possibility of excluding the actuarial profits and losses of all pension plans from operating results, so that the pension liabilities are reported at the value of the defined benefit obligation less the current value of the plan assets on the balance sheet closing date. Since the Hahn Group has no pension plans, this additional accounting option had no effect on the IFRS consolidated financial statements.

The IASB published amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" in December, 2005, with mandatory applicability to fiscal years beginning on or after January 1, 2006. Based on the business activities of the Hahn Group, these amendments have no effect on the IFRS consolidated financial statements.

The IASB published amendments to IAS 39 in April, 2005, containing additions and adjustments pertaining to the portrayal of security relationships within corporate groups. These changes are to be applied for fiscal years beginning on or after January 1, 2006, and do not result in significant effects in the Hahn Group.

In addition, in June, 2005 the IASB published an amendment to IAS 39, which limits the option of classifying financial assets and financial liabilities in the category "at fair value through profit and loss." Use of this change is mandatory for fiscal years beginning on or after January 1, 2006. This resulted in no changes for the Hahn Group.

In August, 2005 the IASB published amendments to IAS 32 and to IFRS 4, which are applicable to fiscal years that begin on or after January 1, 2006. The revised standards provide for first-time reporting of extended financial guaranties at their current value, as well as subsequent accounting of these guarantees at (a) the amount originally stated (reduced if applicable by depreciation taken according to the regulations in IAS 18, Revenue) or (b) the amount reportable according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, whichever is greater. This regulation has no effect on the IFRS consolidated financial statements of the Hahn Group.

The IASB also published in August, 2005 IFRS 7 "Financial Instruments: Disclosures," in which it standardized and revised the rules for reporting on financial instruments in the notes to financial statements. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the reporting rules for notes to financial statements in IAS 32 "Financial Instruments: Disclosure and Presentation." The reporting rules of IAS 32 remain unchanged. Use of IFRS 7 is mandatory for fiscal years beginning on or after January 1, 2007; it was not used prior to that time.

The amendment to IAS 1 (Disclosures about Capital) published on August 18, 2005 and in effect since January 1, 2007 was not formerly applied.

The new IFRS 8 (Operating Segments) published on November 30, 2006 and effective starting January 1, 2009 has not yet been applied in conjunction with segment reporting. Use of the "management approach" is not expected to produce any significant effects.

The IFRIC issued five new interpretations or additions to existing interpretations in 2006, and two in 2005. IFRIC 4, 5 and 6, which were first applicable in 2006, had no effect on the consolidated financial statements. Because of its business activities, the Hahn Group does not expect any effect on its net worth, financial position and results from use of IFRIC 7,8,9,10,11 and 12, which were not yet mandatory in 2006.

IV. THE CONSOLIDATED COMPANIES

The financial statements of the subsidiary companies included in the consolidated financial statements of the Hahn Group are prepared as of the closing date of HAHN AG, in accordance with uniform accounting and valuation principles. The major consolidated companies are explained in the appendix. Including HAHN-Immobilien-Beteiligungs AG, the scope of consolidation of the Hahn Group has developed as follows:

	Companies of the Hahn Group		Fund & property companies		Total
	fully consolidated	at equity	fully consolidated	at equity	
As of 1/1	**9**	**1**	**23**	**6**	**39**
Additions	2	–	4	3	9
Deletions	–	–	– 15	– 2	– 17
As of 12/31	**11**	**1**	**12**	**7**	**31**

Not included in the consolidated financial statements for this fiscal year were seven fund companies (2005: six) in which the Company holds a majority of the votes, but which in the aggregate are of minor importance for the true and fair view of the financial position and performance of the Group. The shares in these companies, which are held as inventory companies for property funds to be launched in the future, are reported at acquisition cost under the shares in related companies.

Four fund companies (2005: three) in which the Company held a majority interest were not included because the possibility of control by the Hahn Group was lacking. In these cases the Hahn Group no longer determined the financial and business policies, since the fund companies were in default of payment due to their business situation with regard to their financing of real properties, and the lending bank has now canceled the financing secured solely by the fund assets, and plans to initiate or already has initiated execution of judgment against the fund assets.

These companies were founded in the reporting year as companies in the Hahn Group: HAHN Asset Management GmbH, Bergisch Gladbach, as a wholly-owned subsidiary of HAHN-Immobilien-Beteiligungs AG, Bergisch Gladbach, and HAHN Fonds Geschäftsführungs GmbH, Bergisch Gladbach, as a wholly-owned subsidiary of HAHN Fonds GmbH, Bergisch Gladbach.

The following property companies and fund companies were newly founded in the reporting year:
- Hahn Verbrauchermarkt Erding GmbH & Co. KG, Bergisch Gladbach (99.99 %)
- Hahn Verbrauchermarkt Passau GmbH & Co. KG, Bergisch Gladbach (99.9 %)
- Hahn Verbrauchermarkt Ravensburg GmbH & Co. KG, Bergisch Gladbach (99.9 %)

Hahn Verbrauchermarkt Erding GmbH & Co. KG, Bergisch Gladbach, acquired 94.8 % of the shares in Hahn Verbrauchermarkt Erding Eins GmbH & Co. KG, Bergisch Gladbach, in September 2006 for a purchase price of Euro 0.7 mill. Assets (real estate) of Euro 3 mill. and bank debts of Euro 2.3 mill. were assumed. The properties are held briefly for resale, and are therefore reported under the trading assets. The annual net profit beginning at the time of the purchase was Euro 31 thousand. A theoretical purchase on January 1, 2006 would have brought in sales revenues of Euro 247 thousand and a net profit of Euro 131 thousand.

The following fund companies were deconsolidated in the reporting year:
- EKC Osnabrück Schinkel GbR, Bergisch Gladbach
- SB-Markt Tettnang GbR, Bergisch Gladbach
- SB-Warenhaus Oschersleben GbR, Bergisch Gladbach
- Hahn FMZ Sterkrader Tor GmbH & Co KG, Bergisch Gladbach
- Zentral Invest Vechelde GbR, Bergisch Gladbach
- Oldenburg Cloppenburger Str. GbR, Bergisch Gladbach
- Verbrauchermarkt Braunschweig GbR, Bergisch Gladbach
- Hahn Geschäftshaus Aachen Peterstraße 44-46 GmbH & Co. KG, Bergisch Gladbach
- Hahn Baumarkt Wiesloch GmbH & Co. KG, Bergisch Gladbach
- Hahn SB-Warenhaus Alsdorf GmbH & Co. KG. Bergisch Gladbach
- Hahn SB-Warenhaus Hückelhoven GmbH & Co. KG, Bergisch Gladbach
- Bad Wörishofen II GbR, Bergisch Gladbach
- Hahn Fachmärkte Delmenhorst GmbH & Co. KG, Bergisch Gladbach
- Bau- und Fachmarktzentrum Köln-Ehrenfeld GbR, Bergisch Gladbach
- Hahn EKZ Lübeck GmbH & Co. KG, Bergisch Gladbach

The majority shares in 8 companies were disposed of for a total selling price of Euro 654 thousand. SB-Warenhaus Oschersleben GbR was sold for Euro 8.161 thousand, and Hahn FMZ Sterkrader Tor GmbH & Co KG for a price of Euro 8 thousand. Three companies whose real properties were already sold the year before were deconsolidated in the reporting year, since the remaining shell companies are of minor materiality for the true and fair view of the financial position and performance of the Group. In addition, two companies were deconsolidated because the majority of the voting rights were surrendered.

The balance sheet values of the deconsolidated companies are shown below:

Data in thousand Euro	2006	2005
Assets		
Investment properties	5,688	–
Properties held for sale	48,324	211,768
Other short-term assets	2,213	2,375
Liquid funds	1,277	3,072
Liabilities	–	
Liabilities from the financing of properties held for sale	35,633	198,724
Short-term provisions and liabilities	7,100	4,223

Owing to partial sales of shares in companies, two companies that were formerly 100 % consolidated were included at equity in the reporting year. The shares in two at equity companies were disposed of.

The Hahn Group trades in large-scale retail properties. Sales are handled both through closed-end property funds with sales of shares in the funds, and through direct buying and selling of properties for constitutional investors. Real estate funds in which the Hahn Group holds the majority of the voting rights in the companies are included in the consolidated financial statements under the full consolidation. The properties involved are reported as properties held for sale.

If the deconsolidation is not due to a sale of shares but to withdrawal of the possibility of control by the bank providing the financing, the result of the deconsolidation is reported under a separate item within the financial results.

V. EXPLANATORY NOTES ON THE INCOME STATEMENT

[1] Sales

The sales are composed of the following:

Data in thousand Euro	2006	2005
Sale of properties	112,845	241,472
Sales commissions	4,226	3,928
Rental income from properties held for sale	3,410	11,723
Property management commissions	3,021	2,776
Asset management commissions	2,848	1,255
Service fees	1,164	1,233
Rental income from investment properties	253	430
Other revenues	83	217
Total sales	**127,850**	**263,034**

Sales revenues are recorded at the time of performance, if the amount of the revenue can be determined reliably and it is probable that the economic benefit will accrue. Performance in connection with the sale of the funds is considered to have been delivered when the declaration of accession has been signed by the investor and the statutory revocation period has passed.

The Company deals primarily in closed-end property funds. To the extent as these funds were to be consolidated, the properties that they included are reported as properties held for sale.

From the perspective of the Group, total sale of the shares of a subsidiary represents a conveyance against payment of all of the assets and liabilities behind that investment interest. Therefore the deconsolidation can be assumed to be a single sale. Accordingly, when the property funds were sold the share of the sales proceeds apportionable to the sold property was reported under the sales revenues. The equivalent value of the sold property is included in the costs of materials. The share of the sales proceeds allocated to the disposed-of bank debts was posted as repayment of the debt.

Fees for trust management and performance of services are collected over the term of the particular service. One-time compensation payments that are payable by the limited partners or the fund at the time the particular trust or service agreement is concluded are recorded at that time as a revenue item in the amount of the current value, if an identifiable service is performed by the Hahn Group and direct costs can be apportioned to the service.

Commissions that accrue for services performed by the sales partner in connection with the attraction of limited partners for funds are recorded at the time the particular sale is realized, as costs of purchased services. The gross sales revenues and sales commissions are reported in the consolidated financial statements on the basis of the existing allocation to the Hahn Group of the major risks and opportunities from the sale of the funds.

[2] Other Operating Income

The other operating income is structured as follows:

Data in thousand Euro	2006	2005
Income from the release of provisions and allowances and other income not related to the period under review	148	173
Subsidies	–	100
Sundry operating income	495	196
Other operating income	**643**	**469**

The sundry operating income in 2006 included primarily income from the deconsolidation of fund companies.

[3] Cost of Materials

The cost of materials are structured as follows:

Data in thousand Euro	2006	2005
Cost of real estate sales and company shares	105,163	235,058
Adjustments for deprepreciation	34	2,106
Other	722	365
Total cost of materials	**105,919**	**237,529**

The adjustments for depreciation relate to write-downs on shares in non-consolidated companies.

[4] Personnel Expenses

The personnel expenses are composed of the following:

Data in thousand Euro	2006	2005
Wages and salaries	4,293	3,937
Social security contributions	553	485
Costs of retirement benefits	42	47
Other social expenses	21	21
Total personnel expenses	**4,909**	**4,490**

The Group employed an average of 55 persons in the 2006 fiscal year, unchanged from the year before.

[5] Other Operating Expenses

The other operating expenses are structured as follows:

Data in thousand Euro	2006	2005
Operating expenses of the consolidated and deconsolidated property companies	2,296	2,356
Legal, auditing and consulting fees (excluding property companies)	1,067	615
Addition to provisions	998	1,689
Property management	660	574
Rent and lease expenses	603	584
Non-deductible pre tax	514	328
Repairs and maintenance, operating needs	349	146
Motor vehicle expenses	314	251
Postage, telephone, office supplies	252	237
Personnel recruitment	230	125
Allowances and losses on receivables	205	2,014
Distribution expenses	362	161
IT expenses	122	92
Other taxes	90	351
Sundry expenses	1,095	717
Total other operating expenses	**9,157**	**10,240**

Other operating expenses affect net income when the service is used or at the time they are initiated.

The rent and lease expenses relate to contracts for renting or leasing real estate, vehicles or office equipment which are classified as operating leases.

In the prior year the other operating expenses included costs of adjustments on claims against associated companies in the amount of Euro 1.756 thousand.

[6] Depreciation of Intangible and Tangible Assets

The depreciation is apportioned as follows:

Data in thousand Euro	2006	2005
Ordinary depreciation of intangible assets	32	32
Extraordinary depreciation of investment properties	–	879
Ordinary depreciation of property, plant and equipment	183	158
Total depreciation	**215**	**1,069**

The extraordinary depreciation pertained to an investment property of the prior year, whose balance sheet declaration was reduced to the present value. The property was deconsolidated in the reported fiscal year.

The write-downs of financial assets are included in the financial results.

[7] Share of Profit / Loss from Associated Companies

The result is calculated as follows:

Data in thousand Euro	2006	2005
Profits from associated companies	491	429
Losses from associated companies	–	– 497
Result from associated companies included according to the equity method.	**491**	**– 68**

Dividends are collected at the time of distribution, with the period of distribution normally corresponding to the period when a legal claim arises.

[8] Result from the Deconsolidation of Funds

The proceeds resulted from deconsolidation of the Peine Fund (Euro 1.908 thousand) and the Hessisch-Oldendorf fund (Euro - 424 thousand) in 2005.

[9] Other Financial Results

The other financial results are composed of the following:

Data in thousand Euro	2006	2005
Interest income	523	308
Interest and similar expenses	– 3,421	– 8,336
Investment proceeds from funds	676	507
Income from the disposal of financial investments and short-term securities	6	30
Write-downs of financial investments	–	– 686
Other financial results	**682**	**– 149**
Financial results	**– 2,216**	**– 8,177**

Interest is posted to the appropriate period as expense or income. Interest expenses that arise in conjunction with the procurement and production of certain assets are not capitalized in the Group. Dividends are collected at the time of distribution, with the period of distribution normally corresponding to the period when a legal claim arises.

Operating results of the property funds

The results for the investment properties are:

Data in thousand Euro	2006	2005
Rental income from renting and leasing	253	430
Other operating income	13	–
Operating income from investment properties	**266**	**430**
Reduction of current values	–	– 879
Expenses relating to buildings and land	– 29	– 88
Operating expenses for investment properties	**– 29**	**– 967**
Results for investment properties (EBIT)	**237**	**– 537**

[10] Taxes on Income

The reported taxes on income include the taxes paid or owed on income as well as deferred taxes. The taxes on income are composed of trade earnings tax, corporate income tax and the solidarity tax surcharge. Since the Hahn Group operates exclusively in Germany, no foreign income taxes are due.

The expense for taxes on income is structured as follows:

Data in thousand Euro	2006	2005
Current tax expense	1,025	325
Deferred tax expense (+) / tax income (-)	468	1,268
Income tax benefits on costs of equity transactions	641	–
Taxes on income	**2,133**	**1,593**

The deferred taxes refer to the use of tax loss carryovers (Euro 401 thousand) and temporary differences (Euro 67 thousand).

The expense for taxes on income, which would have applied to the IFRS consolidated earnings before taxes at the rate of 40% (2005: 40%) using the tax rate for the holding company HAHN-Immobilien-Beteiligungs AG, can be transferred to the tax on income according to the income statement as follows:

Data in thousand Euro	2006	2005
IFRS earnings before taxes on income	6,251	2,641
Corporate tax rate in %	40	40
Expected tax expense	**2,500**	**1,056**
Permanent differences	–	490
Taxes on income for prior years	– 51	– 9
Non-deductible operating expenditures	51	6
Additions and deductions for trade earnings tax	45	43
Corporate tax dividend distribution credit	– 380	–
Other effects	– 32	7
Tax expense according to the income statement	**2,133**	**1,593**

Companies domiciled in Germany with the legal form of a corporation are subject to corporate income tax at the rate of 25% (2005: 25%), plus a solidarity surcharge at the rate of 5.5% of the corporate income tax liability. In addition, these companies as well as subsidiaries legally organized as partnerships are subject to trade tax. The trade tax lowers the assessment basis for the corporate income tax. Allowance must be made for limited use of loss carryovers on corporate income tax and trade tax, applicable starting with the 2005 tax assessment period. Under this provision, an existing loss carryover can be deducted from a positive tax assessment basis of up to Euro 1 thousand in its entirety, and up to a maximum of 60% for greater amounts.

Tax effects on the property funds are taken into account in the consolidated financial statements only to the extent that the Hahn Group holds an interest in the property funds, since the results of the property funds are taxed at the level of the silent partners, and thus apply to the silent partners outside of the Hahn Group.

[11] Earnings per Share

The undiluted and diluted earnings per share are determined as follows:

		2006	2005
Portion of the consolidated annual net profit applicable to the Group	Data in thousand Euro	4,118	1,048
Weighted average of shares issued	Data in thousand of shares	10,333	10,000
Portion of the consolidated annual net profit per share applicable to the Group	Data in Euro	**0.40**	**0.10**

No diluted instruments existed during the reporting year.

VI. EXPLANATORY NOTES ON THE CONSOLIDATED BALANCE SHEET

[12] Intangible Assets

Data in thousand Euro	Industrial property rights and similar rights and assets
Intangible assets	
Acquisition costs	
As of 1/1	**211**
Additions	22
Disposals	10
As of 12/31	**223**
Depreciation	
As of 1/1	**84**
Depreciation 2006	32
Disposals	10
As of 12/31	**106**
Net book values 12/31/2005	**127**
Net book values 12/31/2006	**117**

The purchased intangible assets consist primarily of purchased software.

Purchased intangible assets are reported at cost.

Purchased intangible assets that have a certain economic life are reported starting from the time they are made available at the cost of acquisition or manufacture less ordinary depreciation (straight-line method) in accordance with the anticipated useful economic life. Software is depreciated over a economic life of up to five years, industrial property rights over an effective life of 15 years. The Hahn Group has no intangible assets with an indetermined useful life.

There are no self constructed intangible assets in the Group.

Impairments of intangible assets are reported by analogy to the information under property, plant and equipment.

[13] Property, Plant and Equipment

Data in thousand Euro	Land and buildings	Other facilities and office equipment	Investment properties	Total
Acquisition costs				
As of 1/1	**5,468**	**699**	**7,506**	**13,673**
Additions	–	186		186
Disposals	–	263	6,984	7,247
As of 12/31	**5,468**	**622**	**522**	**6,612**
Depreciation				
As of 1/1	**2,225**	**480**	**1,297**	**4,002**
Depreciation 2006	92	91	–	183
Disposals	–	232	1,297	1,529
As of 12/31	**2,317**	**339**	**–**	**2,656**
Net book values 12/31/2005	**3,243**	**219**	**6,209**	**9,671**
Net book values 12/31/2006	**3,151**	**283**	**522**	**3,956**

Tangible fixed assets are reported at cost less ordinary (straight-line method) depreciation. Buildings are depreciated on the basis of a useful life of 50 years, used uniformly throughout the Group. For other facilities, equipment and furnishings the service life is between 3 and 13 years. Interest on borrowed capital is not included.

The investment property is the Fachmarktcenter Kitzingen GbR:

Data in thousand Euro	12/31/2006	12/31/2005
EKC Osnabrück Schinkel GbR	–	2,388
SB-Markt Tettnang GbR	–	1,748
Verbrauchermarkt Braunschweig GbR	–	776
Bau- und Fachmarktzentrum Köln-Ehrenfeld GbR	–	775
Fachmarktcenter Kitzingen GbR	522	522
Total	**522**	**6,209**

On December 31, 2006 and 2005 there were no contractual liabilities to buy investment properties. No external opinions were used in determining the valuations.

Impairments of tangible fixed assets

As soon as there are indications that a tangible fixed asset could be significantly impaired in the meaning of IAS 36, an unscheduled depreciation is taken. An unscheduled depreciation occurs when the greater of the net proceeds from disposal and the rental value falls below the residual book value. As soon as the reasons for the changed estimation of the realizable value have been eliminated, depreciation is reversed.

Hahn AG reviews the fixed assets for the need for extraordinary depreciation. Extraordinary depreciation is taken on other intangible and tangible fixed assets if certain events or developments cause the book value of the assets to no longer be covered by the expected sales proceeds or the discounted net cash flow from further usage.

The cash flows are discounted at a capital cost rate based on comparable companies. If it is impossible to determine the realizable value, the cash flows are determined for the next higher group of assets for which such a cash flow can be ascertained. Appreciation is calculated if the reasons for the extraordinary depreciation have been eliminated in the subsequent periods. The maximum appreciation is to the amount that would have resulted if the extraordinary depreciation had not been taken. No appreciation was applied in the reporting periods.

[14] Financial Investments

Data in thousand Euro	Investment in associates valued at equity	Other financial investments				Total
		Investments in closed-end property funds	Investment in related companies	Participating interests	Other receivables	
Acquisition costs						
As of 1/1	**4,734**	**10,330**	**9**	**1**	**779**	**11,119**
Additions	4,738	4,628	21	–		4,679
Disposals	3,850	1,716	4	–	779	2,499
As of 12/31	**5,622**	**13,272**	**26**	**1**	**–**	**13,299**
Depreciation						
As of 1/1	**275**	**1,167**	**–**	**1**	**429**	**1,597**
Disposals	–	166	–	–	429	595
As of 12/31	**275**	**1,001**	**–**	**1**	**–**	**1,002**
Net book values 12/31/2005	**4,459**	**9,163**	**9**	**–**	**350**	**9,522**
Net book values 12/31/2005	**5,346**	**12,271**	**26**	**–**	**–**	**12,297**

Shares in associated subsidiaries are included in accordance with IAS 28 according to the equity method. In 2006 there were 8 such companies (prior year: 7).

Participating interests that are held long-term, and where no defining influence can be exerted on their business and financial policy, will continue to be reported as "Investments in closed-end property funds."

The associated companies that are valued according to the equity method had total net annual profits of Euro 2.319 thousand in the fiscal year of the report (2005: Euro 1.297 thousand), annual losses of Euro 540 thousand (2005: Euro 587 thousand), and sales of Euro 3.215 thousand (2005: Euro 2.412 thousand). The assets of these companies on 12/31/2006 were Euro 43.509 thousand (12/31/2005: Euro 38.460 thousand), the liabilities Euro 42.349 thousand (12/31/2005: Euro 29.238 thousand).

Shares in closed-end real estate funds valued at Euro 985 thousand were assigned to the bank as collateral for the corresponding financing loan.

The shares in closed-end property funds are valued at the depreciated acquisition cost. The “Investments in closed-end property funds” consist of freely traded closed-end property funds. The write-downs of financial investments relate to reductions in the present values of these financial instruments below the acquisition costs, which may be regarded as impairments. The write-downs are recorded as charges against profits.

(15) Other Financial Assets

The other financial assets relate to the long-term shares (over one year remaining to maturity) of the receivables to funds, employees and subscribers of property funds.

Financial assets are capitalized in the Hahn Group upon delivery, i.e. as of the realization date.

[16] Deferred Taxes

The deferred tax assets and liabilities result from temporary differences and tax loss carryovers as follows:

Data in thousand Euro	12/31/2006		12/31/2005	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed Assets				
Land and buildings	–	223	–	143
Investment properties	–	98	2	338
Financial investments				
Participating interests in associated companies	34	897	42	–
Investments in closed-end property funds	322	937	340	720
Inventories				
Properties held for sale	1,272	12	1,360	1,009
Current asset securities	143	546	204	1,015
Accounts receivable and other assets				
Receivables to affiliated persons and companies	–	153	–	–
Short-term debts				
Advance payments received on orders	–	684	–	–
Other provisions	**–**	**78**	**–**	**157**
Temporary differences	**1,771**	**3,628**	**1,948**	**3,738**
Loss carryovers	**–**	**–**	**401**	**–**
Total/balance sheet item	**1,771**	**3,628**	**2,349**	**3,738**

To take account of future tax consequences, deferred taxes are formed from temporary differences between the tax assessment bases of the assets and liabilities and their reported values in the IFRS financial statements, as well as for loss carryovers. The deferred taxes are calculated on the basis of the regulations issued by the lawmakers at the end of the particular fiscal year for the fiscal years in which the differences balance out or the loss carryovers are likely to be used.

Deferred taxes are reported on temporary differences that result from current value reporting of assets and liabilities in connection with acquisitions of companies. Deferred tax assets and liabilities are only netted out to the extent that the deferred taxes refer to taxes on income that are levied by the same taxing authority, and in which the current taxes can be offset against each other.

Deferred taxes for the temporary differences and loss carryovers of the property funds were only set aside for the part apportionable to the Group, since the results for these companies are subject to taxation only at the company level, and thus the portions of the deferred taxes applicable to the outside limited partners accrue outside of the Group.

[17] Properties Held for Sale

This item includes six properties (prior year: 14) that are intended for sale and thus must be allocated to the "Trading" segment.

According to IAS 2 this item includes the properties that are held with the intent to sell, i.e. those assets that are intended for sale to institutional or private investors.

They are valued at cost, including incidental costs of acquisition.

Costs of borrowed capital were recorded in accordance with IAS 23.7 according to the benchmark method, in the period in which they accrued.

If the forecast net disposal price is lower than the acquisition costs, the asset is valued according to IAS 2.9 at the lower of cost or market.

[18] Current Asset Securities

The classification "current asset securities" is used to report participating interests that are not consolidated due to lack of possibility to control, but which are intended for sale.

The item contains 36 shares (prior year: 37) in closed-end property funds intended for sale, with interests of less than 20%.

They are valued at cost. If the current value falls below the acquisition costs, a valuation adjustment is made. In 2006 valuation adjustments of Euro 34 thousand were made (2005: Euro 2.106 thousand).
If the current value improves consistently after valuation adjustments have been made, reversals of depreciation are made up to the amount of the depreciated acquisition cost.

The advance payments include advance payments made by the Hahn Group on the acquisition of interests in companies, as well as advance payments received from customers, legally effective after the closing date.

[19] Trade Accounts Receivable

The trade accounts receivable are composed of the following:

Data in thousand Euro	12/31/2006	12/31/2005
Trade accounts receivable gross	4,280	3,487
Allowances	– 120	– 151
Trade accounts receivable	**4,160**	**3,336**

Trade accounts receivable are reported at cost.
Risks of nonpayment are allowed for by means of appropriate valuation adjustments, which are determined on the basis of experiential values and individual risk estimates.

[20] Receivables to Affiliated Persons and Companies

The receivables to affiliated persons and companies are composed of the following:

Data in thousand Euro	12/31/2006	12/31/2005
Receivables to HAHN-Holding GmbH, its shareholders, or companies controlled by them	653	1,444
Receivables to corporate organs of the Hahn Group	10	10
Receivables to associated companies	5,651	104
Receivables to affiliated persons and companies	**6,314**	**1,558**

The receivables to associated companies in the reporting year include Euro 2.8 mill. in claims reported according to the percentage of completion method from assignment of partial payments not belonging to the current accounting period, in connection with the creation of a fund property. There were no significant costs offsetting the revenues.

Additional explanations of the relationships with affiliated persons and companies will be found under Point IX. 2.

[21] Other Assets

The other assets are structured as follows:

Data in thousand Euro	12/31/2006	12/31/2005
Receivables	645	453
Claims against funds	3,242	514
Claims against employees	18	2
Other	1,146	1,021
Other financial assets	**5,051**	**1,990**
Accruals	76	61
Claims from other taxes	540	414
Sundry other assets	**616**	**475**
Other assets	**5,667**	**2,465**

The other assets are reported at cost.

Risks of nonpayment are allowed for by means of appropriate valuation adjustments, which are determined on the basis of experiential values and individual risk estimates.

The receivables reported on December 31, 2005 and 2006 refer primarily to intermediate financing of the Hahn Group for fund companies, which will be repaid in the short term.

The claims against funds relate to receivables with interest rates of 5.0 % over their lifetime for new contracts and 6.0 % for old contracts.

[22] Liquid Funds

The liquid funds comprise cash on hand and in banks with an original term of less than three months.

[23] Shareholders' Equity

The change in the shareholders' equity components is reflected in the Changes in consolidated shareholders' equity.

By resolution of the Shareholders' Meeting on August 17, 2006 and September 11, 2006, the option increasing share capital from approved capital was added to the articles of incorporation (section 4 (4)). According to that provision, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the capital stock of the company in the period prior to August 16, 2011 once or in partial increments by up to Euro 5.0 mill., by issuing new individual bearer share certificates in exchange for investments in cash or in kind. The shareholders will have a right of subscription.

At the same time, the Shareholders' Meeting decided to convert registered shares to bearer shares. Furthermore, it was decided to increase the capital stock of HAHN-Immobilien-Beteiligungs AG by up to Euro 3.5 mill., from Euro 10.0 mill. to a maximum of Euro 13.5 mill., in exchange for cash investment, by issuing new stock. A capital increase of Euro 2.0 mill. was realized in the course of the initial public offering. Following recording of the capital increase in the commercial register on October 24, 2006, the capital stock of the Company is Euro 12.0 mill. The capital stock now comprises 12.0 million individual bearer share certificates. On December 31, 2006 the approved capital was Euro 3.0 mill.

In addition, on August 17, 2006 the Shareholders' Meeting approved the purchase of the company's own stock up to a total of 10 % of the share capital existing at the time of the resolution, in accordance with section 71 (1) no. 8 Stock Corporation Act.

On the balance sheet closing date, HAHN-Holding GmbH, Bergisch Gladbach, was registered as 78.59 % shareholder. Michael Hahn owns a 79 % interest in HAHN-Holding GmbH, Bergisch Gladbach.

The revenue reserve includes the premium from the capital increase less the transaction costs of Euro 1.602 thousand, reduced by the earnings tax concession of Euro 641 thousand according to IAS 32.35.

The retained earnings refer to the statutory retained earnings, as well as the amounts allocated to the miscellaneous revenue reserves. The reserves established according to the articles of incorporation in the prior years were reallocated to the miscellaneous revenue reserves after the amendment to the articles of incorporation.

The net profit includes the results achieved in the past that have not yet been allocated to the reserves and were not distributed, or which must be reported in the item "Liabilities to minority shareholders" under debt capital due to their assignment to the limited partners / shareholders of the property fund according to IAS 32.

[24] Provisions

The long-term and short-term provisions are composed of the following:

Data in thousand Euro	As of January 1, 2006	Use	Alloca-tions	As of December 31, 2006	of which long-term	Discout factor
Rent compensation obligation	1,700	98	138	1,740	1,642	4.5 %
Encumbering contract	630	166	256	720	460	4.5 %
Withdrawals from granted bank guaranties	534	534	–	–	–	
Loan assumption in the interest of goodwill	435	435	–	–	–	
Other guaranties	826	293	1,128	1,661	522	4.5 %
Provisions	**4,125**	**1,526**	**1,522**	**4,121**	**2,624**	

The other provisions take into account all recognizable legal and constructive liabilities of the Group to third parties whose settlement is probable and whose amount can be estimated reliably. The provisions are reported with the expected settlement amount in accordance with IAS 37. Long-term provisions are reported on the basis of corresponding market interest rates at their performance amount, discounted as of the balance sheet closing date.

The provision for rent compensation obligation contains an obligation entered into in conjunction with a rental agreement with a DIY market, to refund portions of rent payments if certain premises do not come about. Since the premises did not come about by the balance sheet closing date, and the company also considers it unlikely that these premises will come about in the future, the compensation risk was put aside.

The encumbering contract is a general rental contract entered into by the company with a property fund which it sells. The rented areas have not yet been completely re-let at this time. The provision corresponds to the encumbrance that will result in the future.

The provision for other guaranties includes assorted rent guaranties, as well as assumptions of costs in the interest of good will.

[25] Bank Receivables

Liabilities are reported at cost, with allowance for transaction costs as well as premiums and discounts.

The bank receivables are composed of the following:

Data in thousand Euro	2006	2005
Property financing outside of the fund level	6,327	8,606
Other property financing	71	87
Current account receivables outside of the fund level	324	3,162
Total	6,722	11,855
Property financing at the fund level	21,915	61,731
Current account receivables at the fund level	177	208
Total	22,092	61,939
Grand total	**28,814**	**73,794**

The liabilities from financing the investment properties and properties held for sale are liabilities to credit institutions, and are characterized by the following book values, interest rates and maturities:

Currency of loan	Final maturity	2006 thousand Euro	2005 thousand Euro	Interest rate in %
EUR	2006	–	41,861	3.04 - 7.29
	2007	15,081	5,142	4.92 - 5.6
	2008	–	5,748	5.12 - 7.25
	2009	–	429	4.977
	2011	4,384	4,171	5.6
	2014	–	–	5.106
	2017	–	662	4.68
	2040	–	1,056	3.91
CHF	2005	–	–	3.14
	2009	2,450	2,662	3.69 - 5.04
Liabilities from the financing of investment properties and properties held for sale		**21,915**	**61,731**	

The liabilities are collateralized in principle by granting appropriate real collateral and by assigning the rights from the rental contracts. In the case of the receivables, the liability of the Group and of the outside shareholders of the particular property fund is limited to the assets of the respective fund.

The substantial bank receivables outside of the credits of the consolidated fund companies are all stated in Euro, and are characterized by the following terms:

	12/31/2006 thousand Euro	12/31/2005 thousand Euro	Effective interest rate in %	Interest committed until	Final maturity
Property financing outside of the fund level					
Eurohypo Oschersleben I (fund) (HAHN Fonds GmbH)	–	3,217	5.46 %	8/31/2013	8/31/2013
Eurohypo Oschersleben II (fund) (HAHN Fonds GmbH)	–	2,725	4.22 %	6/30/2006	6/30/2006
Eurohypo Magdeburg I (HAHN Fonds GmbH)	523	732	3.90 %	6/30/2009	6/30/2009
Eurohypo Magdeburg II (HAHN Fonds GmbH)	582	766			6/30/2009
KSK Cologne Montabaur (HAHN Fonds GmbH)	–	695	4.05 %	5/30/2006	5/30/2006
Eurohypo Schwäbisch Gmünd (HAHN AG)	–	471	3.72 %	2/28/2006	2/28/2006
LRP Co-Investment (HAHN AG)	887	–	5.25 %	1/1/2008	12/30/2012
LRP Lauchhammer (HAHN Fonds GmbH)	4,335	–	5.11 %	2/28/2007	9/30/2007
Total	**6,327**	**8,606**			
Current account receivables					
KSK Cologne Kontokorrent (HAHN AG)	7	1,452	9.75 %	variable	daily
BH Lampe Kontokorrent (HAHN AG)	–	1,199	8.50 %	variable	31.12.2006
LRP Kontokorrent (HAHN Fonds GmbH)	5	–	7.00 %	variable	daily
Eurohypo Kontokorrent (HAHN AG)	312	511	8.50 %	variable	daily
Total	**324**	**3,162**			

The receivables to finance the purchase of the Oschersleben property were repaid in the 2006 fiscal year.

The receivables of Euro 523 thousand and Euro 582 thousand were taken out to finance the purchase of the Magdeburg property. They are secured by the assignment of claims from the rental contract for the property and by part of the amount of a land contract. The loan of Euro 582 thousand is additionally secured by a guaranty given by HAHN AG. Both receivables are annuity receivables, with an initial repayment rate of 0.5 %.

The loan of Euro 4.335 mill. was taken out to finance the purchase of the shares in SB-Warenhaus Lauchhammer GbR. The loan is secured by assignment of the shares and by assignment of the registered real property encumbrances of the bank providing the financing at the level of the property company.

As of December 31, 2006, Euro 7.957 mill. of the bank receivables have a remaining term to maturity of more than a year.

The balance sheet reporting of the short-term and long-term bank receivables differs in its organization from the actual maturities, in that credit agreements with a term to maturity of over a year which pertain to investment properties, are reported as short-term debts, since it is expected that they will be repaid within the normal course of the business cycle of the Group.

[26] Trade Accounts Payable

The trade accounts payable relate primarily to purchase price liabilities and commission liabilities. They are valued at their present values.

[27] Advance Payments Received on Orders

The advance payments received on orders are primarily prepayments of agents' commissions.

[28] Liabilities to Affiliated Persons and Companies

The liabilities to affiliated persons and companies are composed of the following:

Data in thousand Euro	12/31/2006	12/31/2005
Liabilities to HAHN-Holding GmbH, its shareholders, or companies controlled by them	1,360	28
Liabilities to corporate organs of the Hahn Group	298	–
Liabilities to associated companies	102	51
Liabilities to affiliated persons and companies	**1,760**	**79**

The primary item under the liabilities to HAHN-Holding GmbH is a purchase price obligation that existed on the closing date.

Additional explanations of the relationships with affiliated persons and companies will be found under Point IX.2.

[29] Receivables to and Liabilities to Minority Shareholders

The receivables to minority shareholders pertain to claims against shareholders of acquired funds from the time prior to their takeover by the Hahn Group.

The liabilities to minority shareholders include the shares in the net assets of the property funds that must be reported as debt capital according to IAS 32 due to the expectation of their dissolution, as well as the cancellation rights of the limited partners and shareholders in the civil law association.

The shares in the net assets of the property funds owned by shareholders who are not members of the Group include the limited partner investments / capital deposits and other equity liabilities (civil law association) and the results achieved in prior periods and the current period by the property funds included in the consolidated financial statements.

The shares are not subject to interest, and are due for payout upon withdrawal of the individual shareholders or upon dissolution of the particular fund company.

Financial instruments that give the bearer a right to repayment of the capital made available to the company must be classified as debt capital, according to IAS 32. The property funds of the Hahn Group are organized in the legal form of a commercial partnership, in which the shareholders can obligate the company to pay out the capital contributions and the profit shares that accrue to them by exercising a statutory right of cancellation that cannot be excluded by the articles of partnership. In addition, because of their character as investment objects the companies are not established as permanent entities, so that a claim of the shareholders against the company will arise due to the anticipated dissolution of the company. The claim of the outside shareholders to the net assets of the property fund, which is determined primarily by the current value of the real properties, is therefore reported in the IFRS consolidated financial statements of the Hahn Group as debt capital under the item "Liabilities to minority shareholders." The allocations of profit or loss to external shareholders are recorded in the consolidated income statement as expenses or income.

[30] Other Liabilities

The other liabilities are structured as follows:

Data in thousand Euro	12/31/2006	12/31/2005
Receivables	3,954	1,349
Liabilities to employees	189	344
Outstanding invoices received	1,523	1,230
Liabilities to funds	28	332
Other liabilities	1,185	234
Other financial liabilities	**6,879**	**3,489**
Liabilities from taxes on income	2,454	1,184
Liabilities from other taxes	788	563
Liabilities from social insurance contributions	–	93
Deferrals	25	32
Sundry other liabilities	**3,267**	**1,872**
Other liabilities	**10,146**	**5,361**

The receivables are to various parties to business transactions, and are subject to interest. They are granted for an indefinite period, and can be cancelled in at any time by either the Hahn Group or the lender, including partial amounts, with a deadline of up to six months.

The liabilities to employees relate primarily to vacation days not yet taken.

VII. EXPLANATORY NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the means of payment of the Hahn Group have changed in the course of the reporting year due to inflow and outflow of funds. In accordance with IAS 7, a differentiation is made among payment flows from business operations, investing and financing activities.

The cash flow statement begins with the annual net profit. Reduced depreciation due to changes in the consolidated companies, as well as higher proceeds from investment interests, result in gross cash flow of Euro 4.1 mill. Deposits in connection with the initial public offering cause an increase in the financial resource fund on the balance sheet closing date. The financial resource fund corresponds to the liquid assets reported on the balance sheet, and includes primarily bank balances.

Payments for taxes on income, for interest and income from investment interests are included in the cash flow from ordinary activities as follows:

Data in thousand Euro	2006	2005
Interest paid	3,172	6,656
Interest received	301	193
Taxes paid	222	773
Taxes received	145	18
Income from investment interests received	623	484

With regard to the changes in the consolidated companies see our remarks in Section IV., The consolidated companies.

VIII. EXPLANATORY NOTES ON THE SEGMENT REPORTING

The segment reporting follows the regulations of IAS 14 in accordance with the internal control of the business areas of the Hahn Group. The activities of the Hahn Group are confined to Germany, so there is no secondary segmentation.

According to this practice, the **Trading** segment includes the concept, fund management and distribution of real estate or shares in property companies in the company's own name or the name of another. In the prior year, fund management was assigned to the Management segment. The comparison figures have been adjusted in the segment reporting.

The **Management** segment includes asset and property management.

The **Investment** segment includes the Group's own participating interests and investment properties.

The **column Transition reflects the group management functions that cannot be allocated to the segments**, non allocatable assets (receivables from affiliated and associated companies and interests, as well as tax receivables) and liabilities (financial debts, liabilities to affiliated and associated companies and interests, as well as tax liabilities), and consolidation items.

Sales represent the turnover from trading in land (in conjunction with trading in fund shares) and original trading in land in the Trading segment. Also included are revenues in the form of sales commissions, service fees for fund management and rental income from properties held for sale. The sales revenues from the Management segment include commissions for asset and property management. Exclusively in the Investment segment the rental income from investment properties is reported.

EBITD including co-investments represents the results from operation (EBIT) before depreciation, plus the investment income from the co-investments (Investment segment). The investment income of Euro 315 thousand (prior year: Euro 0 thousand) from co-investments is included in the financial results in the investment proceeds from funds.

The earnings before financial results and taxes on income **(EBIT)** report the Group management costs for the first time in the Transition column. To ensure comparability, the prior year has been adjusted accordingly.

The **Segment assets** include in the Trading segment all real properties of the trading assets, as well as the shares held in closed-end property funds of the current assets with the intent to sell. Also included here are the shares in associated companies. Investment properties are recorded in the Investment segment.

The **Segment debts** include the operating debts and provisions of the individual segments. Bank receivables, liabilities from the financing of investment properties and liabilities from current and deferred taxes on income are reported in the Transfers column.

The operational **Investments** contain the additions of the intangible and tangible assets.

IX. OTHER INFORMATION

1. Financial Instruments

a) Original financial instruments

The current values of the original financial instruments correspond to their respective book values.

b) Interest and foreign currency risks

Hedging transactions are not undertaken in the consolidated companies. Since the company is active primarily in the European region, there is only a slight currency risk from foreign business.

To reduce the risk of interest rate changes, the Hahn Group concludes its financial liabilities predominantly on the basis of fixed interest rates.

c) Credit risk

The Hahn Group is exposed to the risk that parties to transactions, primarily property funds, will not be able to fulfill their liabilities to the Group. These liabilities consist primarily in paying accounts receivable from brokerage services and from trust management and performance of services. The maximum risk of default corresponds to the nominal values reported under the respective categories of financial assets.

Recognizable risks of default that exist in particular for the trade accounts receivable are reflected in corresponding valuation adjustments.

2. Relationships with Affiliated Persons and Companies

Affiliated persons and companies according to IAS 24 for the Hahn Group are the persons and companies that control the Group or exercise a decisive influence on it, or that are controlled or decisively influenced by the Group. Accordingly, HAHN-Holding GmbH and its shareholders, the companies controlled or decisively influenced by HAHN-Holding GmbH or its shareholders, the members of the Board of Management and the Supervisory Board of HAHN-Immobilien-Beteiligungs AG, and the subsidiaries, associated companies and joint ventures of the Hahn Group are defined as affiliated persons and companies.

In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following business relationships existed with affiliated persons and companies.

a) Relationships with HAHN-Holding GmbH, its shareholders, or companies controlled by them

The following business relationships existed in the fiscal years 2005 and 2006 with HAHN-Holding GmbH, its shareholders and members or relatives of the shareholders in the meaning of IAS 24, as well as companies controlled by them:

Balance sheet — Data in thousand Euro	12/31/2006	12/31/2005
Receivables against HAHN-Holding GmbH, its shareholders, or companies controlled by them	653	1,444
Liabilities to HAHN-Holding GmbH, its shareholders, or companies controlled by them	1,360	28

b) Relationships with non-consolidated allied companies

There were no significant performance relationships with the non-consolidated related companies.

c) Relationships with associated companies

The following business relationships existed in the fiscal years 2006 and 2005 with companies on which the Hahn Group with other associates has a decisive influence:

Balance sheet (Data in thousand Euro)	12/31/2006	12/31/2005
Receivables to associated companies	5,651	104
Liabilities to associated companies	102	51

Income statement (Data in thousand Euro)	2006	2005
Result from associated companies	491	– 68

With regard to the change in claims against associated companies we refer to Point (20).

d) Relationships with affiliated persons

Remuneration (fixed) of the Supervisory Board (Data in thousand Euro)	2006 fixed remuneration	2005 fixed remuneration
Michael Hahn (from 11/28/2006)	10.0	–
Eckart John von Freyend (from 9/21/2006)	15.0	–
Dr. Reinhard Frhr. von Dalwigk (from 9/21/2006)	10.0	–
Robert Löer (from 8/17/2006)	13.3	–
Dr. Fritz Reimnitz (until 11/28/2006)	13.8	9.0
Ludwig Stoffel (until 9/21/2006)	5.3	6.5
Dr. Bernd Wassermann (until 9/21/2006)	5.3	6.5
Total	**72.7**	**22.0**

The earnings of the Board of Management are as shown below:

Earnings of the Board of Management (Data in thousand Euro)	2006			2005		
	fixed earnings	Profit sharing bonus	Total	fixed earnings	Profit sharing bonus	Total
Michael Hahn (bis 11/28/2006)	405	0	405	442	2	444
Bernhard Schoofs	226	280	506	210	145	355
Norbert Kuhn (ab 10/1/2006)	59	120	179	–	–	–
Gesamt	**690**	**400**	**1,090**	**652**	**147**	**799**

The following relationships exist with affiliated persons continue:

Mr. Michael Hahn sold 7.4347 % of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 504 thousand to HAHN Fonds GmbH for a selling price of Euro 990 thousand in cash. Also in fiscal year 2006, Mr. Hahn sold 1 % of the shares with a nominal value of Euro 169 thousand in a property fund established by the Hahn Group to another closed-end property fund belonging to the Hahn Group for a selling price of Euro 161 thousand in cash.
By contract dated December 13, 2006 Mr. Hahn sold 39.95 % of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 1.940 thousand to HAHN Fonds GmbH for a selling price of Euro 2.908 thousand in cash. The named transactions were part of new placements in the fiscal year.

Mr. Schoofs, along with other third parties, by contract dated January 11, 2006 acquired a 0.1743 % share in a fund established by the Hahn Group with a nominal value of Euro 100 thousand for a purchase price of Euro 92 thousand with allowance for the indebtedness.

HAHN Immobilien Service GmbH provides real estate management services for residential buildings that are owned by Mr. Michael Hahn or his relatives. The Hahn Group received compensation of Euro 7 thousand in the fiscal year 2006 (2005: Euro 12 thousand) for these management services. In addition, the company provides real estate management services free of charge for an office building which is owned by a relative of Mr. Michael Hahn.

Mr. Michael Hahn provided personal guaranties for liabilities of the Hahn Group and the property fund which it manages, with the following values as of the balance sheet closing date:

Data in thousand Euro	12/31/2006	12/31/2005
Liabilities of the Hahn Group	7	9,363
Liabilities of associated companies	951	951
Liabilities of the property funds established and administered by the Hahn Group	210	210
Total	**1,168**	**10,524**

In the fiscal year 2006 Mr. Hahn received commissions of Euro 64 thousand (2005: Euro 90 thousand) from the Hahn Group for assuming these guaranties.

During the fiscal year the law office and tax consultants bureaux of two Supervisory Board members of the Hahn Group provided legal and tax advising services for the companies of the Hahn Group, including the property funds established by it, in the amount of Euro 332 thousand (2005: Euro 1.052 thousand).

In addition, a relative of Mr. Michael Hahn employed by the Hahn Group received earnings of Euro 135 thousand in 2006 (2005: Euro 137 thousand).

3. Audit Fees

The expenses in the 2006 fiscal year for auditing the consolidated financial statements and the financial statements of HAHN-Immobilien-Beteiligungs AG and its subsidiaries by Dr. Breidenbach, Dr. Güldenagel und Partner KG, Wuppertal, came to Euro 267 thousand. In addition, there were fees of Euro 68 thousand for other verification services, Euro 11 thousand for tax advising services, and Euro 152 thousand for other services. Included in these figures are Euro 136 thousand in auditing fees and Euro 65 thousand in fees for other services in connection with the initial public offering and the associated conversion to IFRS.

4. Contingencies

The following contingencies of the Group exist:

Data in thousand Euro	12/31/2006	12/31/2005
Bank guaranties	12,058	13,670
Other guaranties	110	1,607
Realization guaranties	1,450	1,602

As of December 31, 2006 land charges on real estate in the amount of Euro 36.884 thousand (12/31/2005: Euro 103.096 thousand) had been given as security for liabilities.

5. Other Financial Liabilities

The future payment liabilities from rental contracts and leases are all for operating leases; as of December 31, 2006 they are structured as follows:

Data in thousand Euro	12/31/2006	12/31/2005
Future payments for operating leases	1,129	1,595
due in the following year	373	526
due in 2 – 5 years	756	1,069
due in > 5 years	–	–

A provision for rent liabilities was created for future rent and lease liabilities of Euro 720 thousand (12/31/2005: Euro 630 thousand).

The irrevocable obligation exists with a strategic business associate to subscribe for shares in a special fund in the amount of Euro 4 mill.

6. Medium and Long-Term Rental Income

The future liquid inflows to be expected according to the existing rental contracts are:

Data in thousand Euro	12/31/2006	12/31/2005
Future inpayments from rental contracts	1,509	23,160
due in the following year	280	4,058
due in 2 – 5 years	1,133	11,484
due in > 5 years	96	7,618

7. Statement on the Corporate Governance Code

The Board of Management and Supervisory Board of HAHN-Immobilien-Beteiligungs AG submitted the Statement on the Corporate Governance Code according to section161 Stock Corporation Act on September 13, 2006 and made it available to the stockholders via the Internet.

8. Events after the Balance Sheet Closing Date

Three properties with a value of approximately Euro 40 mill. have been purchased in the fiscal year 2007. For further details see the Supplemental Report in the Consolidated Management Report.

9. Proposal for the Appropriation of the Net Profit

The Board of Management proposes that the net profit of HAHN-Immobilien-Beteiligungs AG be used as follows:

Proposed for the appropriation of profits Data in thousand Euro		
Distribution of a dividend to 12,000,000 shares of common stock	€ 0.12	1,440,000
Allocation to miscellaneous revenue reserves		1,000,000
Carried forward to new account		16,861
Total		**2,456,861**

Consolidated Subsidiaries and Associated Companies as of 12/31/2006*

Companies	Share of equity capital in %
I. Affiliated consolidated companies	
HAHN Fonds GmbH, Bergisch Gladbach	100.00
HAHN Immobilien Service GmbH, Bergisch Gladbach	100.00
HAHN Asset Management GmbH, Bergisch Gladbach	100.00
HAHN Immobilien GmbH, Bergisch Gladbach	100.00
HAHN Grundbesitz Beteiligungs GmbH, Bergisch Gladbach	100.00
HAHN Grundbesitz GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn Fondsbeteiligungs GmbH, Bergisch Gladbach	100.00
DFD Finanzdienstleistungen und Service GmbH, Bergisch Gladbach	100.00
CuV Consulting und Verwaltung GmbH, Bergisch Gladbach	100.00
HAHN Fonds Geschäftsführungs GmbH, Bergisch Gladbach	100.00
Bürohaus Bensberg GbR, Bergisch Gladbach	97.00
City-Center Schwerte GbR, Bergisch Gladbach	94.90
Grundstücksgesellschaft Herrenberg GbR, Bergisch Gladbach	100.00
Hahn SB-Warenhaus Celle GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn GZ Bremen-Blumenthal GmbH & Co. KG, Bergisch Gladbach	94.96
Hahn Baumarkt Soest GmbH & Co. KG, Bergisch Gladbach	99.90
Hahn Verbrauchermarkt Erding GmbH & Co KG, Bergisch Gladbach	99.99
Hahn Verbrauchermarkt Erding Eins GmbH & Co KG, Bergisch Gladbach	94.80
Hahn Verbrauchermarkt Passau GmbH & Co KG, Bergisch Gladbach	99.90
Hahn Verbrauchermarkt Ravensburg GmbH & Co KG, Bergisch Gladbach	99.90
SB-Warenhaus Bergisch Gladbach GbR, Bergisch Gladbach	100.00
Fachmarktcenter Kitzingen GbR, Bergisch Gladbach	100.00
II. Associated companies valued at equity	
Hahn & Partner Beteiligungs GmbH, Bergisch Gladbach	34.00
Verbrauchermarkt Bremen GbR, Bergisch Gladbach	44.00
Hahn Cottbus Spremberger Str. 13-15, Bergisch Gladbach	31.49
Gladium GmbH, Bergisch Gladbach	50.00
Gladium Citygalerie GmbH & Co. KG, Bergisch Gladbach	44.90
Hahn EKZ Lübeck GmbH & Co. KG, Bergisch Gladbach	49.99
Hahn FMZ Sterkrader Tor GmbH & Co. KG, Bergisch Gladbach	41.97
SB-Warenhaus Lauchhammer GbR, Bergisch Gladbach	25.00

*The complete shareholdings are on file with the commercial register

Corporate Organs

Supervisory Board
Michael Hahn, Bergisch Gladbach
Graduate in business economics
- Chairman of the Supervisory Board -
from 11/28/2006

Dr. Fritz Reimnitz, Cologne
Attorney at law and certified public accountant
Supervisory Board Chairman of HAHN-Immobilien-Beteiligungs AG until 11/28/2006
Managing Partner of ABB Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Cologne
Managing Partner of Dr. Reimnitz & Partner GbR, Cologne

Dr. Eckart John von Freyend, Bad Honnef
Master's degree in economics and Dr. rer. pol.
– Vice-Chairman of the Supervisory Board –
from 9/21/2006
Supervisory Board Member, Gerling Konzern Lebensversicherungs AG (until 6/30/2006)
Supervisory Board Chairman, Infopark Fejlesztesi RT, Budapest
Supervisory Board Member, Oppenheim Immobilien-Kapitalanlagegesellschaft mbH (until 12/31/2006)
Supervisory Board Member, IVG Immobilien AG, Bonn
Supervisory Board Chairman, IVG Deutschland Immobilien AG (until 12/31/2006)
Supervisory Board Chairman, UTH United Technologies Holding GmbH (until 10/13/2006)
Supervisory Board Member, VNR Verlag für die Deutsche Wirtschaft AG
Supervisory Board Member, HANNOVER HL Leasing GmbH & Co. KG (until middle of 2006)
Supervisory Board Chairman, IVG Polar Ltd., Helsinki (until 6/30/2006)
Shareholder in John von Freyend Vermögens- und Beteiligungsgesellschaft m.b.H., Bad Honnef

Dr. Reinhardt Frhr. von Dalwigk, Düsseldorf
Attorney at law
Member from 9/21/2006
Managing Partner of Aderhold v. Dalwigk Knüppel Rechtsanwaltsgesellschaft

Robert Löer, Bergisch Gladbach
General Manager
Member from 08/17/06
Managing Partner of Löer Immobilien Management GmbH

Ludwig Stoffel, Straubing
Kaufmann
Vice-Chairman of Supervisory Board until 9/21/2006

Dr. Bernd Wassermann, Essen
Certified public accountant, tax advisor
Member until 9/21/2006

Board of Management
Bernhard Schoofs, Overath
Master's degree in business administration
Chairman of Board of Management from 11/28/2006
Trading and Investment segments

Michael Hahn, Bergisch Gladbach
Graduate in business economics
Chairman of the Board of Management until 11/28/2006

Norbert Kuhn, Overath
Attorney at law
Member of Board of Management from 10/1/2006
Asset Management segment

Statement of the Board of Management

These Consolidated Financial Statements and this Consolidated Management Report were prepared by the Board of Management of HAHN-Immobilien-Beteiligungs AG, which is responsible for the completeness and accuracy of the information contained therein. The Board of Management hereby confirms that the Consolidated Financial Statements for 2006 were prepared according to their best knowledge.

The Consolidated Financial Statements were prepared using the International Financial Reporting Standards (IFRS), in accordance with the rules of use in the EU.

The information contained in the Consolidated Financial Statements and the Consolidated Management Report is based on the uniform Group-wide reporting of the companies and fund and property companies included in the consolidated financial statements of HAHN-Immobilien-Beteiligungs AG. The propriety of this reporting is ensured by the effective monitoring systems established at the initiative of the Board of Management. Development of a management information system will further support the effectiveness of the controls in the future.

Bergisch Gladbach, March 9, 2007

The Board of Management

Bernhard Schoofs

Norbert Kuhn

Audit Opinion

We have examined the consolidated financial statements prepared by HAHN-Immobilien-Beteiligungs AG – consisting of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and notes – as well as the consolidated management report for the fiscal year from January 1 through December 31, 2006. Preparing the consolidated financial statements in accordance with the IFRS, in compliance with the rules of use in the EU, and the additional applicable regulations of commercial law according to section 315a (1) German Commercial Code, as well as the supplemental provisions of the articles of incorporation, is the responsibility of the legal representatives of the company. Our task is to render an assessment of the consolidated financial statements and the consolidated management report on the basis of the examination which we have performed.

We have performed our audit of the consolidated financial statements in accordance with section 317 German Commercial Code, in compliance with the German principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW). According to those principles, the audit is to be planned and conducted so that inaccuracies and violations that have a significant effect on the picture of the net worth, financial position and results portrayed by the consolidated financial statements in compliance with the applicable accounting regulations and by the consolidated management report will be recognized with sufficient certainty. Knowledge of the business activity and of the economic and legal environment of the corporate group, as well as the expectations of possible errors, are taken into account in determining the audit activities. In the course of the examination, the effectiveness of the accounting-related internal control system, as well as substantiating documentation of the information in the consolidated financial statements and consolidated management report, are assessed primarily on the basis of random sampling. The audit includes assessment of the annual financial statements of the companies included in the consolidated financial statements, the delimitation, the scope of consolidation, the principles of accounting and consolidation applied, and the significant estimations of the legal representatives, as well as the evaluation of the overall picture portrayed by the consolidated financial statements and the consolidated management report. We are of the opinion that our examination constitutes a sufficiently reliable basis for our assessment.

Our examination did not result in any objections.

According to our assessment, based on the knowledge gained in the examination, the consolidated financial statements conform to the IFRS, in compliance with the rules of use in the EU, and the additional applicable regulations of commercial law according to § 315a Par. 1 German Commercial Code, as well as the supplemental provisions of the articles of incorporation, and while observing these regulations convey a picture of the net worth, financial position and results of the corporate group in accordance with the actual circumstances. The consolidated management report is in accord with the consolidated financial statements, conveys overall an accurate picture of the situation of the group, and accurately portrays the opportunities and risks of future development.

Wuppertal, March 12, 2007

Dr. Breidenbach, Dr. Güldenagel und Partner KG

Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Dr. Wollenhaupt
Certified Public Accountant

Eisenberg
Certified Public Accountant

HAHN-Immobilien-Beteiligungs AG

Abridged Version of the Individual Financial Statements

Income statement (Data in thousand Euro)	2006	2005
Sales	3,899,829	5,990,076
Change in inventories of finished goods and work in progress	–	– 110,779
Other operating income	2,804,456	2,446,369
Total operating performance	6,704,285	8,325,666
Operating expenses and financial results	– 4,175,098	– 7,652,360
Earnings before taxes	2,529,187	673,306
Taxes	679,304	643,378
Annual net profit	**1,849,883**	**29,928**

Balance sheet: Assets (Data in thousand Euro)	12/31/2006	12/31/2005
Non-current assets	9,572,345	9,424,470
Inventories	1,433,127	1,306,220
Accounts receivable and other assets	19,041,877	15,483,792
Cash on hand, bank balances	20,189,811	2,997,050
Prepaid expenses and accrued income	75,735	21,652
Total	**50,312,895**	**29,233,184**

Balance sheet: Liabilities (Data in thousand Euro)	12/31/2006	12/31/2005
Shareholders' equity	33,828,339	11,978,456
Provisions	9,305,553	7,888,632
Liabilities	7,171,025	9,356,202
Accruals and deferred income	7,978	9,894
Total	**50,312,895**	**29,233,184**

Glossary

Assets / Property under management
Value of the property managed by the Hahn Group, comprised of private, institutional and co-investments as well as the company-own portfolio.

Closed-end fund
Closed-end funds issue a fixed number of shares for a pre-defined and firmly limited investment sum. Once this scheduled volume has been attained, the fund is closed and no more shares are issued. Unlike open-end funds the issuing company is not obligated to redeem shares during the term.

Corporate Governance
Designation of a responsible business management and control geared toward long-term sustained value creation.

DAX
German stock index, as compiled by Deutsche Börse. The index represents the value performance of the 30 biggest German shares with the highest trading volume.

Discounter
Food retailer with a sales area of up to 1,000 m^2, selling a limited assortment of goods with a high turnover. Stores are run in self-service style with an aggressive low price policy.

Dividend
A portion of profits paid out to shareholders.

EBITD
Earnings before Interests, Taxes and Depreciation.

EBIT
Earnings before Interests and Taxes.

EBT
Earnings before Taxes.

Equity ratio
The equity ratio refers to the portion of equity in the balance sheet as against balance sheet total.

Hypermarkets
Retail stores with a sales area over 5,000 m^2 and focusing on goods of daily demand as well as countless non-food goods for self-service shopping, mainly located at sites easily accessible for motor vehicles.

IPO
During the IPO (Initial Public Offering) a company places its shares for the first time on a stock exchange. The company has to publish a prospectus as it is making a public offer whereby it places shares as an offer to qualified institutional and private investors.

Leverage effect
If an investor can raise borrowed capital at lower rate of interest or more favorable conditions than those with which he would earn from an investment, one speaks of a leverage effect, because the investor can invest more funds here than without additional borrowed capital.

Market capitalization
Key ratio that reflects the current market value of a company. Market capitalization is determined by multiplying the number of outstanding shares of stock times the price per share.

Pluswertfonds
The closed-end funds issued by HAHN Fonds GmbH are sold under the name "Pluswertfond".

REIT
Mainly exchange-listed property investment companies (Real Estate Investment Trust), who rent out and / or lease their property assets, generate rental revenues and pay out the bulk of their earnings. REITs are exempted from corporation and trade taxes. According to the proposed legislation on G-REITs, these tax privileges are granted, if, among other things, at least 75 percent of all income is generated from rent and lease and if at least 90 percent of all earnings are paid out to the shareholders.

Retail warehouses
Retail stores with a sales area over 700 m^2 selling non-food assortments from only one goods group. Focus is on price-sensitivity. Operations with different service concepts and occasionally offering additional services. Generally located at sites easily accessible for motor vehicles.

Retail warehouse center
Shopping center located at sites easily accessible for motor vehicles that integrate under one roof stores from different sectors, with varying sizes and formats, but dominated by price-sensitive superstores.

Shopping center
Retail property that integrates retailers from different industries, sizes and formats under one uniformly planned and managed roof.

Supermarkets
Retail stores with a sales area between 400 to 800 m^2 for self-service shopping offering food, beverages and tobacco, including fresh fruit and vegetables and supplementary goods for daily and short-term demand.

Superstores
Retail stores with a sales area between 1,500 to 5,000 m^2 generally for self-service shopping focusing on goods for daily demand. The sites are generally located easily accessible for motor vehicles.

Financial Calendar

5/14/2007	Publication of interim notification
6/6/2007	Shareholders' meeting
8/15/2007	Publication of semi-annual report
11/14/2007	Publication of interim notification

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