Annual Report

07

Hahn Group

Good ideas for large sales areas.

Key figures of the Hahn Group

Group — Data in thousand Euro	2007	2006
Sales	129,956	127,850
EBITD	22,986	8,508
EBIT	22,688	8,293
EBT	10,953	6,251
Net annual profit	7,062	4,118
Cash flow from operating activities	5,537	4,597
Equity ratio in %	9.1	40.0
Employees number	75	58

Segments — Data in thousand Euro	2007	2006
Trading		
Sales	115,642	120,565
EBIT	16,404	8,267
Management		
Sales	13,065	7,173
EBIT	5,895	1,488
Investment		
Sales	2,508	253
EBIT	2,112	226

Share	2007	2006
Number of shares	12,000,000	12,000,000
Share price on December 31 in Euro	7.73	10.49
Earnings per share in Euro	0.59	0.40
Dividend per share in Euro	0.18	0.12
Market capitalization on December 31 in million Euro	92.76	125.88
WKN / ISIN	600670 / DE0006006703	

Assets under Management	2007	2006
Investment volume in billion Euro	2.25	2.0
Managed rental space in m²	1,469,000	1,366,000
Annual rental volume under management in thousand Euro	155,194	133,665

The Segments

Trading

This business segment comprises the marketing of real estate funds for private and institutional investors. Trading also involves the sale of real estate property and of shares in investment properties.

We will continue to expand our position as supplier of specialized real estate funds, and launch a new product for institutional investors with the HAHN FCP in 2008.

Revenues Trading (Data in thousand Euro)	2007	2006
Sales/Placements	96,374	112,845
thereof commissions	3,195	4,227
thereof rental income – properties held for sale	15,955	3,410
Other revenues	118	83

Management

The Management segment comprises all asset, property and fund management activities of the Hahn Group. It unites the real estate know-how of the company. An extensive service package focusing on the real estate property covers all phases of added value.

A further increase of the offered management services as well as the expansion of the managed real estate assets are the essential growth potentials we anticipate in 2008.

Revenues Management (Data in thousand Euro)	2007	2006
Asset Management	4,767	2,848
Property Management	4,148	3,161
Fund Management	1,950	1,164
Performance Fees	2,200	–

Investment

This business segment achieves its revenues from co-investments. Real property with particularly high value added potentials are taken up in the investment portfolio as sole investments.

The good performance of our shareholdings and the intention of expanding our co-investments, will dominate the further growth of the investment segment.

Total investment volume (Data in million Euro)	2007	Hahn share	Value
Capital & Regional Portfolio	450	10.54 %	14
MEAG Portfolio	235	3.3 %	3
Sole investments	49	100 %	49

Good ideas for large sales areas

When it comes to retail real estates we focus on large sales areas. And we have a good reason for doing so: compared to other market segments, we find an optimum relationship between chances and risks. The staff of the Hahn Group with their know-how are always up-to-date on current developments in the investment market and the retail trade. With their great commitment, knowledge and comprehensive way of thinking they plan, improve and manage forward-looking real estate projects. Regardless of whether it concerns a shopping mall, retail warehouse center or a hypermarket: the Hahn experts solve problems and work out prospects with a clear view as to the function and value of the real estate investment. This is always for the mutual benefit of our business partners: national and international real estate investors, multinational retail groups and their customers.

The Hahn Group

For more than 25 years the Hahn Group has been the real estate specialist for the retail trade. With a rental space of around 1.5 million m² at almost 170 different locations and an investment volume of about Euro 2.3 billion under management, the Hahn Group is the German market leader in the management of large-scale retail real estate. With extensive asset, property and fund management services for private and institutional investors, Hahn develops all sources of revenue and added value potential relating to real estate; in addition, Hahn operates as an investor.

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Bernhard Schoofs
Chairman of the Management Board
Born 1961, Graduate in Business Administration

Responsible for strategy, finance, fund management, institutional and private customers and other central functions

Norbert Kuhn
Member of the Management Board
Born 1955, Lawyer

Responsible for portfolio, asset and property management, and purchasing

MANAGEMENT BOARD

Letter to the Shareholders

Dear Shareholders,
Dear friends and partners of our Group,

We are looking back on a fiscal year which was successful despite the difficult economic environment during the last couple of months. The positive trend of our course of business and the finally completed new orientation have made the first year following the IPO the most successful year in the more than 25-year history of the Hahn Group.

The year 2007 started in a very favorable capital market environment, nevertheless it was also a year full of challenges. Whereas in the first half of 2007 real estate assets were traded at a peak volume in Germany, this trend slackened distinctly during the second half-year. This slackening was triggered mainly by the global financial crisis and the resulting credit squeeze. Most market players were taken by surprise by the extent and severity of the so-called subprime crisis – including ourselves. Nevertheless, it speaks for the resilience and competency of our well-balanced business model that our operations took a positive course despite the problems on the market.

Positive impetus from the segments – leap in earnings

Our purchase activities set new standards. Real estate property totalling Euro 543 million were acquired in 2007: thereof 169 million from third parties and Euro 374 million as repurchases from private funds. The net initial yield of the properties averaged over 6.5 per cent. We have already reinvested around Euro 258 million: we were able to place property funds of a total volume of Euro 80 million with private investors. The marketed funds include, among others, the Pluswertfond 143, which invests a total of Euro 65 million in a portfolio consisting of four hypermarkets and one retail warehouse center – one of our largest private funds so far. Real estate properties of a total volume of Euro 130 million were placed with our institutional partners MEAG and Capital & Regional plc. The investment volume of the two institutional portfolios, in which we have a share as co-investors, has thus come up to almost Euro 700 million within four years only. Our own portfolio increased by Euro 48 million. Other real estate properties with a total volume of more than Euro 300 million, represent the secured purchase pipeline for our newly founded institutional fund, and the private fund scheduled for 2008.

On the whole, the Hahn Group increased its real estate assets under management by 12.5 per cent to around Euro 2.3 billion. This key figure is the economic basis for our earnings strength. It presents the most significant parameter in the analysis of our course of business: the larger the managed property portfolio, the broader the basis for sustained earnings in the future.

Revenues from asset, property and fund management followed a distinctly positive course and rose by around 82 per cent. The expansion of the managed assets, the generation of performance fees, and an increased first and subsequent leasing activity were important growth potentials. Furthermore, the highlight was the shopping mall Mönkhof Karree in Lübeck, developed within a partnership model. Erected in an integrated city district area with a total volume of Euro 36 million, the entire property was already leased at its opening on October 31, 2007. Resulting from an intensive dialog with the city of Lübeck, the forward-looking Mönkhof Karree contributes significantly to upgrading the emerging new university quarter in Lübeck, and to sustainably promoting the urbanization of working, living and shopping.

We were able to noticeably improve the profitability of the Hahn Group in all three segments – trading, management and investment. Just a slight rise in turnover resulted in a distinctly increased EBIT, from Euro 8.29 to 22.69 million. As against last year, the net Group profit after taxes went up around 72 per cent, at Euro 7.06 million. As a consequence, the Management Board and the Supervisory Board propose to the Shareholders' Meeting an increased dividend of Euro 0.18 per share, compared to Euro 0.12 in the previous year.

New orientation of the Hahn Group – paving the way for future growth
Fiscal year 2007 was also marked by organizational changes that were necessary to prepare the Hahn Group for further growth:

Risk management, as the pillar for successful and low-risk business operations, was expanded and the coordination procedures were optimized across the divisions. Four independent modules integrated into the risk management process play a central part. The staff function of Portfolio Management is intended as a supervisory unit for all economic key figures regarding real estate. The controlling / accounting module monitors the payment flows. The Hahn Management Information System enables the automatic balancing of all targeted and actual values. The fourth supervisory module consists of the external consultants such as auditors and tax advisors, who will conduct a supplementary impartial audit and evaluation of all relevant risks.

The reorganization of Portfolio Management as staff unit was enforced in order to make optimum use of the existing location, market and property data for our partial portfolios. With its efficient research division Portfolio Management uses extensive internal and external real estate databases, containing historical data from several decades, for its comprehensive analyses. Additionally to the newly introduced Hahn Management Information System, the management has all relevant parameters for up-to-date and substantiated decisions at its disposal. The expansion of our database functions and the introduction of a new Customer Relation Management (CRM) takes into account the management of individual properties and customers. All relevant documents with respect to each real estate property, tenant and investor can be accessed across all departments.

Moreover, we strengthened our management team with selected specialized real estate experts who are operating and managing their divisons independently as profit centers. One new managing director for each segment supplemented the asset and property management during the course of the year. Center management, an important value driver for larger properties, was also noticeably expanded on the back of higher demand from tenants. These and other significant elements of the new orientation helped us to successfully implement the change from a well-managed family-owned company to a dynamically growing, listed corporation; we find ourselves well-equipped to meet future business opportunities.

Subprime crisis still pending – nevertheless, improvement is anticipated
2008 is not likely to provide an easy-going market environment. The banks and financial institutes will still have to cope with the consequences of valueless subprime credits for some time to come. The real estate market, as a significant borrower, will not be able to turn a deaf ear to the negative consequences, as the crisis means a generally difficult environment for financing activities and the marketing of investment products as well. Dealing with high-yielding retail real estate properties that have long-term secured cash flows, we expect to be able to separate ourselves somewhat from the negative market environment also in future. Moreover, it seems as though the apex of the subprime crisis has been weathered. In addition, the downward trend in interest rates initiated by the US Central Bank, which example European Central Banks are expected to follow, should continue to generate positive effects.

Back to the roots – chances through active asset management
The temporarily aggravated financing opportunities will lead to an extension of the periods for which real estate portfolios are held. The opportunistic trading approach is thus no longer to the fore, instead it is the long-term soundness of the real estate property. The Hahn Group sees many opportunities in this development. We are experts in enhancing and preserving the value of retail real estate properties. Not every operating format has a future in the long run, one has to keep on developing it.

Location and market developments have to be anticipated and picked up on. On account of our experience and competences in real estate dealings we are the professional partner for all real estate investors with a long-term time horizon. This opens up a lot of potential. Additionally, managing a rented area of around 1.5 million m^2 establishes us as a significant partner for our tenants, the largest retail trading groups in Germany. Our concepts and ideas strengthen the earnings power and the profitability of their rented sales area. The respective demand is high in the intensively competitive environment of the German retail market. Therefore, our institutionalized communication with the tenants is an important instrument in recognizing trends and developments in the area of shopping malls, retail warehouse centers and retail parks at an early stage.

2008 – Expansion of the fund business and management activities

One important landmark for the further expansion of our fund business will be the launching of the newly designed HAHN FCP German Retail Fund, managed in Luxembourg by LRI Invest S. A. and scheduled for the first half of 2008. This will represent a fund product we offer to institutional customers, focussed on investments in the segment of large-scale retail trade in Germany. Simultaneously, we are positioning ourselves as an extensive fund initiator and manager of target group-orientated products for the private, semi-professional and professional investor. Owing to the persistently good purchase opportunities in Germany and the current less favorable financing conditions for properties abroad, we intend to focus on offering management services abroad in 2008. Contrary to our announcement, we will probably not head for acquisitions in Middle and Eastern Europe before 2009.

Our employees – Potential for a successful future

We would like to take this opportunity and extend our special gratitude to all employees of the Hahn Group. Your high commitment and identification with our company was the decisive basis for the success achieved in 2007.

As already stated in many sections of this report, our employees are the center of our activities, and thus the key to the future success of the Hahn Group, also. Our increase in value added is created, not only through investment activities, but also particularly through the provision of all kinds of real estate property services – with efficient and competent employees.

Dear Shareholders, even in the present environment we feel well-equipped to meet the challenges of the present, and the opportunities resulting from this, and to further expand our market leadership, as the largest independent manager of large-scale real estate properties for the retail trade.

No other German company listed on the stock market offers this broad spectrum of services in connection with a specialization in the retail trade. We are firmly convinced that the capital market will acknowledge the Hahn strategy and the subsequent expansionary policy, in the medium term, and will reward the Hahn shareholders for their confidence with lasting higher stock prices.

Bernhard Schoofs
(Chairman of the Management Board)

Norbert Kuhn
(Member of the Supervisory Board)

Report of the Supervisory Board

2007, the first full financial year following the initial listing of the shares at the Frankfurt stock market in General Standard, was marked by establishing HAHN-Immobilien-Beteiligungs AG on the capital market, and implementing the first Shareholders' Meeting as a listed company. During the year, the Supervisory Board performed the advisory and controlling duties required by law and the Articles of Incorporation. In particular, it intensively oversaw the conduct of business by the Board of Management, and performed its respective advisory and controlling duties. The Supervisory Board was informed regularly and promptly, verbally and in writing about significant transactions, the strategic progress as well as the status of the Group. Furthermore, in my capacity as Chairman of the Supervisory Board I was in permanent touch with the Board of Management, particularly with the Chairman, who informed me about the latest topics. Following in-depth examination and consultation, the Supervisory Board granted its approval of the Board of Management's resolutions. The consultations centred around the development of turnover and results of the company, the entrepreneurial planning, the cooperation with our cooperation partners Meag Munich Ergo Kapitalanlagegesellschaft mbH and Capital & Regional plc, as well as the investment and disinvestment strategy. Special mention should be made of the repurchase of shares in fund management companies in the order of around Euro 374 million, so as to enable private customers a fungibility of their shares, and to create new investment opportunities for the benefit of the company. During the meeting of March 29, 2006 we discussed the scheduled amendment of the Articles of Incorporation, and resolved to propose the amendment of Sec. 3 of the Articles of Incorporation regarding the Transparency Directive Implementation Act to the Shareholders' Meeting.

Meetings and attendance by the Supervisory Board

The Supervisory Board met four times in 2007, to discuss the current status of the company, and to pass one resolution in writing. All members of the Supervisory Board attended all the meetings. For the purpose of concentrating the performance of our duties, an audit and a nomination committee were formed in the meeting of December 12, 2007. The following persons were elected to sit in the audit committee: Dr. Eckart John von Freyend as Chairman, Dr. Reinhard Frhr. v. Dalwigk and Robert Löer. The nomination committee is comprised of myself as Chairman, Dr. Eckart John von Freyend (deputy) and Robert Löer.

Corporate Governance

The Board of Management and Supervisory Board welcome the recommendations promulgated by the German Corporate Governance Code. Both Boards report thereon in the Corporate Governance Report for the year 2007, printed on pages 10 to 11 of the financial statements. The Supervisory Board took further measures for the implementation, and in cooperation with the Board of Management up-dated the declaration of conformity of September 2006 according to the recommendations made by the Government Commission, in the version of June 14, 2007. Another update of the declaration was made after forming the above – mentioned committees on December 20, 2007. The wording of the declaration is published on the Website under www.hahnag.de, and printed on page 11. In the event that agreements were made with a member of the Supervisory Board and the company or its affiliated companies, the respective member did not participate in the adoption of the resolution. Purchases and sales of shares in funds correspond to the purchase prices also agreed upon with third-party companies. Remunerations for personal performances by members of the Supervisory Board are mentioned in the financial statements on page 103 et. seq. The other detailed remunerations of the Supervisory Board and the Board of Management are shown on page 56 of the management report, which in turn refers to pages 103 et. seq. of the financial statements. The information is an integral part of the Corporate Governance Report.

Michael Hahn (Chairman of the Supervisory Board)

Financial statements and consolidated financial statements 2006

As the Supervisory Board already reported in the previous year in a meeting on March 29, 2007, it analysed the financial statements of HAHN-Immobilien-Beteiligungs AG and the consolidated financial statements, including the management reports as of December 31, 2006, in the presence of the auditors. The auditors reported on the essential results of their audit, which specifically focused on the delimitation of consolidated companies, the 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 did not raise any objections. The financial statements as of December 31, 2006 as presented by the Board of Management and bearing the unqualified opinion of the auditors, Wirtschaftsprüfungsgesellschaft Dr. Breidenbach, Dr. Güldenagel & Partner KG, Wuppertal, and the consolidated financial statements of HAHN-Immobilien-Beteiligungs AG prepared in accordance with International Financial Reporting Standards (IFRS), including the respective management reports for the fiscal year 2006 were approved, and thus the financial statements and the consolidated financial statements as of December 31, 2006 were adopted.

The Supervisory Board went along with the appropriation of profits as proposed by the Board of Management, and took note of the report concerning relations with affiliated companies.

Financial statements and consolidated financial statements 2007

The auditing company, Wirtschaftsprüfungsgesellschaft Dr. Breidenbach und Partner GmbH & Co KG, Wuppertal, has audited the financial statements as of December 31, 2007, presented by the Board of Management, and the consolidated financial statements of HAHN-Immobilien-Beteiligungs AG prepared according to International Financial Reporting Standards (IFRS), and its consolidated management report for the fiscal year 2007. The auditors certified the financial statements with an unqualified opinion. According to the exemption rules of Sec. 315 a HGB (German Commercial Code) the preparation of consolidated financial statements according to HGB was waived. The full session balance sheet conference of the Supervisory Board, and previously that of the audit committee, took place on March 14, 2008. The respective auditors attended and reported in detail on the course of the audit; they readily answered any supplementary questions following the conference. The special focus of the audit was the initial consolidation and deconsolidation of fund management companies, the soundness of real estate assets, threatening losses from pending transactions, information on relations to affiliated companies and persons, as well as the verification of the group's equity capital. Following a discussion, the Supervisory Board took note of the auditors' reports. Upon recommendation of the audit committee and discussion of the details in the management reports in a telephone conference on March 28, 2008, the Supervisory Board did not raise any objections following its own examination, and agrees with the evaluations of the Board of Management set forth in the management and consolidated management reports. The assembly approved the financial statements and the consolidated financial statements, which are hereby adopted. We have accepted the appropriation of the net profits as proposed by the Board of Management, following an examination of same.

Report concerning relations with affiliated companies 2007
The auditors, Wirtschaftsprüfungsgesellschaft Dr. Breidenbach und Partner GmbH & Co KG, Wuppertal, also audited the report concerning relations with affiliated companies as set up by the Board of Management according to Sec. 312 AktG (Aktiengesetz – Corporation Law).

"As a result of our audit we hereby grant the report concerning relations with affiliated companies for 2007, as prepared by the Board of Management of HAHN-Immobilien-Beteiligungs AG according to Sec. 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, nor were disadvantages compensated, considering the circumstances known at the time of their performance,
3. with respect to the measures listed in the report, no circumstances speak for a substantially different evaluation than that of the Board of Management."

Wuppertal, March 12, 2008
Dr. Breidenbach und Partner GmbH & Co KG
Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Dr. Wollenhaupt	Eisenberg
Auditor	Auditor

The Supervisory Board has furthermore examined the report of the Board of Management concerning relations with affiliated companies. No objections were raised against the final statement of the Board of Management and the result of the examination by the auditors.

Changes in the governing boards
There were no changes in the Supervisory Board and the Board of Management in fiscal year 2007. The previously mentioned members took over the seats in the newly formed audit and nomination committees. We would like to express our gratitude to our customers, business partners and shareholders for the confidence they placed in our company. Our gratitude is particularly extended to the Board of Management as well as to all employees for their dedicated performance and achievements in the year under review.

Bergisch Gladbach, March 28, 2008
The Supervisory Board

Michael Hahn
Chairman

Thomas Geschwind

Managing Director
HAHN Asset Management GmbH
Born 1970
Business administrator

Lars Heese

Managing Director
HAHN Asset Management GmbH
Born 1966
Graduate in business administration

Thomas Kuhlmann

Managing Director
HAHN Fund Management GmbH
Born 1970
Business administrator, real estate economist

Stephan Wollersheim

Managing Director
HAHN Property Management GmbH
Born 1961
Business administrator and real estate economist

DIVISIONAL MANAGEMENT

Corporate Governance Report

One year following the initial listing on the Frankfurt stock market, the Management Board and the Supervisory Board of HAHN-Immobilien-Beteiligungs AG continue to further compliance with the German Corporate Governance Code, in its latest version of June 14, 2007, and appreciate its recommendations. Thus the declaration of conformity of September 2006 was adapted to the new version issued September 2007, and again updated following the formation of the audit and nomination committees in December 2007. The full wording of the latest declarations is printed at the bottom of this report, and published on the Website of the company.

Likewise, the company publishes statements received according to Sec. 15 a Security Trading Act on its Website immediately, where they will be available for at least one month. According to the statements received, HAHN-Holding GmbH, 79 per cent of whose shares are held by the Chairman of the Supervisory Board Michael Hahn, acquired 46,700 shares during the course of the business year and Michael Hahn personally acquired 10,000 shares. John von Freyend Future KG is reported to have acquired 10,789 shares in the same period. Dr. Eckart John v. Freyend, the co-proprietor of John von Freyend Future KG, is the Deputy Chairman of the Supervisory Board.

As of December 31, 2007 the members of the Supervisory Board held a total of 9,698,289 shares (direct and indirect), and thus more than 80 per cent of the capital stock of HAHN-Immobilien-Beteiligungs AG. The Chairman of the Supervisory Board, Mr. Michael Hahn, holds around 78.98 per cent of the shares in HAHN-Immobilien-Beteiligungs AG through HAHN-Holding GmbH as of December 31, 2007 (corresponding to 9,477,500 shares). In addition, Mr. Hahn holds 10,000 shares (approx. 0.08 per cent). Mr. Robert Löer, member of the Supervisory Board, held a total of 200,000 shares in HAHN-Immobilien-Beteiligungs AG as of December 31, 2007, corresponding to a 1.67 per cent share. As of December 31, 2007 the Management Board held a total of 100,000 shares, and thus less than 1 per cent in the capital stock of HAHN-Immobilien-Beteiligungs AG.

The relationships with associated companies and persons are described in the Notes to the Consolidated Financial Statements on page 103 et. seq. Details regarding the remunerations of the Management Board and the Supervisory Board are presented in the management report on page 56 and in the financial statements on pages 103 et. seq. These representations are part of the Corporate Governance Report.

Declaration of conformity

In December 2007 the Management Board and the Supervisory Board made the following declaration of conformity:

The Board of Management and Supervisory Board of HAHN-Immobilien-Beteiligungs AG herewith declare that the recommendations by the "Government Commission on the German Corporate Governance Code" as promulgated in the official part of the electronic Federal Gazette in the version of June 14, 2007 have been complied with since issuing the last Declaration of Compliance in September 2007, with the exception of the following items:

Depending on the specifics of the company 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).

The Supervisory Board shall establish a nomination committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the Shareholders? Meeting (Item 5.3.3).

Given the size of the company, no committees have been established so far.

At its meeting on December 12, 2007 the Supervisory Board resolved to appoint a nomination committee as well as an audit committee and established these, in order to comply with afore-listed recommendation in the future.

HAHN-Immobilien-Beteiligungs AG
December 20, 2007
For the Supervisory Board

Michael Hahn
Chairman of the Supervisory Board

Board of Management

Bernhard Schoofs (CEO)
Norbert Kuhn

The Share

Difficult environment for real estate shares

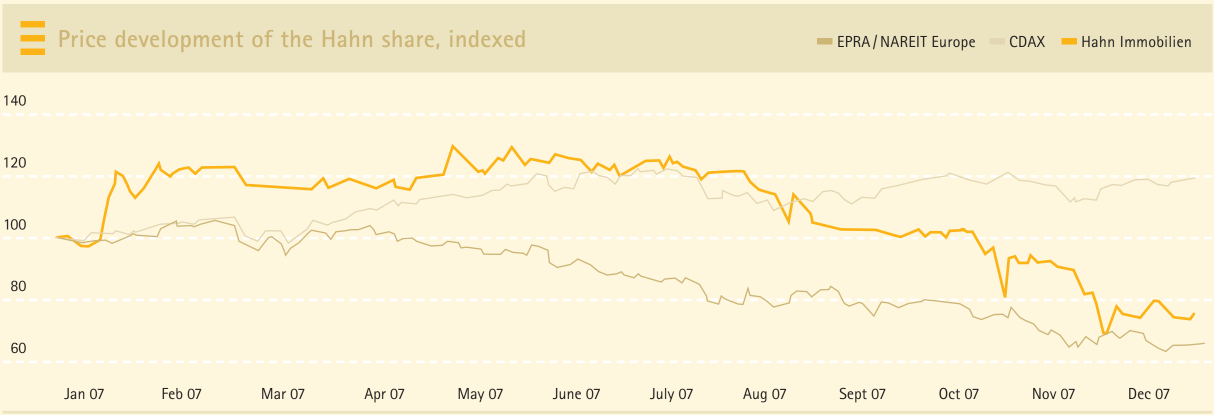
The development of the German stock market was not uniform in 2007: the DAX-30, representing the German Blue Chips, was up 22.3 per cent and shows a noticeable positive performance. On the other hand, shares with a lower market capitalization were not able to follow this trend. The SDAX index representing the smaller corporations posted a loss of 6.8 per cent during the course of the year. A very significant factor influencing this diverging development was the financial crisis which became increasingly evident in the second half-year. It led to a regrouping of shares with a high market capitalization. The investors justified this development particularly with the preference for the higher liquidity of Blue Chips. The financial crisis also caused the investors to generally regard the real estate share as a critical one: the anticipation of adverse financing conditions for real estate purchases, decreasing real estate prices and rising fear of a period of economic recession resulted in noticeably declining prices for real estate shares in the second half of the year. The persistently negative news around the stock market by year-end 2007 is indicated by the fact that the real estate asset investors are meanwhile listed distinctly below their NAV.

The Hahn share – Industry index outperformed, but disappointing price performance

In a friendly market environment the Hahn share had a good start into the new year. Supported by the publication of results that were up to targets, the annual high of Euro 13.56 was achieved on May 7. During the second half-year, in a noticeably deteriorated environment, the share hit a record low on November 30, at Euro 7. At year-end it was listed at Euro 7.73, a markdown of 26.3 per cent against the previous year. The Hahn share thus developed better than the general estate share indices. The EPRA/NAREIT Europe, for example, the sectoral index of the largest European real estate companies listed on the stock market, was even quoted at a markdown of 33.8 per cent compared to previous year's level at the end of 2007. Despite this outperformance the slump in the price is very unsatisfactory. Our regularly communicated, scheduled progresses in the implementation of our corporate strategy, and the positive course of business in the past 12 months are not reflected by this price performance.

Noticeably higher dividend

The Management Board and Supervisory Board will propose a dividend of Euro 0.18 per share to the Shareholders' Meeting on June 9. This represents an increase of Euro 0.06 as against the previous year. The amount to be distributed totals Euro 2.16 million; with respect to the Group profit this corresponds to a payout ratio of 30.6 per cent. The net dividend yield for the entire year amounts to 2.3 per cent (previous year: 1.1 per cent).



Shareholders' structure hardly changed
As in the past, the majority shareholder of HAHN-Immobilien-Beteiligungs AG is HAHN-Holding GmbH owned by the spouses Andrea and Michael Hahn, with a share of around 79 per cent. A high share of the free float of stock was subscribed by institutional investors. As a result of the IPO marketing, these come from Great Britain, Germany and the Netherlands. The majority of the institutional investors has already been committed to the Hahn share since the subscription in October 2006, with a long-term investment horizon, as far as these observations may be concluded by the company.

Intensive capital market communication
The first full year since the IPO was used to further intensify the dialog with the capital market. Our IR communication instruments included the expansion of our Internet presence, the set-up of a regular external reporting system, as well as continuous face-to-face and telephone communication with existing and potential investors. For this purpose, we have been attending capital market conferences at home and abroad on a regular basis since the beginning of the year. Frankfurt, London and New York were among the market places visited during the past 12 months.

Our capital market communication is aimed at creating a broader shareholder basis, which will include institutional investors of as many different nationalities and investment styles as possible, as well as private investors. This will contribute to raising the liquidity of the Hahn share.

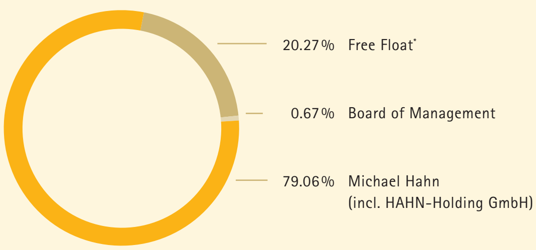
Buy recommendation for the Hahn share
Independent research is a significant factor for the extensive shaping of opinion for everyone wishing to invest in shares. We therefore appreciate it very much that both the Commerzbank and the Bankhaus Sal. Oppenheim took up the "coverage" for the Hahn share. Both institutions recommend buying the Hahn share.

In 2008 we will also continue to expand capital market communication. An important milestone will be the change from General Standard to Prime Standard at the German stock market, scheduled for the second half of 2008. The quarterly interim reports in connection therewith will serve, together with other means, to provide an even higher transparency in order to increase the attractiveness of the Hahn share.

Key figures

Key figures		12/31/2007	12/31/2006
Price at end of year	in Euro	7.73	10.49
Annual high	in Euro	13.56	11.67
Annual low	in Euro	7.00	9.95
Number of shares	in units	12,000,000	12,000,000
Market capitalization	in mill. Euro	92.76	125.88
Earnings per share	in Euro	0.59	0.40
WKN			600 670
ISIN			DE0006006703
Segment			General Standard
Designated sponsor			Sal. Oppenheim
Main trading platform			XETRA
Other stock markets			Berlin-Bremen, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart
Initial listing			10/30/2006

Shareholder structure in % of share capital



*according to definition of Deutsche Börse

The center managers of the Hahn Group control and coordinate the marketing of larger retail properties with multi-tenant structures. On behalf of the tenants they promote the commercial development and the image of the property they are managing. The important tasks of our center managers include the management of the advertising community, the communication with the regional press and the trade press, as well as an ongoing relationship management with the tenants as local contact person.

Our Competencies in the Management of Retail Properties

Hahn Group – Good ideas for large sales areas, throughout the entire property life cycle

The Hahn Group invests in shopping malls, retail warehouse centers, retail parks, DIY stores and hypermarkets. Its focus is consistently on the retail trade – the core competence of the Hahn Group. The minimum size of the properties is 3,000 m^2, with a minimum investment volume of approximately Euro 10 million.

Everything from a single source
With around 80 employees, we provide a wide range of services relating to real estate: the property purchase, the center management, the commercial, technical and infrastructure property management, the new letting and re-letting, the revitalization and the project development in the partnership model are only a few of the important Hahn service components that come into play during the life cycle of a property. The integrated and consistent processing of this entire value-added process represents a key competitive edge. This allows us to obtain a greater efficiency in solving tasks, a comprehensive risk management and an increased ability to implement innovative solutions.

The wide range of services of the Hahn Group

- Location, market and property analysis
  Micro and macro location
  Target-group analysis
  Operator analysis
  Market development analysis
- Planning and coordination of construction works
- Acquisition of land and buildings, and acquisition of real estate special purpose companies
- Maintenance of existing real estate portfolio
- Property management (commercial, technical, infrastructure)
- Brokering of properties
- Fund concepts
- Acquire equity capital
- Acquire loan capital
- Fund management
- Portfolio development, revitalization and re-positioning
  Location optimization
  New user structure
  New space structure
  Grouping of attractive spaces for large tenants and multiple stores
  Letting concepts and their implementation
- Center management
- Selling of real estate

Partner to the retail trade

For the retail trade the fact that we are the German market leader in the market for large area retail properties pays dividends. The property is the linchpin of the retail trade strategy. Trading enterprises are professional tenants with a clearly defined requirements profile. As a specialized lessor, Hahn offers such tenants a comprehensive management of the leased areas, an early identification of location-specific factors and the development and implementation of concepts for adjusting the sales structures to the property in use. This proactive, specialized management makes us into a strategic partner for our retail associates. To remain close at all times to the requirements of the tenants and the developments in the retail trade, we conduct an intensive dialogue and prepare market surveys at regular intervals.

Partner to the capital market

The Hahn Group offers the capital market access to professionally managed value properties. The properties are distinguished by their long-term secured cash flows through letting to international trading companies that have high credit ratings. The market access and the professional management of the property, the early anticipation of changes and the taking of suitable action are important services provided by our experienced asset managers. Private and institutional investors generally lack this property-specific and regional know-how. Nor do they have the negotiating leverage that comes from having a managed area of approximately 1.5 million m^2, at almost 170 locations.

Purchasing

A purchasing network built up over decades with established contact to private owners, retail groups and brokers puts us in a position to buy retail properties for comparably attractive prices.

For each acquisition, the employees of the Hahn purchasing team ensure a success-securing, efficient and goal-oriented investigation of the property and location characteristics and ensure that the quality of the property is up to the highest standards.

Managed assets as the basis for sustained earnings

It is our goal to keep the retail properties we manage in our portfolio for the long-term. With our private fund division, the co-investment portfolio for institutional investors, our own investment portfolio and the institutional funds division, which we are currently in the process of expanding, we have four important sales channels that allow us to continue managing a property even if there is a change in ownership. In the process, the investor profits from our knowledge of the property. In return, the Hahn Group secures the further basis for recurring and one-off earnings from asset, property and funds management. The managed assets are therefore a key ratio for the success of the company. An increase leads directly to a sustained increase in our management earnings (see graph on next page).

Asset Management

Retail properties also have a life cycle. Demography, technology, competition and consumer behavior are important influencing factors that make it necessary to develop new positioning and format concepts.

The revitalization experts of the Asset Management division develop and accompany concepts with which properties that have aged are successfully modernized and/or re-dimensioned into future proof properties.

Fund Management

The subscribers of our real estate investment funds are wealthy private, semi-professional investors and institutional investors. They expect custom-tailored offers that include not only the property, but also an optimized financing strategy and a management concept. This includes consultation and service, from the subscription up to later selling of the property.

The fund's management makes its investment decisions on the basis of an ongoing individual and portfolio analysis. It also ensures a continuous and comprehensive flow of information to the investors.

This distinguishes our properties

High protection against competition through legally regulated approval procedures
According to the German Building Code and Land Use Ordinance (BauNVO) such properties may only be constructed on the areas marked as "Special area for large area retail trading companies" in the zoning ordinance. In practice, the existing locations for large area retail properties are therefore locations whose expansion is limited and as such provide the current owners with considerable competitive advantages.

Property Management

Managing a property is an elaborate business. Numerous tasks have to be performed regularly and for many of these tasks the timing is critical, requiring highest priority.

Our property managers are responsible for the lease management, the controlling of the operating and incidental costs, the parking area management, the coordination of all maintenance and repair work and much more.

There is always something that needs to be done, to increase the satisfaction of the tenant, their customers and to maintain the value of the property in the long term.

Stable demand

Owing to the strict regulations relating to building new large-area retail properties, the existing businesses have a high protection against the migration of competitive businesses and can steer local competition. At the same time the owners of these properties have a comparably smaller risk that the tenants of these locations will back out; it is generally the case that such tenants will only consider such a withdrawal if a retail operator is planning a strategic withdrawal from the particular local market. In practice, the large area retail properties are characterized by a comparably high location loyalty and stable demand, which in turn have a positive impact on the sustained letting quota.

Portfolio Management

The property assets managed by Hahn are managed actively. The individual properties are analyzed and checked for the medium-term and long-term opportunities and risks. The analyses of our Portfolio Management staff indicate which parts of the capital market portfolio need to be optimized, sold or added to.

The property competence is grouped in the research team of the Portfolio Management. In analyzing location, market and property data, our experts can draw on historic time series from several decades. On the basis of more than 25 years of Hahn experience, our employees are therefore able to make objective decisions and lose no time in pointing the correct way ahead.

Long fixed terms of leases
The increased interest of tenants in securing the locations for as long as possible is also attributable to the fact that the availability of alternative properties is strictly limited under law. The standard market leases for large-area retail properties are therefore distinguished by a fixed term that is generally between ten and 15 years. Furthermore, it is often the case that the tenants negotiate an option for an additional extension period. Owing to the permanent necessity of adapting the existing business concepts to changing customer requirements, the tenants and owners of large-area retail properties see themselves as strategic partners, further reinforcing the long-term contractual tie.

High credit rating of the anchor tenants
The large-scale retail properties are characterized by a high quality of the tenant structure, especially with regard to the specific anchor tenants. Typical anchor tenants include large groups such as the Metro Group, REWE, EDEKA Group, Kaufland, OBI and Praktiker. The creditworthiness of these companies is mostly rated as good to very good.

Risk Management

Risk Management is the cornerstone for a long-term and successful corporate development. With our refined risk management process from our advanced management system, an established IT infrastructure and our sensitized staff, we have just the right setup to make risks manageable and at the same time make the most of future opportunities.

Four separate modules integrated into the risk management play a central part in recording and monitoring the relevant risks. The staff functions of Portfolio Management and Controlling / Accounting monitor the real estate ratios and the payment flows. This is supplemented by the Hahn Management Information System, which acts as a planning and controlling platform, and by the auditing and consultation services of external experts.


New York
London

Internationality

In a European comparison, the German retail property market is moderately rated and exhibits stable economic key data. We offer our international partners professional access to this attractive market segment. We have proved our expertise successfully over many years. We also promote the international understanding of the German market by the regular publication of research, such as the Hahn Retail Real Estate Report, which is released yearly.

Assets under Management

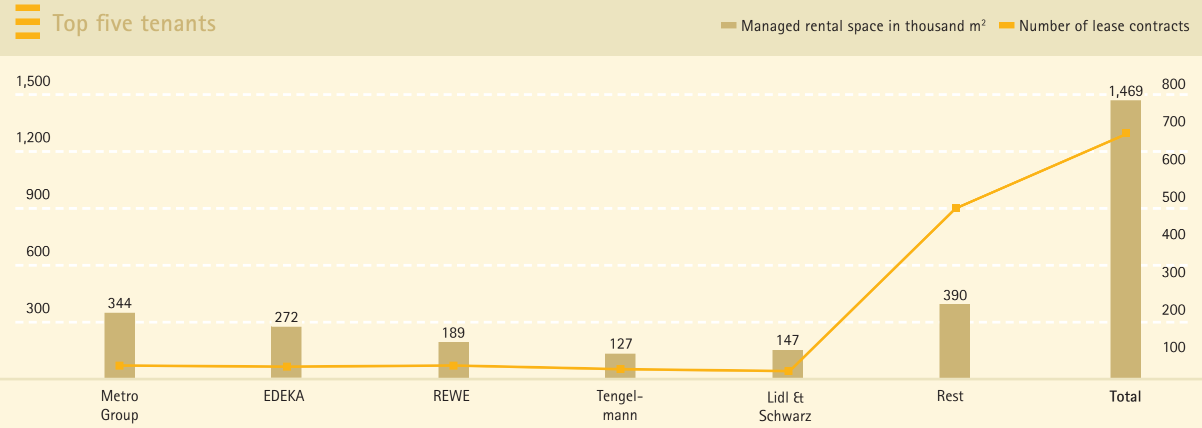
The five largest locations:

Property	Type of property	Managed rental space in m²	Rental quota in %	Addition	Year of construction / last refurbishment	Investment in million Euro
Friedrichshafen	Shopping mall	40,000	100	2003	2002	40 – 50
Kaiserwiesen Fulda	Shopping mall	36,000	100	2004	2004	50 – 60
Dortmund-Aplerbeck	Shopping mall	34,000	98	2005	1974	50 – 60
Lübeck	Hypermarket	29,000	100	2005	2007	40 – 50
Oberhausen	Retail Park	20,000	100	2005	2007	30 – 40

Total portfolio acc. to branch of industry (basis: rental volume)	in %	Average rent in Euro / per m²
Hypermarkets / Superstores	58	9.89
DIY stores	22	7.44
Retail warehouses / Retail trade / Services	17	9.16
Miscellaneous (Offices / Dwellings)	3	4.24
Total	**100**	**8.81**

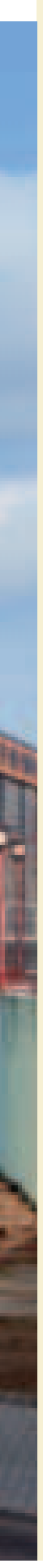
Key figures real estate portfolio		12 / 31 / 2007	12 / 31 / 2006	12 / 31 / 2005
Letting rate	in %	96.9	95.6	95.2
Managed rental space	in m²	1,469,000	1,366,000	1,328,000
Annual rental volume managed	in thousand Euro	155,194	133,665	122,594
Total investment volume	in billion Euro	2.25	2.0	1.9

Top five tenants

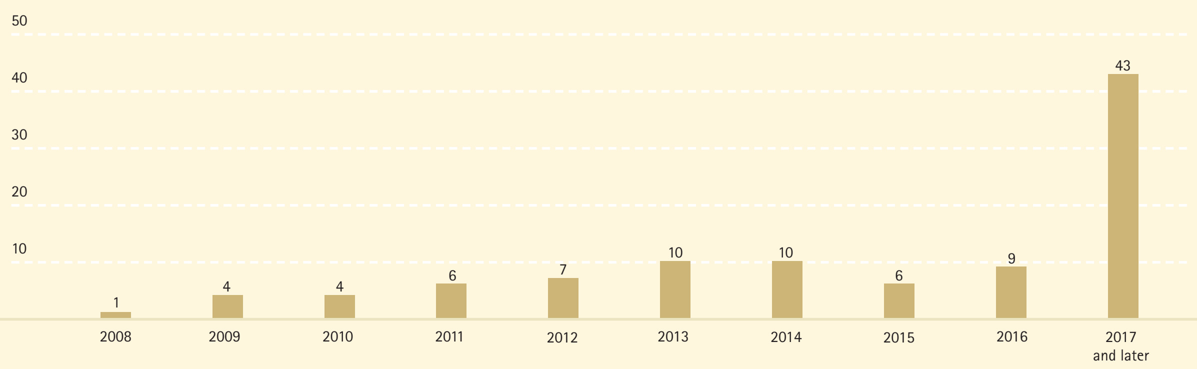


As of December 31, 2007 the real estate assets under management of the Hahn Group were at around Euro 2.25 billion. Compared to the preceding year the assets increased by 12.5 per cent.

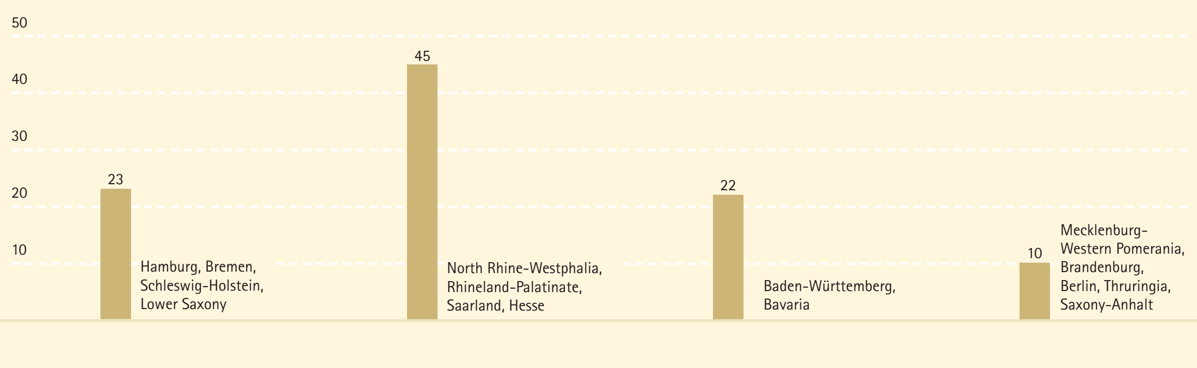
The 1,469 million m^2 under management are distributed over 167 locations. The annual rental volume under management was Euro 155.2 million, after Euro 133.7 million in the preceding year. At year-end the letting rate was 96.9 per cent.



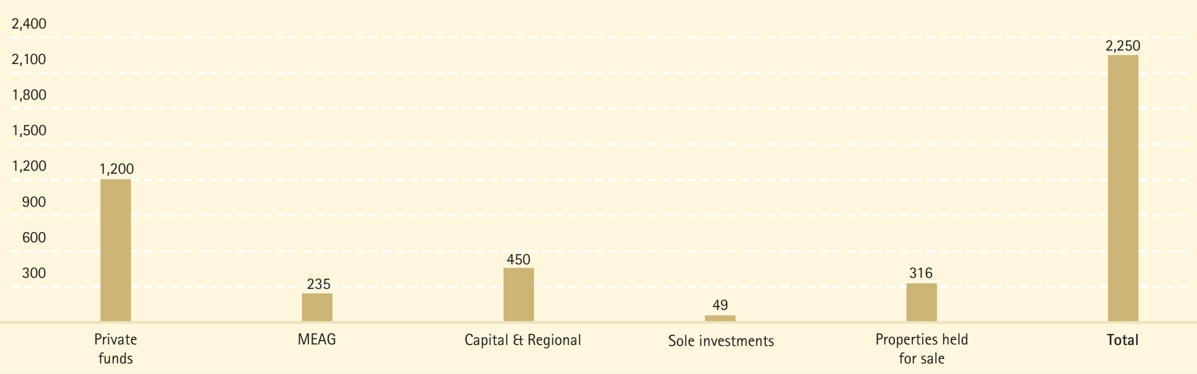
Total portfolio acc. to due date of lease contracts (basis: rental volume) share in %



Total portfolio acc. to regions (basis: rental volume) share in %



Investment volume under management (divided acc. to portfolios) Data in Euro million



Management Report

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TEDi
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Alles für Ihr Tier

Business and Operating Environment

Group structure and operating activity

Overview
The Hahn Group is an independent manager and co-investor for retail properties with special focus on large-scale real estate. With around Euro 2.3 billion in property under management, the Hahn Group is the market leader in its business segment.

The large-scale retail property sector comprises essentially hypermarkets, superstores, DIY stores, retail warehouse agglomerations, retail parks, retail warehouse centers and shopping malls. The properties managed by the Hahn Group are all located within Germany, predominantly in the old Federal States of West Germany.

The Hahn Group manages these properties for private and institutional clients. The Group also acquires and sells properties, both for its customers as well as for its own portfolio. In its role as fund initiator the Hahn Group places closed-end property funds with private investors and is planning to issue funds for institutional investors as well in future. In addition, the Hahn Group acts as co-investor.

The Hahn Group pursues a strategy of sustained value development from the perspective of a long-term ownership of the property. The objective is to keep the properties under management in the portfolio for an unlimited period. Even in the event of a switch of property investors the aim is always to retain the property under management. With its comprehensive range of services, the Hahn Group covers the entire real estate life cycle and thereby generates recurring and one-off earnings. Expanding the property assets under management will result in a sustained improvement in the Group's earnings position.

Optimized enterprise management
The Hahn Group possesses an enterprise management system that follows a value-oriented management approach. The objective is to systematically and continually increase the enterprise value through profitable growth and focused attention on the business areas.

Key elements of the Hahn Group's management system are an enhanced and integrated controlling concept, value-oriented key performance indicators (KPIs) as well as concepts developed for profitable growth and efficiency gains. Supported by the decentralization of responsibilities and integrated systems, controlling oversees the activities of the management sectors. All the management sectors utilize the information pool for the properties. All relevant documents for each item of property are stored in the Customer Relation Management system so that their current versions are accessible at any time.

Based on the CRM the Hahn portfolio management system collects qualitative and quantitative data from internal and external data sources. Besides analyzing the location, market and property, it allows a comprehensive assessment of the property and the individual portfolios in accordance with international standards and can thus disclose risk parameters. At the same time it provides the operative companies of the Group with the necessary planning tool. On the organization side the new concept is backed up by a four-tier risk management system.

The Management Information System implemented in the year under review provides the Management Board with aggregated economic data from the portfolio management system, the property management and the operative accounting department. In future, the data will be made available in the form of actual and target values, system-inherent and on a quarterly basis. This way operative and strategic elements link up early on and support the regular internal and external communication on the basis of measures undertaken.

Group structure

HAHN-Immobilien-Beteiligungs AG comprises the Group Holding with the central functions of Portfolio Management, Accounting, Financing, Legal and Investor Relations as well as the three business segments of Trading, Management and Investment. On the strength of this company's broad range of real estate-based services, the Hahn Group can act as system partner for offerers of properties, for global retail groups as potential tenants, as well as for private and institutional clients.

The Portfolio Management division constitutes the central real estate function and as such oversees the continuous analysis and monitoring of the properties portfolios under management. The portfolio management system developed by Hahn integrates and synchronizes qualitative and quantitative data from internal as well as external sources, and thus facilitates optimum, swift access to all data currently kept on file on the individual properties. This way the Management segment (with the divisions Asset, Property and Fund Management) has the necessary planning tools on hand to optimize value-added from the property portfolios under management.

The **Trading business segment** oversees the marketing of property funds for private and institutional investors as well as the sale of properties or shares therein. The activities of the Trading segment are covered by the non-operative company HAHN Trading GmbH.

The **Management segment** integrates the three operative subsidiaries HAHN Asset Management, HAHN Property Management and HAHN Fonds Management.

HAHN Asset Management GmbH is responsible for the asset management assignments within the Hahn Group. These include, among other things, all measures for maintaining and increasing the long-term value of the property objects under management. Asset Management is also responsible for new and follow-up rental agreements and to a limited extent also takes care of new property developments, the bulk of which are realized in cooperation with renowned project developers.

The Center Management, which is offered for selected larger properties such as retail warehouse centers or shopping malls, also falls under this division. Finally, the purchasing team of HAHN Asset Management GmbH handles all acquisition activities. Its buying decisions are taken after careful analysis of the macro and micro conditions and in consideration of portfolio aspects.

Hahn Property Management is in charge of the commercial, technical and infrastructure management of the property. The commercial property management comprises in particular ongoing contact with tenants, keeping the accounts of the property and dunning activities as well as negotiating tertiary sector agreements. Technical property management includes coordinating maintenance and repair work, technical business management and energy management. The infrastructure property management oversees the performance of such general services as waste disposal and park area management.

HAHN Fonds Management GmbH has switched from the Trading to the Management segment, to differentiate better between management and trading activities. The Management Report takes these organizational changes into account. Fund Management is in charge of investment decisions and the reporting for all fund products of Hahn Group.

The co-investments with institutional investors and the consolidated sole investments are brought together under the **business segment Investment**, whose activities are allocated in the operative subsidiary HAHN Investment GmbH.

Economic environment

The robust growth of the German economy continued unabated in 2007. Thus, the price-adjusted Gross Domestic Production (GDP) was up by 2.5 per cent against the previous year. Though this growth rate is marginally lower than in 2006, it still ranks as the second best increase since the boom year 2000. Allowing for the fact that 2007 had 1.6 working days less than 2006, calendar-adjusted GDP growth came to 2.6 per cent.

The economic upswing in Germany in 2007 benefited from both domestic as well as foreign impulses. Thus, the contribution to growth by domestic usage of the gross domestic product came to one per cent and was mainly attributable to gross fixed capital formation, which, after adjustment for inflation, was 4.9 per cent higher than in 2006. Capital expenditure on machines, plant and vehicles climbed 8.4 per cent and, as in the two previous years, once again proved to be one of the key growth drivers. Investment in construction was up by 2.0 per cent, with a remarkable divergence between residential and non-residential construction projects. While capital expenditure on non-residential buildings kept apace with its 4.3 per cent increase of last year, inflation-adjusted investment in residential buildings fell below last year's growth rate and was up by only 0.3 per cent.

Although consumption as a whole had a positive effect on growth, its contribution toward GDP growth stayed relatively low at 0.2 percentage points. This was exclusively the preserve of the state's rising expenditure on consumption, while the contribution made by private consumption toward growth was negative. The state's consumption expenditure rose by 2.0 per cent after adjustment for inflation, with private consumption expenditure decreasing by 0.3 per cent against the previous year.

Hahn Group

Central functions	Portfolio Management*, Accounting*/Controlling*, Financing, Legal, Investor Relations		
Business segments	**Trading** Sale of properties or shares in property companies Marketing of funds	**Management** Asset Management Property Management Fund Management	**Investment** Co-Investments Sole Investments
Companies	HAHN Trading GmbH	HAHN Asset Management GmbH HAHN Property Management GmbH HAHN Fonds Management GmbH	HAHN Investment GmbH

*Part of the risk management system

German GDP Performance

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Changes in the year before shown in %, adjusted for price changes, linked	+ 1.8	+ 2.0	+ 2.0	+ 3.2	+ 1.2	+ 0.0	− 0.2	+ 1.1	+ 0.8	+ 2.9	+ 2.5

Source: (German) Federal Statistical Office, January 2008

Here it must be remembered that (German) VAT went up from 16 per cent to 19 per cent, effective as of January 1, 2007. In view of the impending VAT increase it is highly likely that consumption expenses initially earmarked for 2007 were brought forward and transacted in the last weeks of the year 2006.

In the foreign trade sector, the difference in growth between exports and imports grew in comparison to the year before. Thus, exports rose by 8.3 per cent, with imports up only by 5.7 per cent. The inflation-adjusted export surplus contributed 1.4 percentage points toward GDP growth.

The robust economic performance of 2007 left a positive mark on the labor market. A good 39.7 million employees contributed to the annual average economic output, which is 649,000, or 1.7 per cent, more than the year before. This ranks as the highest employment level ever seen in Germany since reunification in 1990. According to the provisional figures published by the bureau for labor statistics, the number of unemployed fell by 641,000 to a total of 3.6 million people out of work, a drop of 15.1 per cent.

The price trend, on the other hand, picked up speed discernibly in 2007. Next to the increase in VAT and insurance tax at the start of the year this was due, above all, to higher energy prices. The German Consumer Price Index for 2007 was up by an annual average of 2.2 per cent on the year before, thereby marking the highest rate of inflation since 1994. The cost for energy-related products such as household energy and fuels was up 3.9 per cent, whereby the steepest price hikes were recorded for electric power, which rose by 6.8 per cent. In the second half of the year it was predominantly rising food prices that triggered the sharp upturn in the annual rate of inflation to over two per cent. Prices for durable consumer goods, clothes and communication, on the other hand, registered a less pronounced increase than the other consumer prices.

Retail sector

According to provisional figures by the German Statistical Office, sales revenues in the German retail sector in 2007 were nominally 1.2 per cent less than the year before, and 2.2 per cent down in real terms. Any comparison of the two years 2006 and 2007 must, however, take account of the fact that German value-added tax increased by 3 percentage points to 19 per cent as of January 1, 2007. One may well assume therefore that some of the retail sales generated in the last weeks of 2006 were due to “pre-emptive effects” in view of the imminent increase in VAT.

The severest drops in sales were recorded by food retailers, furniture, household appliances and building materials, as well as mail-order business and the other retail segments with various merchandise (for example department stores). The operating formats supermarket and hypermarket were significantly less affected. This emphasizes the trend of a divergent market development. The price oriented large-scale formats as well as premium formats still show robust growth. Left behind are the traditional specialist retailers and department stores that serve the middle price segment.

Market for investment in real estate

International
As in the year before, 2007 saw the global property markets under the influence of a robust economic environment and a lively demand for real estate investments. According to data supplied by the international brokerage and consultancy firm Jones Lang LaSalle, 2007 topped the record volume of 2006 for worldwide direct investments in commercial properties, including hotels, by another US Dollar 59 billion. At a total of US Dollar 759 billion they scaled new record heights and this figure does not even include the transactions for residential properties or those at intercompany level. The share of cross-border transactions rose to 46 per cent of the global volume of transactions (2006: 43 per cent).

Unlike many other years before, it was the first half of 2007 that registered higher sales than the second half, even though this was not uniform across all regions. While the first six months from January to June saw record volumes being reached in all regions, at a total of US Dollar 394 billion, the entire volume of transactions decreased to US Dollar 365 billion for the time July to December. This drop was due to significantly lower transaction volumes on the American and British markets, which together account for more than 50 per cent of global capital flows.

Key factors in the slackening of momentum in the second half of the year were the subprime crisis in the USA and the credit crunch triggered in its wake. As a consequence of these developments, especially those investors who had deployed huge levels of borrowed funds to string up large single and portfolio transactions lost substantial clout on the markets. Other investors with a strong equity base encountered fewer problems in their quest for borrowed capital. Nonetheless, they too had to face longer processing times and greater efforts being made in the review of their credit application, as well as higher financing costs. Many investors therefore reacted hesitantly, also keeping a keen eye on the movement of purchasing prices, and refrained from entering into new commitments.

Germany

In Germany likewise property investment revenues rose sharply in 2007, reaching a new all-time high. According to Jones Lang LaSalle the volume of transactions for the commercial property market totaled around Euro 55 billion, and was thus some 11 per cent higher than the year before.

Due to global trends, in particular liquidity bottlenecks on the financing markets and the increasing costs for credit loans, Germany also witnessed a flattening in investment activities. The fact that fourth quarter investment revenues generated a surprisingly high volume of Euro 13.2 billion, thus surpassing the expectations of many market participants, was above all due to the sale of the "Charlotte Portfolio" of the insurer Allianz and the Daimler-Chrysler site in Berlin, both of which transactions topped the one billion mark.

At Euro 31.4 billion, well over half of the volume of total commercial property transactions, or 57 per cent, was made for office buildings. Following on an extremely strong sales performance in 2006, the transaction volume for retail properties receded from Euro 18.5 billion to Euro 11.2 billion, but was still markedly higher than the total volume recorded in 2005 (Euro 6.5 billion). This equals a share of 21 per cent in total sales. In terms of their investment revenues, retail properties managed to establish themselves as the second strongest real estate asset class.

At Euro 34.4 billion, or 63 per cent of the commercial property transaction volume, it was once again the portfolio transactions that dominated market activities. Major changes were also much in evidence on the investors' side. Triggered by the closure of yield gaps at the half year mark 2007, and propelled by the effects the subprime crisis left on the financing markets, those investors with a heavy reliance on foreign capital have all but left the market. Had private equity and hedge still held a market share of around 15 per cent at the start of the year, their two per cent registered in the fall of 2007 assigned them to a role of little significance.

Analyses by Jones Lang LaSalle reveal asset / fund managers to be the strongest group of investors, with a share of 29 per cent. They are mainly relying on a further recovery of the rental market with increasing rents. Investors with higher equity ratios are generally considered to have come out as the winners of the crises on the financial markets. These include, for example, real estate stock corporations, who field the second-strongest investor group, as well as open and closed-end property funds. The share of these investors in the volume of transactions has increased significantly and is set to rise still further in 2008.

Investment market for retail properties

International
Jones Lang LaSalle puts the total for investments made in retail properties in 2007 in the countries of continental Europe at Euro 28.2 billion, which is some eight per cent more than the year before. However, fourth quarter revenues in the amount of Euro 7.2 billion are markedly less than the Euro 10.1 billion recorded for the corresponding quarter of the previous year. Notwithstanding this decline, which can be attributed to rising financing costs and the general uncertainty of price developments, this was still the fourth-highest transaction volume ever to be recorded for the fourth quarter by this market segment.

In all, over the course of the year the statistical count comes to 438 retail transactions in 25 countries in continental Europe, with the involvement of more than 250 investors. The ten biggest investors accounted for 24 per cent of total volume. In general the investors' focus in continental Europe was on shopping centers and retail warehouses (including supermarkets). The investments made in these two categories came to Euro 17.6 billion and Euro 10.42 billion respectively. Market observers have arrived at the general conclusion that the rates of return for first-class retail properties in continental Europe have proven strong enough to withstand the credit crisis.

Germany
Germany ranked top in Europe with Euro 7.3 billion, or 26 per cent, of the annual transaction volume, followed by France and Russia. This figure does not include transactions for department stores in premium locations or transactions under Euro 5 billion. The fact that the 20 biggest investors accounted for around 80 per cent of the investment volume realized in Germany over the last three years is a remarkable indication for the sustained strong interest in and the significance of the German market.

Ratios of property usages for commercial real estate transaction volume 2007

Usage	2007 volume of transaction in billion Euro	Share in total volume of transaction in %
Office properties	31.4	57
Retail properties	11.2	21
Properties with mixed usage	4.3	8
Logistics / industrial properties	2.6	5
Others (land plots, hotels, and special properties)	5.2	9

Source: Jones Lang LaSalle, 2008

The volume of transactions for retail properties within Germany is divided up into the following object types and / or operating formats: department stores proved to be the property type generating most sales, with a share of 26 per cent. Shopping centers / shopping malls as well as supermarkets each accounted for 23 per cent. The remaining object types (retail warehouse centers, retail warehouses and DIY stores) together accounted for a share of 28 per cent of the transaction volume.

Despite the credit crisis, the peak yields for German retail properties remained relatively stable over the course of the year. In the third quarter of 2007 retail warehouse centers for the first time recorded a slight increase in their peak yields of 25 basis points. Due to the strong demand continuing throughout the second half-year of 2007, peak yields for shopping centers remained unchanged at 4.5 per cent. Office buildings in premium retail locations generated average yields of 4.7 per cent. The top rents for retail properties registered substantial gains compared with the previous year quarter, up by between 4.5 per cent (Frankfurt am Main) and 8.3 per cent (Munich).

Over the course of the year the top rents for retail properties rose sharply in most German locations, even though differences between the regions were also in evidence. A year-on-year comparison reveals that the fourth quarter 2007 saw the highest increases in top rents, at 8.3 per cent in Munich and 7.9 per cent in Berlin. In Düsseldorf, Hamburg and Frankfurt am Main, top rents were up by 5.3 per cent, 5.0 per cent and 4.5 per cent respectively.

Market for closed-end real estate funds

A total of Euro 4.5 billion of equity was invested in closed-end real estate funds in Germany in 2007 (source: Feri Rating & Research AG, "Gesamtmarktstudie der Beteiligungsmodelle 2008" [Market Study of Equity Investment Models 2008]). Compared with last year's total of Euro 4.96 billion, this constitutes a drop of 9.4 per cent. The total volume of investments in closed-end real estate funds inclusive of the borrowed capital raised declined by nearly 27 per cent to Euro 8.22 billion (last year Euro 11.2 billion). The relatively stark difference between the performance of placed equity and the performance of the total investment volume is predominantly due to the fact that numerous fund initiators set up opportunity funds-of-funds in 2007, most of which were designed as pure equity funds.

The volume of closed-end real estate funds investing in Germany had been declining for years. In 2006, however, this trend reverted into a relatively steep upturn before receding again to a volume of Euro 2.44 billion in 2007. Placed equity amounted to Euro 1.27 billion. All in all, the market segment for closed-end German real estate funds registered 14 initiators less than the year before. The 21 new players on the market were offset by 35 companies who were no longer active in 2007.

As far as the usages of the investment objects for closed-end German real estate funds was concerned, the share of office properties in the total investment volume continued to shrink substantially, as in the year before. In 2007 it accounted for merely 33.7 per cent, after 57.3 per cent in 2005 and 44.1 per cent in 2006.

After it had climbed to 20.9 per cent in 2006, the share of retail properties also went down in 2007. Nonetheless, at 15.7 per cent of the total investment volume, retail properties remain among the three top usage types for investment by closed-end real estate funds in Germany.

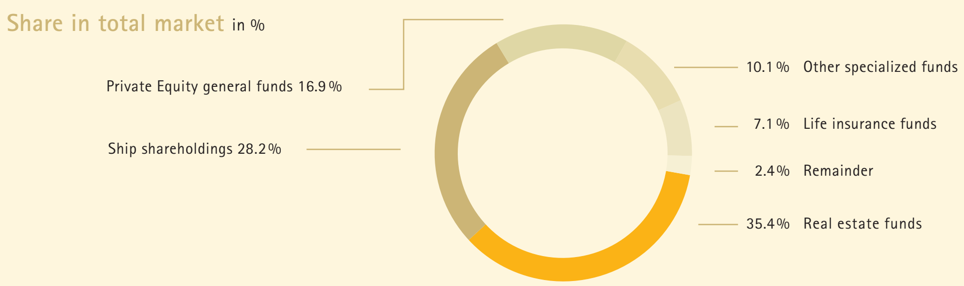
Residential properties witnessed a relatively strong upturn, as their share almost doubled from 11.1 per cent in 2006 to 21.7 per cent in 2007. The proportion of social properties, on the other hand, was almost halved from the 12.2 per cent of total investment volume they commanded in 2006 to 6.8 per cent.

Transaction volume for retail properties in 2007, by object type

Property type/operating format	2007 volume of transaction in billion Euro	Share in total volume of transaction in %
Department stores	2.8	26
Shopping center/Shopping malls	2.6	23
Supermarkets	2.6	23
DIY stores	1.0	9
Retail warehouse centers < 10,000 m²	0.9	8
Selected specialist retailers	0.7	6
Retail warehouse centers > 10,000 m²	0.6	5

Source: Jones Lang LaSalle, 2008

Market for equity investment models 2007 – share in total market by product types (according to equity placed)



Source: Feri Rating & Research AG, "Gesamtmarktstudie der Beteiligungsmodelle 2008"

Earnings, Finance and Asset Position

Sales and earnings performance

Group
Consolidated sales revenues for fiscal year 2007 amounted to Euro 130.0 million, which is a 1.6 per cent increase on the previous year. Sales revenues from the sale of properties and shares in property companies developed according to the set-up of fund models. Especially the management income increased according to plan. The rental revenues generated by the Hahn Group increased in keeping with the strategy of expanding our portfolio of equity investments. Cost of material decreased proportionate to the proceeds from sales. Higher personnel costs reflect the adjusted employee headcount to meet the growing demands of expansive business development. Capital was invested in the development of structures for the strong expansion of the successful Management business segment, which in turn led to higher operative expenses.

In the period under review the Hahn Group acquired ten properties from third parties at a total investment volume of Euro 169 million. In addition, the company bought back shares in property companies from private clients at a total investment volume of around Euro 374 million. The aggregated total volume of property acquired thus came to Euro 543 million. The average net initial yield of the properties was above 6.5 per cent.

In the fiscal year under review, approximately Euro 258 million of the newly acquired properties was reinvested, as against a total of Euro 250 million the year before. Private investors' investment in the Pluswertfonds accounted for around Euro 80 million. Euro 130 million was invested in the joint portfolios with the institutional partners Capital & Regional and MEAG. Another Euro 48 million was in internal investments in the Hahn portfolio.

Non-invested properties were allocated to assets held for sale. They are earmarked, among other things, for the start portfolio of the newly established HAHN FCP – German Retail Fund. The specialized property fund that was newly set up in March 2008 with a focus on institutional investors, is therefore equipped with a secured purchasing pipeline of over Euro 200 million (see also "Material Events Subsequent to the Reporting Date"). Properties from the assets held for sale are still intended for placement as private funds. The durations of the individual property financing contracts are designed to match the planned ownership periods

In the year under review the Group operating results (EBIT) improved substantially from Euro 8.29 million to Euro 22.69 million. Given the financing of the higher fixed assets and assets held for sale, the negative net financial result climbed by Euro 9.69 million to Euro – 11.73 million. The total rental income of Euro 18.5 million compared to only Euro 15.5 million interest costs. Consolidated earnings after taxes came to Euro 7.06 million. This is an increase of 71.5 per cent against the previous year (Euro 4.12 million). Earnings per share came to Euro 0.59 per share.

Trading business segment
The Trading business segment generated sales in 2007 in the amount of Euro 115.64 million (previous year: Euro 120.57 million). Rental income increased due to the temporary expansion of the assets held for sale to Euro 15.96 million (last year: Euro 3.41 million). Earnings from commissions generated from placing Pluswertfond shares fell by 24.4 per cent to Euro 3.2 million on account of lower rates of charges, despite a slightly higher issue volume.

Consolidated earnings Data in thousand Euro	2007	2006	2005
Sales	**129,956**	**127,850**	**263,034**
Other operating income	1,280	643	469
Cost of materials	88,948	105,919	237,529
Personnel expenses	6,080	4,909	4,490
Other expenses	13,222	9,157	10,353
EBITD	**22,986**	**8,508**	**11,131**
Depreciation	298	215	1,069
Financial results	– 11,735	– 2,042	– 7,421
Profit before income tax	**10,953**	**6,251**	**2,641**
Income taxes	3,891	2,133	1,593
Profit after income tax	**7,062**	**4,118**	**1,048**

Transactions Data in million Euro	2007
Acquisitions	169
Buy backs private funds	374
Total	**543**
Placements private funds	80
Co-investments institutional clients	130
Sole investments	48
Investments in properties	**258**
Additions properties held for sale	**285**
Properties held for sale as of December 31, 2006 (incl. 15 million PWF fund shares)	31
Properties held for sale as of December 31, 2007	**316**

Trading – sales revenues Data in thousand Euro	2007	2006
Sales/placements	96,374	112,845
thereof commissions	3,195	4,227
Rental income – assets held for sale	15,955	3,410
Other revenues	118	83

The Hahn Group placed shares in the 2007 Pluswertfond with private clients with a total volume of Euro 80 million (previous year Euro 73 million). This equals placed equity of around Euro 35 million, after Euro 31 million the year before. The Pluswertfond 143 has been the biggest private fund ever placed in the company's history so far. The fund has a total volume of Euro 65 million and invests in a portfolio of four large supermarkets and one retail warehouse center in the German cities of Bergheim, Celle, Iserlohn, Oberhausen and Witten. Integrating these five different properties gives the fund a greater diversification compared to holding individual properties, whilst simultaneously offering an attractive rate of return. The fund's properties are rented out to creditworthy tenants, whose rental agreements carry an average remaining term until 2018. The sale of the fund was successfully completed within the space of a few months during the second half of the year.

With all its property investments the Hahn Group focuses on its long-term and sustained economic success. Hence, real estate items for private funds are very carefully hand-picked and are always core investments. As a rule, they are properties that are already fully rented out at the time the fund is set up. The long-term rental agreements carry terms extending over 10 to 15 years and thus offer the greatest security not only that the net debt of the fund objects is serviced but that attractive dividends are generated for the investors.

The operating result (EBIT) of the Trading business segment doubled in 2007 from Euro 8.27 million to Euro 16.4 million. It must be remembered that a sizeable portion of this increase is offset by interest expenses for financing the transitory expansion of the assets held for sale.

Management business segment
Over the last year sales by the Management segment rose sharply to Euro 13.07 million, equaling an increase of 82.3 per cent against the previous year (Euro 7.17 million). All three management divisions (Asset, Property and Fund Management) contributed towards this gratifying performance. The increase also underlines the growing importance for the Hahn Group of these management activities, which developed in line with strategy.

The Asset Management division registered sales increases of 67.4 per cent to Euro 4.77 million (last year: Euro 2.85 million). The main driver for this positive performance was for one thing an increasing rental performance. Here the area rented-out in 2007 through new or follow-up leases rose by 7.5 per cent against last year to a total of 41,600 m^2. Center management services also expanded successfully, as corresponding mandates were acquired for a number of existing properties through the operators. The Asset Management division also benefited from invoicing the asset management services rendered as part of the partnership development "Mönkhof Karee" in Lübeck. This property was already fully rented out when it opened to the public on October 31, 2007.

The Property Management division saw sales revenues climb by 31.3 per cent to Euro 4.15 million (last year Euro 3.16 million). This increase mirrors the increase in assets under management from Euro 2 billion to Euro 2.25 billion. In a few individual instances it was also possible to push through fee increases on the market. The Property Management division worked hard in 2007 to achieve efficiency gains in the administration of Hahn properties and completed the optimization of processes, data stocks and IT structures. By integrating external service providers, the division is now capable, at any time and highly flexibly, of integrating larger investment volumes, both from home and abroad, into commercial, technical and infrastructural property management.

Trading segment — Data in thousand Euro	2007	2006
Sales	115,642	120,565
EBIT	16,404	8,267
Properties held for sale	316,731	15,956

Sale of Pluswertfonds

Property	Type of property	Investment volume placed	Equity placed
Pluswertfond 141 – Oberhausen*	Retail park	15	6
Pluswertfond 143 – Bergheim, Celle, Iserlohn, Oberhausen, Witten	4 hypermarkets, retail warehouse centers	65	29

* Partially placed to 40 per cent

KPIs Private funds	2007	2006	2005
Number of funds established	151	149	145
Investment volume placed in Euro million	80	73	76
Equity placed in Euro million	35	31	33

Sales by management — Data in thousand Euro	2007	2006
Asset Management	4,767	2,848
Property Management	4,148	3,161
Fund Management	1,950	1,164
Performance Fees	2,200	–

Management segment — Data in thousand Euro	2007	2006
Sales	13,065	7,173
EBIT	5,895	1,488
Rental performance (new- and following-up letting) in m^2	41,600	38,700
Rental volume under management (annual rent)	155,194	133,665
Managed total space in m^2	1,469,000	1,366,000

With the integrated Asset Management the services Hahn Group is able to offer owners of retail properties professional property management all across Europe. Hahn's services can be used optionally and for specific purposes, without the need for the Hahn Group to act as co-investor or fund manager.

The Fund Management division also managed to raise its sales, from Euro 1.16 million to Euro 1.95 million. The private client sector focused in particular on the measures to enhance service quality. Up-to-date and open communication with investors is becoming more and more important especially in view of the recent uncertainties and general insecurity on the financial markets. The Hahn Group's fund managers were therefore working hard at optimizing efficient reporting structures that provide clients with current and investor-relevant information on the funds under management. Hahn Group is additionally making more and more use of the communication structures of the Advisory Boards for the various funds. They are the first point of call for subscribers and partners of closed-end real estate funds and thus play a vital role in mediating between the investors and the fund company.

In 2007 the Hahn Group bought back from private investors numerous shares in private funds, which had outlived the waiting period under which they would have been liable to tax on speculative gains. The total buy back volume came to Euro 374 million. At an average term of maturity of 14 years investors generated a total return flow of capital of up to 313 per cent. The average total return flow of capital, including all dividend payments and the calculated tax benefits, came to 210 per cent. The majority of objects are due to be sold off during the course of 2008.

For 2008 the Hahn Group is planning to set up the Hahn FCP German Retail Fund in cooperation with LRI Invest S.A. The Forecast Report contains further details on this fund. At present the management and reporting structures required for this institutional fund have been expanded and optimized. The Hahn Group is thereby positioning itself as all-round fund manager for private and semi-professional as well as institutional investors offering product solutions that are tailor-made for this target group (Pluswertfond, Private Placement, FCP).

The performance fees the Hahn Group achieved as per the end of 2007 for the successful management of its institutional co-investments are recognized as separate items. These performance fees amounted to a total of Euro 2.2 million.

On a par with the significant increase in sales volume, the operating results for the business segment Management almost quadrupled to Euro 5.9 million (last year: Euro 1.49 million). The EBIT margin was about 47 per cent.

Investment business segment

The Hahn Group managed to expand its co-investments with Capital & Regional plc and MEAG significantly in the year under review. Six properties with an investment volume of around Euro 85 million were transferred to the joint venture portfolio with Capital & Regional. These included four hypermarkets in the German cities of Lauchhammer, Taufkirchen, Kreuztal and Marl as well as one shopping mall and retail warehouse center each in Hameln and Bochum. At the end of 2007 the total investment volume of the portfolio amounted to nearly Euro 450 million.

The joint portfolio with MEAG saw the acquisition of two properties at the end of the year, with an investment volume of around Euro 45 million. One was a hypermarket in Berlin's Spandau district and the other a shopping mall in Bergisch Gladbach. Both objects are due to be transferred in 2008. These transactions bring the investment volume of the entire portfolio to around Euro 235 million. The agreed target volume of Euro 300 million is expected to be reached this year.

The portfolio with the company's sole investments increased to around Euro 49 million as of year-end 2007. The newly

Investments in Capital & Regional portfolio

Property	Rental space in m²	Investment volume in million Euro	Letting rate in %
Lauchhammer	17,675	10 – 20	100
Kreuztal	6,369	10 – 20	100
Hameln	16,893	20 – 30	98
Taufkirchen	5,000	< 10	100
Marl	8,795	10 – 20	100
Bochum	10,039	< 10	95
Additions per December 31, 2007	**65,000**	**> 85**	**99**

Investments in MEAG portfolio

Property	Rental space in m²	Investment volume in million Euro	Letting rate in %
Berlin-Spandau	8,240	10 – 20	100
Bergisch Gladbach	11,513	20 – 30	100
Additions per December 31, 2007	**20,000**	**> 45**	**100**

* Transfer in 2008

Own investments

Property	Rental space in m²	Investment volume in million Euro	Letting rate in %
Lübbecke	7,648	< 10	100
Erftstadt	12,850	20 – 30	100
Diez	11,130	10 – 20	100
Additions per December 31, 2007	**32,000**	**approx. 48**	**100**

Investment segment

Data in thousand Euro	2007	2006
Rental income sole investments	2,508	253
Income from equity investments	441	315
Assets	68,345	19,967

included properties in Lübbecke, Erftstadt and Diez all hold opportunities for further developments and are to remain in the portfolio over the medium term.

Rental income from the company's own investments came to Euro 2.51 million in 2007, compared to Euro 0.3 million the year before. EBIT rose from Euro 0.2 million to Euro 2.1 million.

The consistent extension of the joint portfolios with MEAG and Capital & Regional plc has led to an increase on income from equity investments, up from Euro 0.32 million to Euro 0.44 million. This income is not shown on the operative side but is part of the financial result.

The Group intends to participate in all future institutional real estate funds as co-investors. This will allow the Group to partake more in the opportunities for value increases of the properties and simultaneously to achieve the broadest possible alliance with the interests of the investors. The ongoing expansion of the assets of the Investment business segment will be a sustained benefit to the business segment’s earnings.

Finance and asset position

Cash flow
The healthy expansion of the Group surplus forms the backbone for the strong operative performance of cash flow. The development of cash flow from investment activities reflects the strategic structure of the portfolio of equity investments. The financing of the properties held in the long term is shown in the cash flow from financing activities. Financing of properties held for sale is included in the cash flow from operating activities. In keeping with our exit strategy for 2008, we expect to see a reversal of these effects in the coming reporting year. As a whole, all transactions together led to only a moderate drop in liquid assets, which vindicates our powerful external financing strength.

Consolidated balance sheet
The balance sheet reflects the new strategic orientation of the Hahn Group’s business segments. Capital expenditures in IT-structures meant an increase in intangible assets. Investments in properties held as financial investments under tangible assets enable the Group to participate in the future potentials for value increases of selected properties. This essentially led to the recorded increase in tangible assets to Euro 52.8 million as well as to the recorded increase in the long-term debt. The exit strategies scheduled for 2008 meant that inventories rose to Euro 323 million. The short-term debts of the Group reflect above all the temporary financing of properties held for the short term. In the wake of this expansion strategy, the equity ratio is temporarily reduced, at 9.1 per cent for the time being. Once the properties held for short term are marketed, the equity ratio will increase again substantially.

Investments (Data in million Euro)	Volume of investments	Share of Hahn	Value
Capital & Regional portfolio	450	10.54 %	14
MEAG portfolio	235	3.3 %	3
Own investments	49	100 %	49
Total	**734**	**–**	**66**

Cash flow statement (Data in thousand Euro)	2007	2006	2005
Consolidated annual net profit	7,062	4,118	1,048
Cash flow	6,785	4,134	2,763
Cash flow from operating activities	5,537	4,597	9,848
Cash flow from investment activities	– 46,785	– 3,585	– 3,979
Cash flow from financing activities	39,255	17,812	– 7,113
Change in liquid assets	– 1,993	18,824	– 1,244

Assets	12/31/2007		12/31/2006		12/31/2005	
	in thousand Euro	in %	in thousand Euro	in %	in thousand Euro	in %
Intangible Non-current assets	346	0.08	117	0.14	127	0.12
Tangible assets	52,801	12.04	3,956	4.63	9,671	8.77
Financial assets	15,241	3.48	17,644	20.67	13,981	12.68
Other non-current assets	2,233	0.51	3,217	3.77	4,193	3.80
Inventories	323,324	73.76	19,374	22.70	68,820	62.43
Accounts receivable and other assets	44,427	10.13	41,043	48.09	13,435	12.19
Total liabilities and shareholders' equity	**438,372**	**100.00**	**85,351**	**100.00**	**110,227**	**100.00**

Liabilities and shareholders' equity	12/31/2007		12/31/2006		12/31/2005	
	in thousand Euro	in %	in thousand Euro	in %	in thousand Euro	in %
Shareholders' equity	39,760	9.07	34,138	40.00	10,981	9.96
Non-current liabilities	51,624	11.78	9,370	10.98	18,327	16.63
Current liabilities	346,988	79.15	41,843	49.02	80,919	73.41
Total liabilities and shareholders' equity	**438,372**	**100.00**	**85,351**	**100.00**	**110,227**	**100.00**

Financial management
The central department Finances oversees the financing activities of the Hahn Group according to guidelines applicable throughout the Group. As part of its financial management the department coordinates the financing solutions for property acquisitions, fund constructions, co-investments and the company's own assets.

When financing real estate objects the Hahn Group generally uses financing solutions with direct reference to individual properties. Non-recourse loans are secured by the property and long-term secured and stable cash flows generated from the rent of creditworthy tenants. These loans are not invested with a further recourse on the Hahn Group.

The Notes on the consolidated financial statements provides further detailed information and explanations on the Hahn Group's financing, for example the financing structure, the due dates of loans and credit conditions.

The Group-wide financial management of the Hahn Group covers cash and liquidity management, asset and capital structure management, as well as the management of market price risks (interest rates, derivatives, foreign currencies). The risk management system constantly monitors and analyses potential changes in general conditions as well as individual risks.

Employees

The future competence of the Hahn Group is essentially shaped by the expert knowledge, commitment and ideas of its employees. Their dedication and commitment is a key factor for clients, investors and business partners deciding in favor of the Group. We will therefore seek continually to expand and extend the individual competence of our employees by fostering a healthy work atmosphere, excellent apprenticeships and further training as well as performance-oriented incentives.

As of December 31, 2007 the Hahn Group had a total of 75 employees on its books, an increase of 17 from the last year. The annual average headcount was 71 employees. The Group has recruited new support from specialists, in particular for its core competencies of asset and property management. This allows us to meet the growing demands of the market.

The training and further education of our future professionals is of great importance for us as real estate specialists. Our employees are continuously enhancing their professional skills in their respective lines of work by attending further education programs tailored to their individual requirements. These training units keep them permanently up to date. They offer our professional experts new future perspectives and ensure a high level of motivation and qualification for their work in our company. In addition, business partners and clients benefit from this expertise.

For the Group's expansion strategy good professional employees are more important than ever. The Management Board considers the competence and dedication of the employees to be key factors for the future success of the Hahn Group. According to experts, the labor market of the future will be characterized above all by a shortage of professionals. To secure its growth targets the Hahn Group will enhance and systematize the existing personnel development measures even further. The first respective steps were taken in 2007: as further development of the existing human resources, we created a long-term human resources management concept in cooperation with an international personnel consultancy firm. The concept was established by integrating all hierarchy levels, and directed at the individual demands of the company.

The optimization and systemization of human resources management comprises, in particular, the definition of scaled employee competence models, and the derivation of end-to-end target agreement and monitoring processes, as well as the definition of the required human resource programe. Furthermore, focus is placed on the expansion of personnel marketing, the improvement of internal communication and the design of efficiency-orientated models of remuneration. The implementation of the respective measures is scheduled for 2008 and 2009.

We are confident that, by using the mentioned instruments, the Hahn Group will even be more successful in positioning itself as "employer of choice" in the real estate industry. The purpose of this is to attract new talented staff and to bind the existing employees more strongly to the company.

HAHN-Immobilien-Beteiligungs AG

HAHN-Immobilien-Beteiligungs AG constitutes the executive holding company of the Hahn Group. Besides the sale of stakes, the company mainly generates revenues from fees charged on the brokerage of equity and receives investment earnings from its subsidiaries. It also acts as headquarters with central management functions for the companies of the Hahn Group. Due to the reorientation of the company in the year under review, the Holding received capital expenditure in particular for its IT structures.

HAHN-Immobilien-Beteiligungs AG also provides the central financing services for the companies of the Hahn Group. Given the strategic expansion of the portfolio with equity investments – which in part was also effected by the Holding's subsidiaries – the receivables from associated companies and bank loans both increased.

The sales revenues were essentially generated from the placements in connection with the property in Oberhausen. For the brokerage of investors the company receives an equity capital brokerage fee.

Notes on Information Provided According to Secs. §§ 289 Para. 4, 315 Para. 4 of the German Commercial Code

The subscribed capital of HAHN-Immobilien-Beteiligungs AG in the amount of Euro 12,000,000 is made up exclusively of 12,000,000 individual bearer share certificates. The no-par share certificates carry a nominal value of Euro 1.00. All share certificates confer the same rights.

The Management Board member Bernhard Schoofs – the owner of 100,000 shares – as well as HAHN-Holding GmbH have given an undertaking to Concord Effekten AG, taking account of the relevant provisions of national stock corporation law, that they will refrain for a period of up to 24 months as of the first quotation of the shares in the regulated market / General Standard at the Frankfurt Stock Exchange, October 30, 2006, from offering directly or indirectly, selling, or announcing such sale of their shares or taking any other measures which would be economically equivalent to such a sale, without the express written approval of Concord Effekten AG.

These lock-up rules are subject to a staggered timetable and provide for a disposal prohibition for 20 per cent of the owned shares for a period of 12 months after the initial quotation, for another 60 per cent of the owned shares for a period of 18 months after the initial quotation, and for 20 per cent of the owned shares for a period of 24 months after the initial quotation. Momentarily 80,000 shares of the 100,000 shares owned by the member of the management board, Bernhard Schoofs, are subject to the lock-up rule. Out of the 9,477,500 shares held by HAHN-Holding GmbH on 7,544,640 shares the rule concerning the disposal prohibition also takes effect.

Exempt from the lock-up rule are therefore 1,932,860 HAHN-Holding shares. A portion of the HAHN-Holding shares have been the underlyings for purchase options that have been offered to the members of the Management Board, Mr. Schoofs and Mr. Kuhn (for both together a total of up to 425,000 shares). If these options are exercised, the rule concerning the disposal prohibition for the up to 425,000 shares shall take effect as of the point in time the option is exercised, as described above.

To safeguard this disposal prohibition, an application was submitted to have the entire capital stock registered under two different security code numbers, one for the shares traded on regulated market / General Standard and one for the shares of the old shareholders which are subject to the disposal prohibition.

HAHN-Holding GmbH owns 9,472,500 share certificates, that is 78.98 per cent of the equity capital, of HAHN-Immobilien-Beteiligungs AG. Michael Hahn in turn owns 79 per cent of the share capital of HAHN-Holding GmbH. Additionally Michael Hahn owns 10,000 shares privately. Therefore, he and the HAHN Holding GmbH hold 79.06 of the share capital, altogether. This is the only direct or indirect capital interest that exceeds 10 per cent of the voting rights.

There are no shares with special rights that confer powers of control.

Employees of the HAHN-Immobilien-Beteiligungs AG and the group entities are not having an interest in the company that would empower them with immediate controlling rights. The bearer shares issued by the company do not give an accurate overview on the shareholder structure as well as the individual share holdings of employees.

Provisions for appointing and recalling the Management Board and for amending the Articles of Incorporation: the members of the company's Management Board are appointed and recalled by the Supervisory Board subject to the provisions under Sec. 84 and 85 of the German Stock Corporation Act. According to Sec. 5 of the Articles of Incorporation, the Management Board comprises at least two members. Further to this, the provisions in the Articles of Incorporation of HAHN-Immobilien-Beteiligungs AG do not differ from the statutory regulations.

Sec. 16, Para. 1 of the Articles of Incorporation deviates from the principal statutory regulation under Sec. 179 Para. 2 of the German Stock Corporation Act in that it provides for the Shareholders' Meeting to pass amendments to the Articles of Incorporation with a simple majority of the votes cast, unless legal requirements should call for a bigger majority. In those cases where statutory regulations require not only the majority of votes but also a majority of capital present at the time the resolution is passed, the simple majority of capital present at the time of the resolution suffices, insofar as this is legally permitted. Further to this, Sec. 10 Para. 2 of the Articles of Incorporation authorizes the Supervisory Board to pass amendments to the Articles of Association that affect only the wording.

The statutory appointment of a smaller fraction of capital needed for changes in the company articles is code of practice in stock corporation law. It allows the corporation and the annual general meeting a greater flexibility.

By resolution of the Shareholders' Meetings of August 17, 2006 and September 11, 2006, the opportunity for a capital increase from authorized capital was included in the Articles of Incorporation. According to this provision, the Management Board 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 million, by issuing new individual bearer share certificates in exchange for contributions in cash or in kind. The shareholders have a general right of subscription. The Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholder's right of subscription under specific conditions.

In addition, by resolution of the Shareholders' Meeting of August 17, 2006, the company was authorized to acquire its own shares up to a volume of 10 per cent of the share capital existing at the time the resolution is passed in accordance with Sec. 71, Para. 1, No. 8 of the German Stock Corporation Act. Acquisition of these shares can be made through the stock exchanges or through a public bid made to all shareholders. The authorization ends at the latest on February 16, 2008.

Risk Report

Our risk policy corresponds with our aim to generate sustainable growth and increase the value of the enterprise. In so doing we seek to avoid inappropriate risks as far as possible or to control and contain them. As risk management constitutes an integral part in the planning and execution of our business strategies, our risk policy is defined by the Management Board. Where they affect the core competencies of the Group we deliberately enter into and support appropriate, calculable and manageable risks, if they suggest that a suitable increase in value can be expected at the same time. We deploy a number of matching risk management and control systems that assist us in identifying developments that could potentially endanger the continued existence of the company.

The Group's guidelines and flow charts define the fundamental approach to handling risks for employees and executive managers alike. Thus, speculative transactions or any other undertakings of a speculative character are prohibited on principle. In our dealings with business partners and clients our manner must always be characterized by fair and responsible behavior.

As part of the risk management system the business segments and divisions report "bottom up" with staggered limit values by submitting proposals for decisions on potential risks contained in the properties.

Four-tier risk management system

The risk management system of the Hahn Group comprises four modular elements:

- the independent Portfolio Management acts as a staff function on the level of the Holding company and objectively reviews and documents all KPIs of the real estate business
- the independent Controlling and Accounting departments act as a staff function on the level of the Holding company and objectively review and document all cash flows
- the IT-based Management Information System (MIS) provides management regularly and systematically with automated comparisons of target and actual values
- the external consultants, who provide an objective assessment of the relevant situations, within the framework of their roles as tax consultants and auditors.

The primary objective of all of the listed modular elements is to identify the potential risks of the relevant parameters under observation and to initiate counter-measures as early as possible. Their organizational separation from the operative units of the Hahn Group is intended to secure maximum objectivity of the aforelisted functions. Thus, the heads of the various operative units are not authorized to instruct, for example, the employees of the Portfolio Management, the Controlling or Accounting departments.

In addition to the aforementioned modules, risk controlling is secured by the principal compliance with the dual-control principal. Accordingly, the Management Board members' responsibilities on the level of the Holding company are also strictly separated and mutually monitored. Furthermore, Hahn AG is committed to complying with the (German) Corporate Governance Code, including the obligation for a proper and orderly treatment of assets held in a fiduciary capacity.

External and internal risks

The risks listed in the following are all linked to opportunities created by our entrepreneurial activities.

Sector and industry risks

The developments on the real estate markets are essentially contingent on the wider economic conditions. Thus, changes on the capital markets, such as fluctuations of interest rate levels or the availability of borrowed capital, can have as negative an impact as phenomena in the real economy, for example general recession trends or an economic downturn in selected property sites.

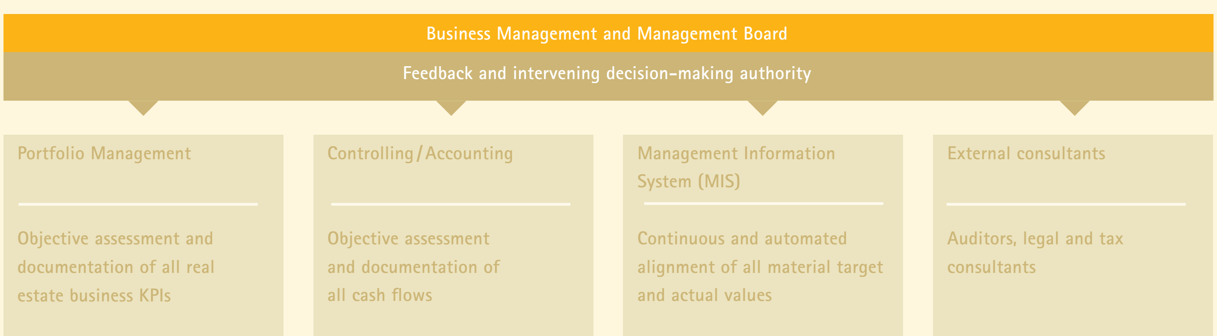
The Hahn Group is one of numerous market participants and is thus subjected to stiff competition as far as the acquisition of properties as well as their leasing is concerned. With a further intensification of competition, especially if other market participants hold high levels of free liquidity, the Hahn Group may be confronted with a situation where it cannot find attractive acquisition opportunities or solvent tenants for follow-up rental agreements. In order to minimize these risks the Hahn Group has built itself an extensive network of contacts with different market participants and engages in an intensive exchange with existing and / or potential anchor tenants.

Likewise the fund products for private and institutional investors compete with a huge number of alternative capital investment forms. The demand behavior of investor groups can change over time and is also affected by such external influences as the general interest rate level.

With respect to the temporary strategic expansion of assets held for sale, a sharp drop in market prices may have an adverse effect on the exit conditions of the Hahn Group. This also concerns properties with a total volume of Euro 244 million, that have been acquired with transfer of ownership in 2008 – partly by agreeing on the right of withdrawal from the contracts.

The Hahn Group's innovative abilities allow it to string together fund products that are customized to the current conditions on the demand side. This way the Group manages to successfully counter sales risks.

Four-tier risk management system



Risk of financing and interest rate fluctuations
The central finance department constantly records and monitors both the company's credit risk as well as that of the objects under management. Depending on the underlying product, different concepts are applied to handle the individual credit risk. A central program synchronizes the data with current planning to arrive at an estimate that can be used as a basis for assessing allowances for individual losses on default risks. The general conditions for financing property acquisitions are subject to constant changes. The appeal of financing possibilities is contingent on a wide variety of constantly changing factors, over which the company has no influence. 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 in case it serves as collateral for loans as well as the bank's assessment of the general economic climate. Any negative development on the supply side of financing could severely curtail the Hahn Group's means of acquiring and selling properties and thus have adverse effects on its net worth, financial standing and earnings situation.

Liquidity risks
The Finances department is in charge of financing the property companies. Negative developments on the capital markets would raise the costs of financing and could also restrict financial flexibility. Current events on the US mortgage markets are affecting capital markets worldwide. These developments can constrain the Group's means of financing with foreign capital.

Currency risk
All of the company's financial liabilities are fixed in Euro. Interest rate derivatives have been taken out in Swiss Franks merely for a few smaller investment companies, but noteworthy risks are not to be expected here.

Loss of rent risk
The company-specific letting practice is to let to companies in the retail sector with a solid credit standing. Because German zoning regulations restrict the amount of construction permits for retail properties, the demand for spaces is set to continue as part of the ongoing expansion of retail companies. The Hahn Group monitors the risk of loss of rent by permanently analyzing the markets and locations and by keeping a watchful eye on the credit standing of the operators and their operative and strategic focus.

IT risk
The company has its own in-house IT department, which is supported by two external IT service providers. Both the hardware and software infrastructure was upgraded to meet the increasing requirements of the Group's growth-driven development. In the year under review top priority was therefore on enhancing data protection as well as increasing the number of user licenses. In close cooperation with external specialists the company devised a comprehensive concept for the server landscape, including integrated data protection. This was done against the background of the implementation of the controlling systems CRM, PMS and MIS. Furthermore, the groundwork was laid for the introduction of a billing system for Property Management that will allow the segment to expand the range of services offered.

Personnel risks

Competition continues to very be tough in the specialized real estate industry when it comes to recruiting highly qualified executive managers as well as commercial and technical employees. The Group still intends to expand its service range for the Management business segment and in a number of functions of the Holding. This calls for highly qualified experts. The future success of the company will also depend on its ability to recruit, integrate and tie to the company the professionals required for this. At the start of fiscal year 2008 the Hahn Group launched a project the brief of which is to provide the foundations for a comprehensive personnel concept.

Compliance risks

The Hahn Group carries out sizeable business deals with many object offerers and renowned credit lenders and additionally is involved in projects that are bank-financed. Were one to discover that the Group was party to illegal transactions or that no effective measures were taken against presumed or proven cases of corruption in our company, this could have adverse effects on the company's business deals. For many years the management has implemented measures to optimize the internal control system, which also cover the problems of corruption and the compliance risk.

Legal situation

It is basically possible that the Group could become exposed to risks arising from litigation or legal proceedings at some time in the future. The company therefore makes provisions for the risks originating in litigation or legal proceedings, in the event that (a) there is a current obligation from an event in the past, (b) it is probable that expenses will be incurred in order to meet the obligation, and (c) a reasonable estimate of the potential volume of the obligation can be made. In addition, the Group has taken out a general liability insurance for specific legal risks, the sum of which the Management Board has deemed to be sufficient and which accords with the standard practice in the industry.

Regulatory risks

Present or future environmental or other official rules and regulations, as well as their amendments, may increase the operative costs of the property companies. These could result in prospectus liability facts if legal limitation periods still apply. The Group could furthermore incur obligations from environmental pollution or the decontamination of properties which the Group has acquired or is still to acquire. The company therefore makes provisions for environmental risks if (a) the Group has a current obligation as a result of a historical event, (b) it is probable that fulfillment will require an outflow of the Group's resources which containing an economic benefit, and (c) a reliable estimate of the obligation can be made. Object-specific liability insurance has been taken out to cover specific environmental risks, the insured amount of which the company's management deems to be appropriate and standard for the industry.

Summary of the risk situation

The timely reporting system enables the Management Board to correct any deviations from plan with the corresponding countermeasures at any time.

Risk management constitutes an integral part of all business processes.

Adequate provisions have been formed for identifiable risks.

The Management Board is of the opinion that the risks listed do not endanger the continued existence of the Hahn Group. Instead, on the basis of the extensive and historically matured expertise of the Group, one expects to see a sustained increase in earnings together with a continual expansion of market presence.

Remunerations

Supervisory Board and Management Board remuneration

The members of the Supervisory Board receive a fixed annual 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 five per cent 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. The company reimburses expenses reasonably incurred by the Supervisory Board members plus VAT charged on their remuneration, if VAT can be and is invoiced separately.

The employment contracts of the Management Board members provide for a fixed salary, the use of a company car and direct insurance policy in 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. On top of the fixed annual salary a profit-sharing bonus will be paid contingent on the pre-defined result for each fiscal year being achieved. This profit target is defined by the Management Board and the Chairman of the Supervisory Board at the end of the preceding financial year in accordance with the annual budget plan. Subject to the profit target being achieved 100 per cent, bonus payments will be Euro 130 thousand for Mr. Schoofs and Euro 120 thousand for Mr. Kuhn. If the targeted results are not attained, or if it is exceeded, this will reduce or increase the bonus payments accordingly, on a pro-rata basis. The increase is capped at a maximum of twice the profit-sharing bonus.

The Notes on the Consolidated Financial Statements contain further details on the remuneration of the Supervisory and Management Boards.

Key Events Subsequent to the Reporting Date

At the start of fiscal year 2008 the Hahn Group set up a property fund for institutional investors in cooperation with LRI Invest S. A. The HAHN German Retail Fund has been founded as FCP (Fonds commun de placement) and was formally approved by the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) on February 19, 2008. The official foundation was on March 11.

The fund's objective is to build and actively manage a broad and diversified portfolio of large-scale retail properties. The fund is administered by LRI Invest S. A., a subsidiary of the (German) Federal State Bank of Rhineland-Palatinate. As initiator of the fund, the Hahn Group oversees fund, asset and property management.

The fund has secured a pipeline of properties with a total investment volume of around Euro 240 million.

Forecast Report

Economic and legal conditions

After two years of above-average growth the economic development in 2008 and 2009 is likely to witness slower economic growth. If there are no external shocks, the current outlook for Germany is that there will not be a recession. Positive effects for the retail property market could materialize especially if, on the back of rising employment and wage settlements, private consumption picks up and provides a more substantial contribution to economic growth. In this context, risks could arise from a downturn in consumer confidence.

We expect that the drop in the rates-of-return in most mature real estate markets has bottomed out meanwhile and that the volume of transactions registered on the real estate investment markets will be lower in 2008 than in 2007. This holds true both for a global perspective as well as for the German market. Nonetheless, numerous national and international investors are still sitting on high stockpiles of liquidity for which they are also trying to find investment opportunities on the real estate markets. There is no reason therefore to expect the real estate investment markets to collapse. In fact, instead we see a differentiated market development ahead: core investment properties with long-term secured cash flows, such as the vast majority of the properties managed by Hahn Group, will keep on facing steady demand. Properties belonging to the non-core segment or in inferior locations, however, will continue to meet a difficult demand situation in 2008 as well. By European standards, investors' interest in the German property market is likely to continue. This applies in particular for the retail property segment where bigger transaction volumes can be expected to materialize in Germany, the Scandinavian countries, but also in Spain, Russia and Turkey.

As far as investors' market activities are concerned, we reckon that the core investors with a long-term strategy and higher equity stakes will play a more prominent role in 2008. The role of opportunistic investors, on the other hand, will be relatively minor, much as was the case at the close of 2007. In our assessment, net initial yields in the retail segment will not decrease to any substantial extent in 2008. However, less advantageous locations as well as the non-core segment could well experience a tangible increase in yields.

All in all, we reckon that the interest of private and institutional investors in well managed indirect property investment products will remain lively and will also increase. As far as the market for investment models is concerned, some analysts see potential improvements in the course of 2008 for the proceeds generated from placements on that market. This view is based on the assumption that the effects of the credit crisis on the international financial markets will not dramatically widen or continue for any longer periods of time. We can also foresee further growth potential for the product group of indirect property investment for institutional investors. A number of studies and surveys have shown that institutional investors, such as pension funds, want to retain or even increase the share of property investments in their portfolios and they prefer indirect to direct property investments. One of their key arguments is the fact that the management of indirect property investments is much more efficient for the investors involved than the actual facility management for properties in direct ownership. In addition, this line of argumentation is independent of the influences of the wider economy. This reasoning holds true especially for the retail property segment, which is of relevance for the Hahn Group. The management of this segment requires extensive professional know-how. Alongside office buildings it ranks as the favorite target property for indirect property investments by the institutional sector. In the light of the so far moderate development of the REIT-sector in Germany we expect that institutional investors will also show an increased interest in non-listed investment vehicles and selected fund constructions.

Business development

In 2008 we want to continue on the Hahn Group's path of profitable growth. Based on the influencing factors listed we expect a positive business performance.

In the present market phase the opportunistic-minded investors have left the market. We therefore expect 2008 to be a "buyers' market" with attractive acquisition opportunities. We want to generate our planned acquisition volume especially by pushing portfolio acquisitions. In view of the favorable market environment for German properties we will focus on the domestic region in 2008 and take a closer look at acquisitions abroad only in 2009.

We continue to view the general conditions for our financing activities as positive. The properties sought by the Hahn Group include single properties and smaller to medium-sized retail property portfolios, characterized by long-term stable, secured cash flows. The continued willingness by our banking partners to assist in the financing of these objects applies even in the present conditions of the financial markets. We expect interest rates in the Euro zone to remain at a low level. Only when the economic outlook brightens up again, especially in the USA, are long-term interest rates in the Euro-zone likely to rise again.

In the Trading business segment we expect to sell shares in funds to private clients at an investment volume of around Euro 80 million, which will be in line with the level achieved in the year before. The segments' earnings from commissions will therefore remain stable.

The Management business segment expects to register a significant expansion of property assets under management in 2008, which in turn will create the basis for increasing management income. The Hahn Group's optimized and expanded management capacities will furthermore enable us to offer stand-alone asset as well as property management services in 2008, which will be independent of the fund management or an equity investment. As the range of services is offered throughout Europe we will be able to create the basis for additional earnings and also secure access to potential new fund investors. Hahn Center Management will have a pivotal role as a service module. This will be a key factor for the long-term and sustained success of larger retail warehouse center and shopping malls.

The Investment business segment is set to benefit in 2008 from continually increasing earnings generated from the stakes in our co-investments. We will also integrate new properties into the joint portfolios. Another possibility is to increase our share in the co-investments. We are not planning to expand our own investments this year in any substantial way.

The projected issuance of the HAHN FCP – German Retail Fund in 2008 will have a sustainable positive impact on future revenues. Taking into account the expected one-off costs for the marketing of the fund and a positive development of our business segments we anticipate a stable development of earnings in 2008, altogether. For 2009 we then expect a consider-able increase in earnings – driven by the higher management fees from the institutional fund business.

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Individual Financial Statements

Consolidated Income Statement

Data in Euro	2007	2006	[Notes]
Sales	**129,955,831**	**127,850,201**	[1]
Other operating income	1,280,461	642,885	[2]
Total operating performance	131,236,292	128,493,086	
Cost of materials	– 88,947,551	– 105,919,370	[3]
Personnel expenses	– 6,080,294	– 4,908,466	[4]
Other operating expenses	– 13,222,674	– 9,156,769	[5]
Earnings before interest, taxes and depreciation (EBITD)	**22,985,773**	**8,508,481**	
Depreciation of intangible and tangible assets	– 298,320	– 215,394	[6]
Earnings before interest and taxes (EBIT)	**22,687,453**	**8,293,087**	
Share of profit / loss from associated companies	314,856	491,093	[7]
Shares of minority shareholders in fund results	– 1,137,461	– 316,651	
Other financial results	– 10,912,190	– 2,216,480	[8]
Financial results	– 11,734,795	– 2,042,038	
Earnings before taxes (EBT)	**10,952,658**	**6,251,049**	
Taxes on income	– 3,890,933	– 2,132,701	[9]
Consolidated annual net profit	**7,061,725**	**4,118,348**	
Earnings per share	0.59	0.40	[10]

Consolidated Balance Sheet for December 31, 2007

Assets Data in Euro	12/31/2007	12/31/2006	[Notes]
Non-current assets			
Intangible assets	346,492	117,028	[11]
Tangible assets			[12]
Land and buildings	3,058,650	3,150,631	
Other facilities and equipment	725,786	283,202	
Investment property	49,016,871	521,785	
	52,801,307	**3,955,618**	
Financial investments			[13]
Investments in associated companies valued at equity	1,206,795	5,346,504	
Other financial investments	14,033,768	12,297,810	
	15,240,563	**17,644,314**	
Other financial assets	329,487	1,445,552	[14]
Deferred tax assets	1,903,713	1,771,198	[15]
	70,621,562	**24,933,710**	
Current assets			
Inventories			
Properties held for sale	316,731,146	15,955,510	[16]
Current asset securities	3,622,070	2,058,527	[17]
Advance payments to suppliers	2,970,343	1,360,000	[17]
	323,323,559	**19,374,037**	
Accounts receivable and other assets			
Trade accounts receivable	12,073,933	4,160,210	[18]
Receivables from affiliated persons and companies	3,371,235	6,314,062	[19]
Receivables from minority shareholders	25,491	403,295	[28]
Other financial assets	5,708,682	5,050,903	[20]
Sundry other assets	741,001	615,955	[20]
	21,920,342	**16,544,425**	
Liquid funds	**22,506,177**	**24,498,716**	[21]
	367,750,078	**60,417,178**	
	438,371,640	**85,350,888**	

Liabilities and shareholders' equity (Data in Euro)	12/31/2007	12/31/2006	[Notes]
Shareholders' equity			[22]
Subscribed capital	12,000,000	12,000,000	
Capital reserve	17,038,944	17,038,944	
Legal reserve	681,907	681,907	
Miscellaneous revenue reserves	3,065,536	3,065,536	
Net profit/loss for the year	6,973,393	1,351,668	
	39,759,780	**34,138,055**	
Liabilities			
Long-term debts			
Provisions	2,240,303	2,624,967	[23]
Liabilities to banks	44,055,162	3,021,769	[24]
Other financial liabilities	103,538	94,952	
Deferred tax liabilities	5,224,512	3,628,429	[15]
	51,623,515	**9,370,117**	
Short-term debts			
Other provisions	786,800	1,496,363	[23]
Liabilities to banks	326,444,868	25,791,896	[24]
Trade accounts payable	1,575,631	1,663,613	[25]
Advance payments received on orders	–	850,164	[26]
Liabilities to affiliated companies	165,304	132,076	
Liabilities to affiliated persons and companies	738,483	1,760,195	[27]
Liabilities to minority shareholders	2,527,981	2,379	[28]
Other financial liabilities	12,487,461	6,878,844	[29]
Sundry other liabilities	2,261,817	3,267,186	[29]
	346,988,345	**41,842,716**	
	398,611,860	**51,212,833**	
	438,371,640	**85,350,888**	

Changes in Consolidated Shareholders' Equity

Data in thousand Euro	Subscribed capital	Revenue reserve	Retained earnings	Net profit / loss	Total	Interests of other share-holders	Group equity
2006							
As of 01/01/2006	**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 31/12/2006	**12,000**	**17,039**	**3,748**	**1,351**	**34,138**	**–**	**34,138**
2007							
As of 01/01/2007	**12,000**	**17,039**	**3,748**	**1,351**	**34,138**	–	**34,138**
Dividends	–	–	–	– 1,440	– 1,440	–	– 1,440
Consolidated annual net profit	–	–	–	7,062	7,062	–	7,062
As of 31/12/2007	**12,000**	**17,039**	**3,748**	**6,973**	**39,760**	–	**39,760**

Consolidated Cash Flow Statement

Data in thousand Euro	2007	2006
Consolidated annual net profit	**7,062**	**4,118**
Depreciation of fixed assets	423	215
Profit / loss from associated companies	– 315	– 491
Change in long-term provisions	– 385	292
Annual cash flow	**6,785**	**4,134**
Income from disposal of fixed assets	5	– 6
Change in deferred taxes	1,464	469
Changes in inventories, receivables and other assets	– 308,210	32,457
Changes in liabilities to banks assignable to properties held for sale	300,991	– 31,317
Changes in other debts	4,502	– 1,140
Cash flow from operating activities	**5,537**	**4,597**
Receipts from disposal of tangible and intangible fixed assets	3	37
Expenditures for investments in tangible fixed assets	– 49,105	– 186
Expenditures for investments in intangible fixed assets	– 277	– 22
Receipts from disposal of financial assets	6,045	5,754
Expenditures for investments in financial assets	– 3,451	– 8,926
Receipts from the sale of consolidated companies	–	503
Expenditures for acquisition of consolidated companies	–	– 745
Cash flow from investment activities	**– 46,785**	**– 3,585**
Receipts from injections of equity capital	–	19,039
Expenditures to shareholders (dividends)	– 1,440	0
Receipts from (financial) credits	46,834	10,132
Expenditures for retirement of (financial) credits	– 6,139	– 11,359
Cash flow from financing activities	**39,255**	**17,812**
Cash changes in the liquid fund	**– 1,993**	**18,824**
Liquid fund on 01 / 01	**24,499**	**5,675**
Liquid fund on 12 / 31	**22,506**	**24,499**

Segment Reporting

2007 Data in thousand Euro	Trading	Management	Investment	Transition	Group
Sales	115,642	13,065	2,508	– 1,259	129,956
Thereof with other segments	655	604	–	– 1,259	–
EBITD	16,702	5,895	2,112	– 1,724	22,985
EBIT	16,404	5,895	2,112	– 1,724	22,687
Result from associated companies	315	–	–	–	315
Depreciation	298	–	–	–	298
Thereof extraordinary	–	–	–	–	–
Segment assets	358,917	5,159	68,345	5,951	438,372
Of which shares in associated companies	1,207	–	–	–	1,207
Segment liabilities	17,378	387	363	380,484	398,612
Operational investments	887	–	48,495	–	49,382

2006 Data in thousand Euro	Trading	Management	Investment	Transition	Group
Sales	120,565	7,173	253	– 141	127,850
Thereof with other segments	–	141	–	– 141	–
EBITD	8,482	1,488	226	– 1,688	8,508
EBIT	8,267	1,488	226	– 1,688	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

HAHN-Immobilien-Beteiligungs AG
Consolidated Financial Statements for December 31, 2007

Notes to the Consolidated Financial Statements

I. PRINCIPLES AND METHODS

The consolidated financial statements for December 31, 2007 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.

Internal structures were increasingly geared towards the business model in the year under review, with the aim of allowing a more transparent delimitation of the performance of the individual segments. Therefore, fund management was allocated to the Management segment (Trading in the previous year) for the purposes of segment reporting and purchasing activities are now also reported in the Management segment, instead of under the Group management functions in the Transition column. The presentation of the previous 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.

The consolidated financial statements and the consolidated management report are published in the electronic Federal Gazette.

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 per cent 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 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 valuation adjustment rates for accounts receivable and the reliability of deferred taxes. The actual amounts may deviate from the amounts produced from estimates and assumptions.

III. NEW ACCOUNTING REGULATIONS OF THE IASB

IFRS 7 "Financial Instruments: Disclosures" published in August 2005, in which the regulations governing disclosures in the notes for financial instruments were standardized and revised and which became mandatory for financial statements as of January 1, 2007, has been implemented in full. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the regulations governing disclosures in the notes in IAS 32 "Financial Instruments: Disclosure and Presentation". The presentation requirements of IAS 32 remain unchanged.

The IASB also published amendments in August 2005 to IAS 1, "Presentation of Financial Statements: Capital Disclosures", which are applicable to fiscal years that begin on or after January 1, 2007. The first-time adoption had no effect on the consolidated financial statements.

In March 2007, the IASB published amendments to Standard IAS 23 "Borrowing Costs". Accordingly, the costs of borrowed capital that can be directly allocated to the purchase, construction or manufacture of a qualified asset are to be capitalized. An asset is deemed as being qualified in this context if it necessarily takes a substantial period of time to get ready for its intended use or sale. The current possibility of recognizing borrowing costs with immediate impact on expenses is being abolished. Adoption of the amended standard is mandatory for fiscal years that begin on or after January 1, 2009. This standard has not been adopted early.

In November 2006, the International Accounting Standards Board (IASB) passed IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 "Segment Reporting" and requires companies to report financial and descriptive information regarding their reportable segments. Reportable segments are operational segments or groups of operational segments that fulfill certain criteria. Operational segments comprise components of an enterprise for which separate financial information is available and which are regularly reviewed by the chief operating decision maker of the enterprise, in order to assess the success of business and decide on how resources are to be allocated. Generally, financial information must be reported on the basis of internal management. IFRS 8 is to be adopted for fiscal years that begin on or after January 1, 2009. The Hahn Group does not currently expect that adoption of the standard will have a significant influence on the presentation of the financial statements.

In September 2007, the IASB published a revised version of IAS 1 "Presentation of Financial Statements" that is intended to facilitate the analysis and comparison of financial statements by users. With the amendment of IAS 1, the so-called Statement of Comprehensive Income is introduced into the IFRS financial statements. Adoption of the amended standard is mandatory for fiscal years that begin on or after January 1, 2009. Earlier adoption is permissible. Adoption of the standards will not have any significant influence on the presentation of the consolidated financial statements.

On January 10, 2008 the IASB published both the revised version of IFRS 3 "Business Combinations" and the revised version of IAS 27 "Consolidated financial statements and accounting for investments in subsidiaries". Adoption of the amendments in IFRS 3 and IAS 27 is mandatory for fiscal years that begin on or after January 1, 2009. It is not anticipated that the amendments will have a significant effect on the consolidated financial statements of the Hahn Group.

On January 17, 2008 the IASB published the revised version of IFRS 2 "Share-Based Payment". Adoption of the revised version of IFRS 2 is mandatory for fiscal years that begin on or after January 1, 2009. The amendments are not relevant to the Hahn Group.

On February 14, 2008 the IASB published the revised version of IAS 32 "Financial Instruments: Presentation". The new version allows rescindable instruments to be classified as shareholders' equity under certain conditions. As a rule, the new version will allow German partnerships to classify their capital under social law as shareholders' equity in the IFRS financial statements. Adoption of the new version is mandatory as of January 1, 2009 and early voluntary adoption is permissible. The amendment will influence the consolidated financial statements of the Hahn Group insofar as the capital shares and shares of profit apportionable to the outside limited partners will no longer be presented under debt capital or as expense or income.

The first-time mandatory adoption in 2007 of IFRIC 7, 8, 9 and 10 had no effect on the net worth, financial position and results of the Hahn Group on account of its business activities. IFRIC 11, 12, 13 and 14, which are to be adopted for the first time in the 2008 fiscal year, will not significantly influence the consolidated financial statements.

The amendments to IFRS 3, IAS 27 and IFRS 2 published in January, as well as the amendments to IAS 32 published in February, have not been adopted early.

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 01/01	11	1	12	7	31
Additions	1	–	33	2	36
Deletions	–	–	–5	–3	–8
As of 12/31	12	1	40	6	59

Not included in the consolidated financial statements for this fiscal year were 14 fund companies (2006: 7) 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 (2006: 4) 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 cancelled the financing secured solely by the fund assets, and plans to initiate or already has initiated execution of judgment against the fund assets.

On account of purchases of shares in companies, two companies were included at equity for the first time in the year under review. The shares in three at equity companies were disposed of. Proceeds from these sales amounted to Euro 14,990 thousand.

In the year under review, HAHN Fondsbesitz GmbH, Bergisch Gladbach, was founded as a wholly owned subsidiary of HAHN Trading AG, Bergisch Gladbach.

The following property companies and fund companies were newly founded in the year under review:

- Hahn Verbrauchermarkt Unterhaching GmbH & Co. KG, Bergisch Gladbach (100.0 %)
- Hahn Fachmarktzentrum Gummersbach GmbH & Co. KG, Bergisch Gladbach (100.0 %)
- Hahn Fachmarktzentrum Übach-Palenberg GmbH & Co. KG, Bergisch Gladbach (100.0 %)
- Hahn SB-Warenhaus Witten GmbH & Co. KG, Bergisch Gladbach (100.0 %)

The following strategie acquisitions were made in the year under review:

Portfolios Data in thousand Euro	Date of acquisition	Votes acquired	Total votes held
SB-Hypermarkets			
SB-Warenhaus Celle GbR	04/01/2007	55.87%	55.87%
SB-Warenhaus Iserlohn GbR	04/01/2007	47.83%	50.73%
VEN SB-Warenhaus Nordwalde GbR	07/01/2007	78.15%	78.15%
Immobiliengesellschaft bürgerlichen Rechts SB-Warenhaus Lübbecke	04/01/2007	60.37%	60.37%
SB-Warenhaus Erftstadt GbR	04/01/2007	92.40%	92.40%
SB-Warenhaus Voerde GbR	07/01/2007	84.15%	84.15%
Hahn SB-Warenhaus Wismar GmbH & Co. KG	04/01/2007	94.00%	94.00%
Superstores			
SB-Warenhaus Aachen-Krugenhofen GbR	07/01/2007	78.35%	78.35%
SB-Markt Edemissen GbR	07/01/2007	92.60%	92.90%
SB-Warenhaus Bergheim GbR	04/01/2007	85.90%	85.90%
Hahn Verbrauchermarkt Erding Zwei GmbH & Co. KG	12/19/2007	94.80%	94.80%
SB-Warenhaus Premnitz GbR	07/01/2007	91.74%	92.00%
SB-Markt Münsingen GbR	07/01/2007	89.90%	94.40%
Retail warehouse centers			
SB-Warenhaus Oberhausen GbR	04/01/2007	92.90%	92.90%
Fachmarktcenter Osnabrück GbR	07/01/2007	89.60%	92.40%
Hahn Fachmarktzentrum Zülpich GmbH	04/01/2007	94.80%	94.80%
SB-Warenhaus Diez GbR	04/01/2007	84.90%	84.90%
Handelszentrum Naila GbR	07/01/2007	92.80%	93.00%
Shopping malls			
Einkaufszentrum Glauchau GbR	07/01/2007	92.40%	93.90%
Einkaufszentrum Uelzen GbR	07/01/2007	94.50%	94.50%
Einkaufszentrum Haßfurt GbR	07/01/2007	92.50%	92.50%
Einkaufszentrum Espelkamp GbR	07/01/2007	92.35%	93.45%
DIY stores			
Baumarkt Haltern GbR	07/01/2007	88.65%	88.65%
S&M Private Grundstücksverwaltung Baumarkt Kitzingen GbR	07/01/2007	90.90%	90.90%
Bau- und Hobbymarkt Burscheid GbR	07/01/2007	89.25%	89.25%
Baumarkt Erftstadt GbR	07/01/2007	93.67%	93.90%
Baumarkt Coburg GbR	10/01/2007	72.72%	72.72%
Baumarkt Aue GbR	07/01/2007	94.30%	94.50%
Baumarkt Nienburg GbR	07/01/2007	84.03%	84.31%

The acquired values for the portfolios were summarized due to the immateriality of the individual figures. These were as follows:

Portfolios Data in thousand Euro	Hyper-markets	Superstores	Retail ware-house centres	Shopping malls	DIY stores
Acquisition costs	39,654	14,045	19,695	37,743	26,060
Property	105,742	35,851	50,568	91,164	69,648
Accounts receivable	566	32	207	716	346
Liquid funds	926	363	1,256	2,105	1,865
Fair value of the assets acquired	107,234	36,246	52,031	93,985	71,859
Loans from banks	49,181	18,831	28,798	52,456	40,654
Liabilities	394	777	962	526	762
Provisions	2,117	449	547	722	788
Fair value of the debts assumed	51,692	20,057	30,307	53,704	42,204
Result for the year from the date of acquisition	2,836	784	812	236	1,281
Sales for the fiscal year	7,431	2,277	3,710	7,278	5,183
Result for the fiscal year	4,019	1,641	1,640	2,302	2,737

The costs of acquisition include the purchase prices for the acquired shares plus incidental costs of acquisition in the form of notary publics' and brokers' fees.

The following fund companies in which the majority of the votes were not acquired until the year under review were deconsolidated in the reporting year:

- SB-Warenhaus Celle GbR, Bergisch Gladbach
- SB-Warenhaus Oberhausen GbR, Bergisch Gladbach
- SB-Warenhaus Iserlohn GbR, Bergisch Gladbach
- SB-Warenhaus Bergheim GbR, Bergisch Gladbach
- SB-Warenhaus Witten GmbH & Co. KG, Bergisch Gladbach
- Hahn Immobilien Portfolio 1 GmbH & Co. KG, Bergisch Gladbach

The shares in the companies were deconsolidated on account of relinquishment of the majority of the votes. The sales proceeds of the companies amounted to Euro 28.9 million.

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

Data in thousand Euro	2007	2006
Assets		
Investment properties	–	5,688
Properties held for sale	75,230	48,324
Other short-term assets	53	2,213
Liquid funds	1,892	1,277
Liabilities		
Liabilities from the financing of properties held for sale	46,895	35,633
Short-term provisions and liabilities	1,454	7,100

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 institutional 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.

V. EXPLANATORY NOTES ON THE INCOME STATEMENT

[1] Sales

The sales are composed of the following:

Data in thousand Euro	2007	2006
Sale of properties	96,374	112,845
Sales commissions and other commissions	4,135	4,086
Rental income from properties held for sale	15,955	3,410
Property management commissions	4,148	3,161
Asset management commissions	4,767	2,848
Fund management commissions	1,950	1,164
Rental income from investment properties	2,508	253
Other revenues	119	83
Total sales	**129,956**	**127,850**

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 Hahn Group deals primarily in closed-end property funds. To the extent that 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	2007	2006
Income from the release of provisions and allowances and other income not related to the period under review	467	148
Sundry operating income	813	495
Other operating income	**1,280**	**643**

The sundry operating income in 2007 primarily included income from cost transfers.

[3] Cost of Materials

The cost of materials is structured as follows:

Data in thousand Euro	2007	2006
Cost of real estate sales and company shares	87,618	105,163
Adjustments for depreciation	514	34
Other	816	722
Total cost of materials	**88,948**	**105,919**

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

[4] Personnel Expenses

The personnel expenses comprise the following:

Data in thousand Euro	2007	2006
Wages and salaries	5,365	4,293
Social security contributions	676	553
Costs of retirement benefits	4	42
Other social expenses	35	21
Total personnel expenses	**6,080**	**4,909**

The Group employed an average of 71 persons in the 2007 fiscal year (2006: 55 employees).

[5] Other Operating Expenses

The other operating expenses are structured as follows:

Data in thousand Euro	2007	2006
Operating expenses of the consolidated and deconsolidated property companies	3,092	2,296
Legal, auditing and consulting fees (excluding property companies)	2,723	1,067
Valuation adjustments and losses on receivables	1,587	205
Property management	931	660
Non-deductible pre tax	833	514
Other taxes	532	90
Motor vehicle expenses	401	314
Additions to provisions	367	998
Postage, telephone, office supplies	342	252
IT expenses	278	122
Repairs and maintenance, operating needs	228	349
Personnel recruitment	210	230
Rent and lease expenses	191	603
Distribution expenses	179	362
Sundry expenses	1,329	1,095
Total other operating expenses	**13,223**	**9,157**

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.

[6] Depreciation of Intangible and Tangible Assets

The depreciation is apportioned as follows:

Data in thousand Euro	2007	2006
Ordinary depreciation of intangible assets	47	32
Ordinary depreciation of tangible assets	251	183
Total depreciation	**298**	**215**

[7] Share of Profit/Loss from Associated Companies

The result is calculated as follows:

Data in thousand Euro	2007	2006
Profits from associated companies	315	491
Looses from associated companies	–	–
Result from associated companies included according to the equity method	**315**	**491**

[8] Other Financial Results

The other financial results are composed of the following:

Data in thousand Euro	2007	2006
Interest income	4,741	523
Interest and similar expenses	– 16,504	– 3,421
Investment proceeds from funds	975	676
Income from the disposal of financial investments and short-term securities	–	6
Write-downs of financial investments	– 124	–
Other financial results	**851**	**682**
Financial results	**– 10,912**	**– 2,216**
Of which interest and similar expenses are attributed to		
Interest	– 15,528	– 2,985
Commissions	– 628	– 16
Fees	– 328	– 342
Guarantees	– 20	– 78
	– 16,504	**– 3,421**

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 calculated as follows:

Data in thousand Euro	2007	2006
Rental income from renting and leasing	2,509	253
Other operating income	–	13
Operating income from investment properties	**2,509**	**266**
Reduction of current values	–	–
Expenses relating to buildings and land	– 374	– 29
Operating expenses for investment properties	**– 374**	**– 29**
Results for investment properties (EBIT)	**2,135**	**237**

[9] 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	2007	2006
Current tax expense	2,427	1,024
Deferred tax expense (+) / tax income (–)	1,464	468
Income tax benefits on costs of equity transactions	–	641
Taxes on income	**3,891**	**2,133**

The deferred taxes refer to tax loss carryovers (Euro 544 thousand) and temporary differences (Euro 2,008 thousand).

The expense for taxes on income, which would have applied to the IFRS consolidated earnings before taxes at the rate of 40 per cent (2006: 40 per cent) 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	2007	2006
IFRS earnings before taxes on income	10,953	6,251
Corporate tax rate in %	40	40
Expected tax expense	**4,381**	**2,500**
Tax-free income	– 7	–
Taxes on income for prior years	– 133	– 51
Non-deductible operating expenditures	55	51
Additions and deductions for trade earnings tax	248	45
Unavailable trade tax relief due to intercorporate privilege	90	–
Corporate tax dividend distribution credit	– 25	– 380
Effects of corporate tax reform	– 737	–
Other effects	19	– 32
Tax expense according to the income statement	**3,891**	**2,133**

Companies domiciled in Germany with the legal form of a corporation are subject to corporate income tax at the rate of 25 per cent (2006: 25 per cent), plus a solidarity surcharge at the rate of 5.5 per cent of the corporate income tax liability. In addition, these companies as well as subsidiaries legally organized as partnerships are subject to trade tax. Up to 2007, 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 per cent 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 limited partners, and thus apply to the limited partners outside of the Hahn Group.

[10] Earnings per Share

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

		2007	2006
Portion of the consolidated annual net profit applicable to the Group	Data in thousand Euro	7,062	4,118
Weighted average of shares issued	Data in thousand of shares	12,000	10,333
Portion of the consolidated annual net profit per share applicable to the Group	Data in Euro	**0.59**	**0.40**

No diluted instruments existed during the reporting year.

VI. EXPLANATORY NOTES ON THE CONSOLIDATED BALANCE SHEET

[11] Intangible Assets

Data in thousand Euro	Industrial property rights and similar rights and assets
Intangible assets	
Acquisition costs	
As of 01/01	**223**
Additions	276
Disposals	–
As of 12/31	**499**
Depreciation	
As of 01/01	**106**
Depreciation 2007	47
Disposals	–
As of 12/31	**153**
Net book values 12/31/2006	**117**
Net book values 12/31/2007	**346**

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 5 years, industrial property rights over an effective life of 15 years. The Hahn Group has no intangible assets with an undetermined useful life.

There are no self constructed intangible assets in the Group.

Impairments of intangible assets are reported by analogy to the information under tangible assets.

[12] Tangible Assets

Data in thousand Euro	Land and buildings	Other facilities and office equipment	Investment properties	Total
Acquisition costs				
As of 01/01	**5,468**	**622**	**522**	**6,612**
Additions	–	610	48,495	49,105
Disposals	–	87	–	87
As of 12/31	**5,468**	**1,145**	**49,017**	**55,630**
Depreciation				
As of 01/01	**2,317**	**339**	**–**	**2,656**
Depreciation 2007	92	159	–	251
Disposals	–	78	–	78
As of 12/31	**2,409**	**420**	**–**	**2,829**
Net book values 12/31/2006	**3,151**	**283**	**522**	**3,956**
Net book values 12/31/2007	**3,059**	**725**	**49,017**	**52,801**

As a matter of principle, 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 net book values of the investment properties refer to the following companies:

Data in thousand Euro	12/31/2007	12/31/2006
IBR SB-Warenhaus Lübbecke GbR	9,845	–
SB-Warenhaus Erftstadt GbR	24,227	–
SB-Warenhaus Diez GbR	14,423	–
Fachmarktcenter Kitzingen GbR	522	522
Total	**49,017**	**522**

On December 31, 2007 and 2006 there were no contractual liabilities to buy investment properties. The properties held as investments are valued at market value. No external opinions were used in determining the valuations as at December 31, 2007 as the properties were predominantly purchased in 2007.

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 for individual assets, 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.

[13] Financial Investments

Data in thousand Euro	Investments in associated companies valued at equity	Other financial investments			Total
		Investments in closed-end property funds	Investments in affiliated companies	Participating interests	
Acquisition costs					
As of 01/01	**5,622**	**13,272**	**26**	**1**	**13,299**
Additions	330	3,356	80	–	3,436
Disposals	4,470	1,575	–	–	1,575
As of 12/31	**1,482**	**15,053**	**106**	**1**	**15,160**
Depreciation					
As of 01/01	**275**	**1,001**	**–**	**1**	**1,002**
Additions	–	124	–	–	124
Disposals	–	–	–	–	–
As of 12/31	**275**	**1,125**	**–**	**1**	**1,126**
Net book values 12/31/2006	**5,347**	**12,271**	**26**	**–**	**12,297**
Net book values 12/31/2007	**1,207**	**13,928**	**106**	**–**	**14,034**

Shares in associated subsidiaries are included in accordance with IAS 28 pursuant to the equity method. In 2007 there were 7 such companies (prior year: 8).

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 1,002 thousand in the fiscal year of the report (2006: Euro 2,319 thousand), annual losses of Euro 253 thousand (2006: Euro 540 thousand) and sales of Euro 2,147 thousand (2006: Euro 3,215 thousand). The assets of these companies on December 31, 2007 were Euro 47,227 thousand (December 31, 2006: Euro 43,509 thousand), the liabilities Euro 42,772 thousand (December 31, 2006: Euro 42,349 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.

[14] Other Financial Assets

The other financial assets relate to the long-term shares (over one year remaining to maturity) of the receivables to funds and subscribers of property funds. Financial assets are capitalized in the Hahn Group upon delivery, i.e. as of the realization date, as a matter of principle.

[15] Deferred Taxes

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

Data in thousand Euro	12/31/2007		12/31/2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets				
Land and buildings	–	256	–	223
Investment properties	1	434	–	98
Financial investments				
Participating interests in associated companies	7	214	34	897
Investments in closed-end property funds	224	752	322	937
Inventories				
Properties held for sale	781	848	1,272	12
Current asset securities	347	343	143	546
Accounts receivable and other assets				
Trade accounts receivable	–	1,607	–	–
Receivables to affiliated persons and companies	–	–	–	153
Short-term debts				
Advance payments received on orders	–	633	–	684
Other provisions	**–**	**138**	**–**	**78**
Temporary differences	**1,360**	**5,225**	**1,771**	**3,628**
Loss carryovers	**544**	**–**	**–**	**–**
Total/balance sheet item	**1,904**	**5,225**	**1,771**	**3,628**

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. Among other things, the Corporate Tax Reform Act resulted in the rate of taxation for corporations being lowered from 25 per cent to 15 per cent. The effect of this act on the temporary differences between the tax assessment bases of the assets and liabilities and their reported values in the IFRS financial statements was taken into consideration and resulted in tax relief of Euro 737 thousand in the 2007 fiscal year.

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.

[16] Properties Held for Sale

This item includes 30 properties (prior year: 6) that are intended for sale and thus must be allocated to the "Trading" segment. The properties are presented in Chapter IV. The Consolidated Companies. The planned strategic expansion of the portfolio is connected with fund placements to private and institutional investors envisaged in 2008.

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.

[17] 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 38 shares (prior year: 36) in closed-end property funds intended for sale.

They are valued at cost. If the current value falls below the acquisition costs, a valuation adjustment is made. In 2007 valuation adjustments of Euro 514 thousand were made (2006: Euro 34 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 primarily include advance payments made by the Hahn Group on the acquisition of interests in companies.

Current asset securities in the amount of Euro 1,540 thousand were assigned to the bank as collateral for the corresponding loan.

[18] Trade Accounts Receivable

The trade accounts receivable are composed of the following:

Data in thousand Euro	12/31/2007	12/31/2006
Trade accounts receivable gross	12,182	4,280
Valuation adjustments on trade accounts receivable	– 108	– 120
Trade accounts receivable	**12,074**	**4,160**

Trade accounts receivable are reported at cost.

According to the enclosed age structure, the following amounts of net receivables were overdue on the balance sheet date after valuation adjustment:

Data in thousand Euro	12/31/2007	12/31/2006
Up to 3 months	71	57
Between 3 months and 6 months	36	–
Between 6 months and 1 year	3	–
Over 1 year	69	2
Total overdue	**179**	**59**

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

Data in thousand Euro	2007	2006
Individual valuation adjustments 01/01/2007	120	151
Consumption	– 12	– 31
Individual valuation adjustments 12/31/2007	108	120

[19] Receivables to Affiliated Persons and Companies

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

Data in thousand Euro	12/31/2007	12/31/2006
Receivables to HAHN-Holding GmbH, its shareholders, or companies controlled by them	4,426	1,658
Receivables to corporate organs of the Hahn Group, or companies controlled by them	–	10
Receivables to associated companies	2,497	7,407
Receivables to affiliated persons and companies	**6,923**	**9,075**
Valuation adjustments on receivables to affiliated persons and companies	– 3,552	– 2,761
Receivables to affiliated persons and companies	**3,371**	**6,314**
Individual valuation adjustments 01/01	2,761	2,761
Additions	791	–
Individual valuation adjustments 12/31	3,552	2,761

The receivables to associated companies in the previous year included Euro 2.8 million 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.

Further explanations of the relationships with affiliated persons and companies can be found under Item IX. 2.

[20] Other Assets

The other assets are structured as follows:

Data in thousand Euro	12/31/2007	12/31/2006
Loans	137	645
Claims against funds	5,712	4,389
Claims against employees	–	18
Other	1,081	1,164
Valuation adjustments	**– 1,221**	**– 1,165**
Other financial assets	**5,709**	**5,051**
Accruals	67	76
Claims from other taxes	674	540
Sundry other assets	**741**	**616**
Other assets	**6,450**	**5,667**
Individual valuation adjustments 01/01	1,165	977
Release	8	–
Additions	64	188
Individual valuation adjustments 12/31	1,221	1,165

The other assets are reported at cost.

Risks of non-payment 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, 2006 and 2007 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 per cent over their lifetime for new contracts and 6.0 per cent for old contracts.

[21] Liquid Funds

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

[22] 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 of increasing share capital from approved capital was added to the Articles of Incorporation (sec. 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 million, 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. The capital stock of the company recorded in the commercial register is Euro 12.0 million. The capital stock comprises 12.0 million individual bearer share certificates. On December 31, 2007 the approved capital was Euro 5.0 million.

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

On the balance sheet closing date, HAHN-Holding GmbH, Bergisch Gladbach, was registered as 78.98 per cent shareholder. Michael Hahn owns a 79 per cent 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 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.

A resolution was passed at the Shareholders' Meeting on June 6, 2007 to issue a dividend of Euro 0.12 per share (Euro 1,440 thousand) to the shareholders.

[23] Provisions

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

Data in thousand Euro	As of 01/01/2007	Use	Release	Allocation	As of 12/31/2007	Of which long-term	Discount factor
Rent compensation obligation	1,740	98	–	48	1,690	1,592	4.8%
Encumbering contract	720	201	39	–	480	220	4.8%
Other guarantees	1,661	1,041	99	336	857	428	4.8%
Provisions	**4,121**	**1,340**	**138**	**384**	**3,027**	**2,240**	

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 goodwill.

[24] Liabilities to Banks

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

The liabilities to banks are composed of the following:

Data in thousand Euro	2007	2006
Property financing outside of the fund level	13,852	6,327
Other property financing	–	71
Current account receivables outside of the fund level	45	324
Total	**13,897**	**6,722**
Property financing at the fund level	356,289	21,915
Current account receivables at the fund level	314	177
Total	**356,603**	**22,092**
Grand total	**370,500**	**28,814**

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	2007 thousand Euro	2006 thousand Euro	Interest rate in %
EUR	2007	–	15,081	4.92 – 5.6
	2008	313,522	–	4.88 – 9.75
	2011	4,584	4,384	5.6
	2017	35,879	–	5.26 – 5.51
CHF	2009	2,304	2,450	3.69 – 5.04
Liabilities from the financing of investment properties and properties held for sale		**356,289**	**21,915**	

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 liabilities to banks outside of the credits of the consolidated fund companies are all stated in Euro, and are characterized by the following terms:

	12/31/2007 thousand Euro	12/31/2006 thousand Euro	Effective interest rate in %	Interest committed until	Final maturity
Property financing outside of the fund level					
Eurohypo Erding (HAHN Fonds Managment GmbH)	2,500	–	5.674	03/31/2008	12/31/2008
Eurohypo Magdeburg I (HAHN Fonds Management GmbH)	0	523	3.900	06/30/2009	06/30/2009
Eurohypo Magdeburg II (HAHN Fonds Management GmbH)	0	582			06/30/2009
LRP Diez (fund) (Hahn Fonds Management GmbH)	2,286	–	5.780	12/15/2008	12/15/2008
LRP Lübbecke (fund) (Hahn Fonds Management GmbH)	1,164	–	5.74/7.54	12/31/2008	12/31/2008
LRP Erftstadt (fund) (Hahn Fonds Management GmbH)	4,057	–	5.78/7.58	12/15/2008	12/15/2008
IBB Friedrichshafen (fund) (Hahn Fonds Management GmbH	743	–	4.768	06/30/2012	06/30/2012
KSK Köln Zülpich (HAHN Fonds Management GmbH)	2,215	–	5.500	03/04/2008	03/30/2008
LRP Co-Investment (Hahn AG)	887	887	5.959	06/30/2008	12/30/2012
LRP Lauchhammer (HAHN Fonds Management GmbH)	0	4,335	5.110	02/28/2007	09/30/2007
Total	**13,852**	**6,327**			
Current account receivables					
KSK Köln Current Account (HAHN AG Management GmbH)	–	7	9.75	variable	daily
LRP Current Account (Hahn AG)	–	5	7.00		daily
Eurohypo Current Account (Hahn AG)	–	312	8.50	variable	daily
IBB Current Account (Hahn Fonds Management GmbH)	45	–	5.15	variable	daily
Total	**45**	**324**			

The loans presented as of December 31, 2007 were taken out to finance the purchase of shares in the companies specified. They are 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.

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

As of December 31, 2007, Euro 44,055 thousand of the liabilities to banks have a remaining term to maturity of more than a year.

The balance sheet reporting of the short-term and long-term liabilities to banks differs in its organization from the actual maturities, in that credit agreements with a term to maturity of over a year which pertain to properties held for sale, 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.

[25] Trade Accounts Payable

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

[26] Advance Payments Received on Orders

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

[27] Liabilities to Affiliated Persons and Companies

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

Data in thousand Euro	12/31/2007	12/31/2006
Liabilities to HAHN-Holding GmbH, its shareholders, or companies controlled by them	254	1,360
Liabilities to corporate organs of the Hahn Group, or companies controlled by them	413	298
Liabilities to associated companies	71	102
Liabilities to affiliated persons and companies	738	1,760

Further explanations of the relationships with affiliated persons and companies can be found under Item IX.2.

[28] 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.

[29] Other Liabilities

The other liabilities are structured as follows:

Data in thousand Euro	12/31/2007	12/31/2006
Receivables	7,114	3,954
Liabilities to employees	539	189
Outstanding invoices received	2,137	1,523
Liabilities to funds	–	28
Other liabilities	**2,697**	**1,185**
Other financial liabilities	**12,487**	**6,879**
Liabilities from taxes on income	1,320	2,454
Liabilities from other taxes	934	788
Deferrals	8	25
Sundry other liabilities	**2,262**	**3,267**
Other liabilities	**14,749**	**10,146**

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 strong growth in the Group profit forms the basis for the good operational development of the cash flow. The cash flow from business activities presents those property purchases that are allocated to the inventories for the purpose of further sale. The cash flow from investment activities reflects the strategic make-up of the investment portfolio. The financing of those properties that are held long-term is reflected in the cash flow from financing activities. In accordance with our exit strategy for 2008, we expect a reversal of these effects in the coming reporting year. On the whole, all occurrences have only resulted in a moderate decrease in the liquid funds, which testifies to our strong external financing strength.

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	2007	2006
Interest paid	16,662	3,172
Interest received	2,145	301
Taxes paid	2,334	222
Taxes received	1	145
Income from investment interests received	975	623

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.

Internal structures were increasingly geared towards the business model in the year under review, with the goal of allowing a more transparent delimitation of the performance of the individual segments.

According to this practice, the **Trading** segment includes the 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 this segment. The comparison figures have been adjusted in the segment reporting.

The **Management** segment includes asset and property management and – in contrast to the previous year – fund management. The comparison figures have been adjusted in the segment reporting.

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

The **Transition** column reflects the group management functions that cannot be allocated to the segments, non allocable 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 and rental income from properties held for sale in the **Trading** segment. The income presented in the previous year in the form of sales commissions and service fees from fund management are now allocated to the **Management** segment. The sales revenues from the **Management** segment include commissions for asset, property and fund management. The rental income from investment properties is reported exclusively for the **Investment** segment. The figures for the previous year have been adjusted to improve comparability.

The **EBITD including co-investments** represents the results from operation (EBIT) before depreciation.

The earnings before financial results and taxes on income **(EBIT)** report the Group management costs in the Transition column.

The **Segment assets** include in the **Trading** segment all properties held for sale, 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. Liabilities to banks, liabilities from the financing of investment properties and liabilities from current and deferred taxes on income are reported in the Transition column.

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

IX. OTHER DISCLOSURES

1. Categories of Financial Instruments

In accordance with IFRS 7, the following categories of financial instruments existed in the year under review:

	Financial assets held for trading		Loans and accounts receivable		Assets available for sale		Maximum credit risk	
Data in thousand Euro	2007	2006	2007	2006	2007	2006	2007	2006
Financial investments								
Other financial investments	–	–	–	–	14,034	12,298	14,034	12,298
Other (non-current) financial assets	**–**	**–**	**329**	**1,446**	**–**	**–**	**329**	**1,446**
Current assets								
Current asset securities	3,622	2,059	–	–	–	–	3,622	2,059
Accounts receivables and other assets							**–**	**–**
Trade accounts receivable	–	–	12,074	4,160	–	–	12,074	4,160
Receivables from affiliated persons and companies	–	–	3,371	6,314	–	–	3,371	6,314
Receivables from minority shareholders	–	–	25	403	–	–	25	403
Other (current) financial assets	–	–	5,709	5,051	–	–	5,709	5,051
Liquid funds	**–**	**–**	**22,506**	**24,499**	**–**	**–**	**22,506**	**24,499**
Long-term debts								
Liabilities to banks	–	–	44,055	3,022	–	–		
Other financial liabilities	–	–	104	95	–	–		
Short-term debts								
Liabilities to banks	–	–	326,445	25,792	–	–		
Trade accounts payable	–	–	1,576	1,664	–	–		
Advance payments received on orders	–	–	–	850	–	–		
Liabilities to affiliated companies	–	–	165	132	–	–		
Liabilities to affiliated persons and companies	–	–	738	1,760	–	–		
Liabilities to minority shareholders	–	–	2,528	2	–	–		
Other financial liabilities	–	–	12,487	6,879	–	–		
Net profits	**193**	**231**	**4,741**	**523**	**782**	**445**		
Net losses	**–**	**–**	**16,504**	**3,421**	**–**	**–**		

The book values represent a reasonable convergence to the fair value. As there is no active market price for current asset securities, these are stated at cost.

The current values of the original financial instruments correspond to their respective book values in all other respects.

Interest including commissions and fees was stated as net profit and net loss in all categories.

2. Financial Risks

a) 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. The quantitative credit risk is detailed under Section IX.1. Categories of Financial Instruments. The Hahn Group held no received collateral for the periods under review.

b) Liquidity risk
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.

The Finance department is responsible for the financing of the property companies. A negative development on the capital markets would increase the costs of financing and could impair our financial flexibility. The current development on the US mortgage markets is having a global impact on the capital markets. Such developments can limit the outside financing possibilities of the Hahn Group.

In addition to Item (24) Liabilities to Banks, the quantitative liquidity risk is also presented in further detail below in the form of a breakdown of the remaining term to maturity.

Data in thousand Euro	Up to 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Total
Financial liabilities	2,864	61,390	262,191	44,055	370,500

c) Market risk
Hedging transactions are not undertaken in the consolidated companies. Since the company is active primarily in the Euro-zone, there is only a slight currency risk from foreign business. The currency risk in connection with foreign currency loans is also minor.

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

In order to assess the market price risk resulting from variable interest rates, changes of one percentage point in Euro were examined within the scope of a sensitivity analysis. The analysis included final maturities of loans and fixed-interest periods.

The analysis yielded a market risk on the closing date for the result and the shareholders' equity of Euro 2.65 million.

3. 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
In the 2006 and 2007 fiscal years, the following business relationships existed 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)	12/31/2007	12/31/2006
Receivables to HAHN-Holding GmbH, its shareholders, or companies controlled by them	3,288	653
Liabilities to HAHN-Holding GmbH, its shareholders, or companies controlled by them	254	1,360

Guarantee commitments vis-à-vis companies of HAHN Holding GmbH totaling Euro 1,062 thousand (December 31, 2006: Euro 1,112 thousand) existed on the balance sheet date.

b) Relationships with non-consolidated allied companies
There were no significant performance relationships with the non-consolidated allied companies.

c) Relationships with associated companies
The following business relationships existed in the 2007 and 2006 fiscal years with companies on which the Hahn Group with other associates has a decisive influence:

Balance sheet (Data in thousand Euro)	12/31/2007	12/31/2006
Receivables to associated companies	83	5,651
Liabilities to associated companies	71	102

Income statement (Data in thousand Euro)	2007	2006
Result from associated companies	315	491

A guarantee commitment vis-à-vis associated companies totaling Euro 1,710 thousand (December 31, 2006: Euro 6,980 thousand) existed on the balance sheet date.

With regard to the change in claims against associated companies we refer to Points (19) and (27).

d) Relationships with affiliated persons

The earnings of the Supervisory Board are as shown below:

Remuneration (fixed) of the Supervisory Board — Data in thousand Euro	2007	2006
Michael Hahn (from 11/28/2006)	120.0	10.0
Dr. Eckart John von Freyend (from 09/21/2006)	60.0	15.0
Dr. Reinhard Frhr. von Dalwigk (from 09/21/2006)	40.0	10.0
Robert Löer (from 08/17/2006)	40.0	13.3
Dr. Fritz Reimnitz (until 11/28/2006)	–	13.8
Ludwig Stoffel (until 09/21/2006)	–	5.3
Dr. Bernd Wassermann (until 09/21/2006)	–	5.3
Total	**260.0**	**72.7**

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

Earnings of the Board of Management — Data in thousand Euro	2007			2006		
	Fixed earnings	Profit sharing bonus	Total	Fixed earnings	Profit sharing bonus	Total
Michael Hahn (until 11/28/2006)	–	–	–	405	–	405
Bernhard Schoofs	261	130	391	226	280	506
Norbert Kuhn (from 10/01/2006)	231	120	351	59	120	179
Total	**492**	**250**	**742**	**690**	**400**	**1,090**

The following relationships also exist with affiliated persons:

In the year under review, Mr. Michael Hahn sold 22.9 per cent of the shares in a closed-end property fund established by the company with a nominal value of Euro 1,171 thousand to HAHN Fonds Management GmbH for a selling price of Euro 1,435 thousand. Furthermore, Mr. Hahn sold 0.5 per cent of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 17 thousand to HAHN Fonds Management GmbH for a selling price of Euro 17 thousand. Also in the 2007 fiscal year, Mr. Hahn sold 39.95 per cent 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 Management GmbH for a selling price of Euro 2,908 thousand. Mr. Hahn also sold 6.95 per cent of the shares in a closed-end property fund established by the company with a nominal value of Euro 409 thousand to HAHN Fonds Management GmbH for a selling price of Euro 429 thousand. Mrs. Andrea Hahn sold 1.5 per cent of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 77 thousand to HAHN Fonds Management GmbH for a selling price of Euro 94 thousand. Furthermore, Mrs. Hahn sold 3.0 per cent of the shares in a closed-end property fund established by the company with a nominal value of Euro 32 thousand to HAHN Fondsbesitz GmbH for a selling price of Euro 36 thousand.

Mrs. Hahn also sold 0.5 per cent of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 29 thousand to HAHN Fonds Management GmbH for a selling price of Euro 31 thousand. Also in the 2007 fiscal year, Mrs. Hahn sold 40.7 per cent of the shares in a closed-end property fund established by the Hahn Group with a nominal value of Euro 4,578 thousand to HAHN Fondsbesitz GmbH for a selling price of Euro 4,024 thousand. Mrs. Hahn also sold 7.0278 per cent of the shares in a closed-end property fund established by the company with a nominal value of Euro 259 thousand to HAHN Fondsbesitz GmbH for a selling price of Euro 253 thousand. The named transactions were part of a repurchasing programme for closed-end real estate funds.

Mr. Schoofs, along with other third parties, sold a 0.5 per cent share in a fund established by the Hahn Group with a nominal value of Euro 23 thousand to HAHN Fonds Management GmbH for a selling price of Euro 35 thousand. Furthermore, Mr. Schoofs, along with other third parties, also sold a 1.0 per cent share in a fund with a nominal value of Euro 41 thousand to HAHN Fondsbesitz GmbH for a selling price of Euro 38 thousand.

Mr. Löer, along with other third parties, sold a 0.5 per cent share in a fund established by the Hahn Group with a nominal value of Euro 23 thousand to HAHN Fonds Management GmbH for a selling price of Euro 35 thousand. Mr. Löer, along with other third parties, also sold a 5.0 per cent share in a fund with a nominal value of Euro 294 thousand to HAHN Fonds Management GmbH for a selling price of Euro 309 thousand.

By contract dated December 28, 2007 the company sold 44.9 per cent of the limited liability capital in EKZ Lübeck GmbH & Co. KG, Cologne to WeBe Wegner Beteiligungsgesellschaft mbH, Hamburg with the proviso of further sale to a second buyer in 2008. By contract dated February 25, 2008, the proviso was fulfilled and 94.9 per cent of the shares were sold by WeBe Wegner Beteiligungsgesellschaft mbH, Hamburg to Albatros Immobilien GmbH, Bergisch Gladbach. Mr. Michael Hahn is the owner of the company. Including the contractually agreed assumption of assets and liabilities, the selling price as verified by an external expert appraisal amounted to Euro 10.5 million.

HAHN Property Management 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 2007 fiscal year (2006: Euro 7 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 guarantees for liabilities of the Hahn Group and the property fund which it manages, with the following values as of the closing balance sheet date:

Data in thousand Euro	12/31/2007	12/31/2006
Liabilities of the Hahn Group	–	7
Liabilities of associated companies	951	951
Liabilities of the property funds established and administered by the Hahn Group	210	210
Total	**1,161**	**1,168**

In fiscal year 2007 Mr. Michael Hahn received commissions of Euro 20 thousand (2006: Euro 64 thousand) from the Hahn Group for assuming these guaranties. A fixed sum of Euro 5 million also served as a guarantee for the strategic expansion of a portfolio.

During the fiscal year, the law office of a Supervisory Board member of the Hahn Group provided legal advisory services for the companies of the Hahn Group for a total of Euro 77 thousand.

In addition, a relative of Mr. Michael Hahn employed by the Hahn Group received earnings of Euro 34 thousand in 2007 (2006: Euro 135 thousand).

Michael Hahn Vertriebs GmbH received a sales commission in the 2007 fiscal year of Euro 310 thousand (2006: Euro 0 thousand).

4. Audit Fees

The expenses in the 2007 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 264 thousand. In addition, there were fees of Euro 10 thousand for other verification services, Euro 12 thousand for tax advisory services, and Euro 164 thousand for other services.

5. Contingencies

The Hahn Group has the following contingencies:

Data in thousand Euro	12/31/2007	12/31/2006
Bank guarantees	20,182	12,058
Other guarantees	113	110
Realization guarantees	1,272	1,450

As of December 31, 2007 land charges on real estate totaling Euro 323,982 thousand (December 31, 2006: Euro 36,884 thousand) had been given as security for liabilities. The book value of the land totals Euro 368,704 thousand.

Furthermore, Euro 11,076 thousand in banks and outstanding accounts receivable totaling Euro 264 thousand were pledged to banks.

6. Other Financial Liabilities

The future payment liabilities from rental contracts and leases are all for operating leases; as of December 31, 2007 they are structured as follows:

Data in thousand Euro	12/31/2007	12/31/2006
Future payments for operating leases	2,797	1,129
Due in the following year	771	373
Due in 2–5 years	2,023	756
Due in > 5 years	3	–

A provision for rent liabilities was created in the amount of Euro 480 thousand (December 31, 2006: Euro 720 thousand) for future rent and lease liabilities.

The irrevocable obligation exists with a strategic business associate to subscribe for shares in a special fund totaling Euro 4 million.

Purchase agreements were concluded in December for 9 properties with a value of Euro 244 million that will not be transferred to the Hahn Group until 2008.

7. Medium and Long-Term Rental Income

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

Data in thousand Euro	12/31/2007	12/31/2006
Future inpayments from rental contracts	231,317	1,509
Due in the following year	22,441	280
Due in 2 – 5 years	102,544	1,133
Due in > 5 years	106,332	96

8. 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 Sec. 161 of the Stock Corporation Act on December 12, 2006 and made it available to the stockholders via the Internet.

9. Notification in Accordance with Sec. 21 Para. 1 Securities Trading Act

Allianz Global Investor Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany notified us on August 29, 2007 in accordance with Sec. 21 Para. 1 of the Securities Trading Act that, on the basis of shares, its share of voting rights in HAHN-Immobilien-Beteiligungs AG, Bergisch Gladbach fell below the threshold of 3 per cent of the voting rights on August 27, 2007 and now amounts to 2.47 per cent.

10. Events after the Balance Sheet Closing Date

The Hahn Group founded a property fund for institutional investors at the beginning of the 2008 fiscal year. Established as an FCP (Fonds commun de placement), the "Hahn German Retail Fund" was approved on February 19 by Luxembourg's Commission de Surveillance du Secteur Financier (CSF).

11. 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 Euro	
Distribution of a dividend of Euro 0.18 to 12,000,000 shares of common stock	2,160,000.00
Carried forward to new account	95,040.62
Total	**2,255,040.62**

Consolidated Subsidiaries and Associated Companies as of 12/31/2007*

Subsidiaries	Share of equity capital in %
I. Affiliated consolidated companies	
HAHN Fonds Management GmbH (until 06/05/2007: HAHN Fonds GmbH), Bergisch Gladbach	100.00
HAHN Property Management GmbH (until 06/05/2007: Immobilien Service GmbH), Bergisch Gladbach	100.00
HAHN Asset Management GmbH, Bergisch Gladbach	100.00
HAHN Investment GmbH, (until 11/22/2007: HAHN Immobilien GmbH), Bergisch Gladbach	100.00
HAHN Trading GmbH (until 11/27/2007: HAHN Grundbesitz Beteiligungs GmbH), Bergisch Gladbach	100.00
HAHN Grundbesitz GmbH & Co. KG, Bergisch Gladbach	100.00
HAHN Fondsbeteiligungsgesellschaft mbH, Bergisch Gladbach	100.00
DFD Finanzdienstleistungen & Service GmbH, Bergisch Gladbach	100.00
CuV Consulting & Verwaltungs GmbH, Bergisch Gladbach	100.00
HAHN Fonds Geschäftsführungs GmbH, Bergisch Gladbach	100.00
Hahn Fondsbesitz GmbH, Bergisch Gladbach	100.00
Bürohaus Bensberg GbR, Bergisch Gladbach	97.00
VEN SB-Warenhaus Nordwalde GbR, Bergisch Gladbach	78.15
Baumarkt Haltern GbR, Bergisch Gladbach	88.65
SB-Warenhaus Aachen-Krugenofen GbR, Bergisch Gladbach	78.35
Immobiliengesellschaft bürgerlichen Rechts SB-Warenhaus Lübbecke, Bergisch Gladbach	60.37
City-Center Schwerte GbR, Bergisch Gladbach	94.90
S&M Private Grundstücksverwaltung Baumarkt Kitzingen GbR, Bergisch Gladbach	90.90
Fachmarktcenter Osnabrück GbR, Bergisch Gladbach	92.40
SB-Markt Edemissen GbR, Bergisch Gladbach	92.90
SB-Warenhaus Erftstadt GbR, Bergisch Gladbach	92.40
Bau- und Hobbymarkt Burscheid GbR, Bergisch Gladbach	89.25
Einkaufszentrum Glauchau GbR, Bergisch Gladbach	93.90
SB-Warenhaus Voerde GbR, Bergisch Gladbach	84.15
SB-Warenhaus Diez GbR, Bergisch Gladbach	84.90
Einkaufszentrum Uelzen GbR, Bergisch Gladbach	94.50
Einkaufszentrum Haßfurt GbR, Bergisch Gladbach	92.50
Baumarkt Erftstadt GbR, Bergisch Gladbach	93.90
Baumarkt Coburg GbR, Bergisch Gladbach	72.72
SB-Warenhaus Premnitz GbR, Bergisch Gladbach	92.00

Subsidiaries	Share of equity capital in %
SB-Markt Münsingen GbR, Bergisch Gladbach	94.40
Handelszentrum Naila GbR, Bergisch Gladbach	93.00
Einkaufszentrum Espelkamp GbR, Bergisch Gladbach	93.45
Baumarkt Aue GbR, Bergisch Gladbach	94.50
Baumarkt Nienburg GbR, Bergisch Gladbach	84.31
Grundstücksgesellschaft Herrenberg GbR, Bergisch Gladbach	100.00
Hahn SB-Warenhaus Celle GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn Geschäftszentrum 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	99.90
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
Hahn SB-Warenhaus Wismar GmbH & Co. KG, Bergisch Gladbach	94.00
Hahn Fachmarktzentrum Zülpich GmbH, Bergisch Gladbach	94.80
Hahn Fachmarktzentrum Gummersbach GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn Fachmarktzentrum Übach-Palenberg GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn Verbrauchermarkt Unterhaching GmbH & Co. KG, Bergisch Gladbach	100.00
Hahn Verbrauchermarkt Erding Zwei GmbH & Co. KG, Bergisch Gladbach	94.80
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 Wolfsburg GbR, Bergisch Gladbach	22.50
Verbrauchermarkt Bremen GbR, Bergisch Gladbach	47.00
Hahn Büro- und Geschäftshaus Cottbus Spremberger Str. 13 – 15 GmbH & Co. KG, Bergisch Gladbach	31.49
Gladium Citygalerie Verwaltungsgesellschaft mbH, Bergisch Gladbach	50.00
Gladium Citygalerie GmbH & Co. KG, Bergisch Gladbach	44.90
EKZ Bergisch Gladbach GmbH & Co. KG, Bergisch Gladbach	31.00

*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
Managing Partner of Michael Hahn Vertriebs GmbH, Bergisch Gladbach

Dr. Eckart John von Freyend, Bad Honnef
Master's degree in economics and Dr. rer. nat. pol.
Vice-Chairman of the Supervisory Board
Managing Partner of Gebr. John von Freyend Verwaltungs- und Beteiligungsgesellschaft m.b.H., Bad Honnef
Supervisory Board member, IVG Immobilien AG, Bonn
Supervisory Board member, VNR Verlag für die Deutsche Wirtschaft AG
Supervisory Board member, Infopark Fejlesztesi Rt., Budapest, Hungary
Chairman of the Supervisory Board, Finum AG, Essen (since 11/30/2007)
Chairman of the Supervisory Board, Hamborner AG, Duisburg-Hamborn (since 02/16/2007)
Chairman of the Supervisory Board, Konzept plus AG, Berlin (since 07/03/2007)
Supervisory Board member, Litos AG, Munich (since 04/19/2007)
Supervisory Board member, Swiss Lake AG, Zurich, Switzerland (until 12/31/2007)

Dr. Reinhard Frhr. von Dalwigk, Düsseldorf
Attorney at law
Managing Partner of Aderhold v. Dalwigk Knüppel Rechtsanwaltsgesellschaft
Chairman of the Supervisory Board, analyticon Biotechnologies AG, Lichtenfels

Robert Löer, Bergisch Gladbach
General Manager
Managing Partner of Löer Immobilien Management GmbH

Board of Management

Bernhard Schoofs, Overath
Master's degree in business administration
Chairman of the Board of Management
Responsible for strategy, finance, fund management, institutional and private customers and other central functions

Norbert Kuhn, Overath
Attorney at law
Member of the Board of Management
Responsible for portfolio, asset and property management, and purchasing

2007 Consolidated Financial Statements

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 2007 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.

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the Group, and the Group management report provides a suitable view of the development and results of operations and of the position of the Group, suitably presenting the principal opportunities and risks associated with the expected future development of the Group".

Bergisch Gladbach, March 7, 2008

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, 2007. Preparing the consolidated financial statements and the consolidated management report 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 Sec. 315a Para. 1 of the 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 sec. 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 of 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 Sec. 315a Para. 1 of the 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, 2008

Dr. Breidenbach und Partner GmbH & Co KG

Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Dr. Wollenhaupt	Eisenberg
Certified Public Accountant	Certified Public Accountant

HAHN-Immobilien-Beteiligungs AG

Abridged version of the individual financial statements

Income statement (Data in Euro)	2007	2006
Sales	3,306,205	3,899,829
Change in inventories of finished goods and work in progress	– 108,136	–
Other operating income	3,239,906	2,804,456
Total operating performance	6,437,975	6,704,285
Operating expenses and financial results	– 3,135,606	– 4,180,095
Earnings before taxes	3,302,369	2,523,332
Taxes	1,064,190	673,449
Annual net profit	**2,238,179**	**1,849,883**

Balance sheet: assets (Data in Euro)	12/31/2007	12/31/2006
Non-current assets	11,437,243	9,572,345
Inventories	1,040,889	1,433,127
Accounts receivable and other assets	35,510,081	19,041,877
Cash on hand, bank balances	9,694,989	20,189,811
Prepaid expenses and accrued income	63,187	75,735
Total	**57,746,389**	**50,312,895**

Balance sheet: liabilities (Data in Euro)	12/31/2007	12/31/2006
Shareholders' equity	34,626,518	33,828,339
Provisions	6,972,812	9,305,553
Liabilities	16,140,547	7,171,025
Accruals and deferred income	6,512	7,978
Total	**57,746,389**	**50,312,895**

Glossary

Assets 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.

EPRA / NAREIT Europe Index
The EPRA Index of the European Public Real Estate Association, which describes the performance of the largest European real estate companies listed on a stock exchange.

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

FCP
Fonds commun de placement – the legal form of an investment fund under Luxembourg law. Investors in an FCP are joint owners of the fund assets.

Hypermarket
Retail store 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.

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 "Pluswertfonds".

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 per cent of all income is generated from rent and lease and if at least 90 per cent of all earnings are paid out to the shareholders.

Retail park
An agglomeration of retail warehouses grouped around a shared parking space, usually in the shape of a horseshoe. Retail parks are planned and managed on a standardized basis. Unlike a retail warehouse center, a retail park does not have a mall.

Retail warehouse
Retail store 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.

Supermarket
Retail store 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.

Superstore (large)
Retail store 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

05/14/2008	Publication of interim notification
06/09/2008	Shareholders' Meeting
08/14/2008	Publication of semi-annual report
11/13/2008	Publication of interim notification

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Publishing Details

Responsible for content
According to Sec. 10 Para. 3 MDStV:
Board of Management of
HAHN-Immobilien-Beteiligungs AG

Overall concept and design
FIRST RABBIT GmbH, Cologne

Photographs
Frank Reinhold

Prepress
FIRST RABBIT GmbH, Cologne

Printing
druckpartner, Essen

Multi-year statement

Data in thousand Euro	2007	2006	2005
Sales	129,956	127,850	263,034
EBITD	22,986	8,508	11,131
EBIT	22,688	8,293	10,063
EBT	10,953	6,251	2,642
Net annual profit	7,062	4,118	1,048
Operating cash flow	5,537	4,597	9,848
Equity ratio in %	9.1	40.0	10.0
Rental volume under Management	155,194	133,665	122,594
Assets under Management in billion Euro	2.25	2.0	1.9
Earnings per share in Euro	0.59	0.40	0.10
Dividend per share in Euro	0.18	0.12	–
Employees number	75	58	55

Hahn Retail Real Estate Report – Germany 2007 / 2008

Future and trends in large-scale retail trade

Which trends does the retail trade pin its hopes on?
Will the sales areas continue to grow?
Will retail real estate properties remain in the focus of international investors?
What type of properties offer the best opportunities to operators and investors?

The Hahn Retail Real Estate Report replies to these questions in detail on the basis of an extensive market research. It centers around a survey of experts directed at 30 managers responsible for expansion at large-scale retail corporations, and 30 high rank representatives of the real estate industry.

The Hahn Group – Specialist for retail real estate

- Full service provider
- Largest independent asset manager in the segment of large-scale retail trade
- Fund manager with more than 25 years of track record
- Co-investor

Asset Management

Acquisition, sale, first and subsequent letting, revitalization, refurbishment, project development, center management

Property Management

Commercial, technical and infrastructural property management

Fund Management

Fund Management, conception, services for private and institutional clients

Euro 2.25 billion
Assets under management

+ 12.5 per cent in 2007

Customers

→ 2,500 private clients

→ MEAG, Capital & Regional

→ Institutional fund clients

Acquisition profile

3,000 ⟷	over 40,000 m^2
1 ⟷	more than 50 tenants
10 ⟷	over Euro 50 million investment volume

Hahn properties

Superstore / Hypermarket
from 1,500 m² / 5,000 m²

Large area retail business with turnover focusing on daily commodities and numerous non-food product groups (hypermarkets), primarily offered in locations with self-service and large parking facilities.

DIY store

from 8,000 m² upwards

Large-scale area business with turnover specialized on materials for construction, handymen and gardening needs. Primarily located in suburban areas, well connected to the transportation infrastructure.

Retail warehouse agglomeration

from 3,000 m² upwards

Collection of retail businesses each with over 700 m² sales area, restricted to sell one product group in the non-food sector, price-orientated with different service strategies. The businesses may share parking space but lack a joint management.

Retail park

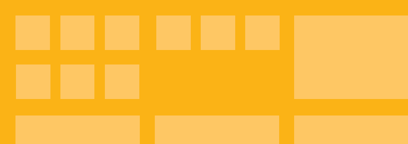
from 5,000 m² upwards

Retail warehouse agglomeration grouped around a mutual parking facility, usually U-shaped. The retail warehouses are uniformly planned and managed. Unlike a retail warehouse center, a retail park does not dispose of a mall.

Retail warehouse center

from 10,000 m² upwards

Shopping mall which integrates businesses of various branches of industry, sizes and types of business, with price-orientated retail warehouses dominating, usually under uniform location management and a roofed mall.



Shopping mall

from 10,000 m² upwards

Retail trade property which integrates – uniformly planned and managed – retail stores of varying branches of industry, sizes and types of business under a (usually) roofed mall.

Operating formats:

smaller shop **retail warehouse** **hypermarket** **DIY store**

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