



PASSION FOR REAL ESTATE.

# Interim Report

1 Jan. – 31 March 2003

IVG **I**MMOBILIEN



IVG Businesspark  
Hamburg  
Nord



Paris,  
Boulevard Haussmann

Paris,  
Place de la Madeleine



Budapest,  
Andrassy út

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# 1. Outline

## Interim Report 1 Jan. – 31 March 2003

- **Post-tax earnings rose by 7.6%**
- **IVG investment trust company approved by BaFin**
- **Successful project developments in Paris**
- **IVG lets more than 62.000 m<sup>2</sup> in the first quarter**

### 1. Outline

Dear shareholders, dear Madam or Sir,

In the first quarter IVG succeeded in increasing operating earnings (EBIT) by 5.7% and post-tax earnings by 7.6%. The sale of a fully let office property in the IVG Business Park am Flughafen near Duesseldorf airport within the framework of our active buy-and-sell strategy had a positive effect on this result. Against the background of an economic recovery that is a long time in coming and the cautious demand in a large number of European real-estate markets a prediction on the earnings for the total year is still not possible.

In the first three months IVG was able to let more than 62,000 m<sup>2</sup>.

Also the projects in Paris that are being developed jointly with AXA, are making good progress: the project P risud (33,500 m<sup>2</sup>) is fully let and will be sold in the near future. In the project Bois Colombes, which is still under construction 50,000 m<sup>2</sup> were let already in 2002 and in the project Oise Logistics Parc (33,000 m<sup>2</sup>) negotiations on two lease contracts were successfully concluded.

In the first quarter the Federal Office for the supervision of financial services (BaFin) has given its approval for the foundation of an IVG investment company to be able to issue special open-ended real-estate funds. IVG will take advantage of the whole range of investment vehicles for further growth in its core business. The company intends to launch and manage open-ended and closed real-estate funds.

## 2. Macro-economic development and real-estate markets

An economic recovery in Europe has failed to materialise also in the first quarter of 2003. Neither domestic demand nor foreign trade gave a fresh impetus to a struggling economy in the first three months of the year. The prevailing geopolitical uncertainty, in particular the conflict in Iraq, as well as higher oil prices restrained the economic development. For 2003, both ECB and leading research institutes of economics anticipate a moderate economic growth in Europe between 0.8% and 1.7%.

Against the background of an economic recovery that is a long time in coming, the European real-estate markets were marked by a further decline in the first

quarter of 2003. In the rental market, prime office rents in the 16 most important markets in Western Europe dropped by 2.3% on average compared with the preceding quarter. The rent level in the Europe district of Brussels, however, continued to develop against the general trend and grew by 4.7% compared with the same period. Owing to the high inflow of funds in the open-ended real-estate funds the situation in the rental markets has not have any effects on the investment markets yet. The prime yield in the most important markets of Western Europe remained stable in comparison with the preceding quarter.

# 3. Income statement

## 3. INCOME STATEMENT € m

	1.1.-31.03.03	1.1.-31.03.02	Changes %
Turnover	86.0	77.1	11.6
Other operating income	13.7	1.7	705.9
Changes in inventories of finished goods and work in progress	-6.8	13.9	-149.0
Production of own fixed Assets capitalized	0.1	0.3	-66,7
<b>Total operating Performance</b>	<b>93.0</b>	<b>93.0</b>	<b>-</b>
Costs for purchased materials	-11.4	-24.5	-53.4
Personnel expenses	-12.0	-11.4	5.3
Depreciation	-10.2	-11.1	-8.2
Other operating expenses	-21.5	-13.9	55.3
Leasing expenses	-4.9	-2.8	76.4
Income from investments and participations	-0,4	3.1	-113.5
Interest income and expenses	-21.2	-20.6	2.9
<b>Earnings from other ordinary activities</b>	<b>11,3</b>	<b>11,9</b>	<b>-5,0</b>
Other taxes	-1.1	-2.8	-60.7
<b>Result before income tax</b>	<b>10,2</b>	<b>9,2</b>	<b>10,9</b>
Income tax	-3.1	-2.6	20.5
<b>Net income</b>	<b>7.1</b>	<b>6.6</b>	<b>7.6</b>
Operating cash flow (EBITDA)	41.6	40.8	2.0
Operating Profit (EBIT)	31.4	29.7	5.7
Earnings per share (€)	0.06	0.06	-
Weighted average shares outstanding	116 million	116 million	-

The increase in turnover to € 86.0 m derives from the higher income from rents and higher proceeds from project developments. Net rents rose from € 51.4 m to € 58.6 m. As the construction of the project development on Gresham Street had resulted in major changes in the portfolio and corresponding material expenses in the first quarter of the previous year, both total operating performance and material ex-

penses reached a lower value in the first three months of 2003. Net Income rose by 7.6% despite higher leasing expenses, and operating earnings (EBIT) grew by 5.7%. The sale of a fully let office property in the IVG Business Park am Flughafen near Duesseldorf Airport had a positive effect on this result.

# 4. Balance sheet

## 4. ASSETS € m

	31.03.2003	31.12.2003	Changes %
<b>Assets</b>			
<b>A. Fixed Assets</b>			
I. Property, plant, equipment	2.405.3	2.374.5	1.3
II. Intangible assets	11.6	11.8	-1.7
II. Financial assets	253.6	289.2	-12.3
	<b>2.670.5</b>	<b>2.675.5</b>	<b>-0.2</b>
<b>B. Current Assets and prepaid expenses</b>			
I. Inventories	29.8	35.7	-16.5
II. Receivables and other assets	306.0	328.6	-6.9
III. Securities available for sale	0.8	0.4	100.0
IV. Liquid assets	84.8	131.5	-35.5
V. Prepaid expenses	14.8	13.6	8.8
	<b>436.2</b>	<b>509.8</b>	<b>-14.4</b>
	<b>3.106.7</b>	<b>3.185.3</b>	<b>-2.5</b>
<b>Liabilities and shareholders' equity</b>			
<b>A. Shareholders' equity</b>			
I. Share Capital	116.0	116.0	0.0
II. Additional paid-in capital	458.9	458.9	0.0
III. Revenue reserves	145.9	147.3	-1.0
IV. Consolidated net income available for distribution	46.5	39.4	18.0
V. Minority interests	7.3	7.9	-7.6
	<b>774.6</b>	<b>769.5</b>	<b>0.7</b>
<b>B. Special tax-allowable reserves</b>	<b>31.0</b>	<b>31.5</b>	<b>-1.6</b>
<b>C. Provisions</b>	<b>148.5</b>	<b>162.2</b>	<b>-8.4</b>
<b>D. Liabilities</b>	<b>2.034.0</b>	<b>2.106.5</b>	<b>-3.4</b>
<b>E. Deferred income</b>	<b>118.6</b>	<b>115.6</b>	<b>2.6</b>
	<b>3.106.7</b>	<b>3.185.3</b>	<b>-2.5</b>

The quarterly account has been made out according to the regulations of the German commercial code (HGB), the German Companies Act and the rules of orderly bookkeeping. The quarterly accounts of incorporated companies are based on standardised accounting and valuation principles. Compared with the annual accounts of 2002, the consolidation methods, currency conversions as well as accounting and valuation principles apply unchanged and are depicted in the IVG annual report 2002 on the pages 107 ff. The effects of the amended § 307 HGB were not taken

into account in the first quarter of 2003. Please see 122 f. of the annual report 2002 for subscription rights with regard to share option plans. As per 31 March 2003 (31 December 2002) IVG held 103.351 (52.551) own shares. This figure corresponds to 0.09% (0.05%) of the share capital. The in the first quarter acquired own shares (50.800; 0,04% of the share capital) serve the IVG employee stock programme. See also page 112 of the IVG annual report 2002.

## 5. Changes in equity capital

€ m		Use of net income	Foreign exchange differences	Other changes	
	31.03.2003				31.12.2002
Share capital	116.0				116.0
Additional paid-in capital	458.9				458.9
Revenue Reserves	145.9		-1.3		147.2
Consolidates net income available for distribution	46.5	7.1			39.4
<b>Shareholders equity according to consolidated financial statement</b>	<b>767.3</b>	<b>7.1</b>	<b>-1.3</b>	<b>0.0</b>	<b>761.5</b>
Minority interests	7.3	-0.6			7.9
Capital hereof	8.5				8.5
Net income hereof	-1.2	-0.6			-0.6
<b>Consolidated equity</b>	<b>774.6</b>	<b>6.5</b>	<b>-1.3</b>	<b>0.0</b>	<b>769.5</b>

€ m		Use of net income	Foreign exchange differences	Other changes	
	31.03.2002				31.12.2001
Share capital	116.0				116.0
Additional paid-in capital	458.9				458.9
Revenue Reserves	109.7		-6.2		115.9
Consolidates net income available for distribution	46.0	6.6			39.4
<b>Shareholders equity according to consolidated financial statement</b>	<b>730.6</b>	<b>6.6</b>	<b>-6.2</b>	<b>0.0</b>	<b>730.2</b>
Minority interests	27.1	-1.1			28.2
<b>Consolidated equity</b>	<b>757.7</b>	<b>5.5</b>	<b>-6.2</b>	<b>0.0</b>	<b>758.4</b>

Owing to the surplus of the quarter that is coming to € 769.5 m, equity capital according to the balance sheet rose € 774.6 m. The revenue reserves showed a slight decline as a result of fluctuations in exchange rates. Pursuant to international standards, the equity

ratio that is coming to about 41% is determined on the basis of market values. With hidden reserves excluded, the equity ratio according to the balance sheet is 24.5%.

## 6. Investments

### 6. INVESTMENTS € m

	1.1.-31.03.03	1.1.-31.03.02	Changes %
Portfolio management	19.3	55.3	-65.1
Project development	7.2	6.3	+14.3
Non-core business	0.3	0.1	+300.0
Corporate functions/other	4.4	10.5	-58.1
<b>Group</b>	<b>31.2</b>	<b>72.2</b>	<b>-56.8</b>

In the IVG group, investments of the first quarter came to € 31.2 m. They were made in the Madou Building in Brussels and in the airbizz in Frankfurt.

Furthermore, IVG invested in the projects in Paris that are being implemented jointly with AXA, and in the first funding of the investment trust company.

# 7. Cash Flow Statement

## 7. CASH FLOW STATEMENT € m

	1.1.-31.3.2003	1.1.-31.3.2002	Changes %
Net income for the period, before extraordinary items	7.1	6.6	7.6
+ Depreciation on fixed assets	10.2	11.1	-8.1
+/- Other non-cash items	5	-4.6	-208.7
- Profits from the disposal of fixed assets	-4.3	0.0	-
- Decrease in provisions	-13.7	-13.7	+/-0
Changes in current assets and liabilities:			
+/- Inventories (increase/decrease)	5.9	-13.5	-143.7
-/+ Receivables and other assets	-8.7	21.4	-140.7
-/+ Trade accounts payable/other liabilities (increase/decrease)	-20.3	2.7	-851.9
<b>Cash provided by operating activities</b>	<b>-18.8</b>	<b>10.0</b>	<b>-288.0</b>
Proceeds from the disposal of property, plant and equipment/intangible fixed assets	46.5	47.7	-2.5
Cash used for investments in financial assets	31.1	-69.0	-54.9
<b>Cash used for/provided by investing activities</b>	<b>15.4</b>	<b>-21.3</b>	<b>-172.3</b>
Proceeds from new borrowing	0	22.2	-
Payments to service existing loans	-43.2	0.0	-
<b>Cash used for/provided by financing activities</b>	<b>-43.2</b>	<b>22.2</b>	<b>-294.6</b>
Net change in cash and cash equivalents	-46.6	10.9	-527.5
Cash and cash equivalents at the start of the period	131.4	20.2	550.5
<b>Cash and cash equivalents at the end of the period</b>	<b>84.8</b>	<b>31.1</b>	<b>172.7</b>

In the course of the quarter, capital funds were reduced, mainly as a result of repayments, from € 131.4 m

(31.12.2002) to € 84.4 m, exceeding the value of the previous year by € 53.7 m.

# 8. Financing

The first quarter of the year was marked by new lows in interests throughout the Euro-Zone. Some of the values nearly reached the historic low of 1999. IVG has taken advantage of this situation by concluding interest swaps for the hedging of long-term interest conditions. We concluded interest swaps with a vol-

ume of approximately € 90 m over 10 – 12 years.

85% of the liabilities to banks have a term of more than one year, with 3% hereof having a term of more than five years.

# 9. Segment reporting

9. SEGMENT REPORTING € m	Turnover		Operating earnings	
	1.1.-31.03.2003	1.1.-31.03.2002	1.1.-31.03.2003	1.1.- 31.03.2002
Portfolio management	67.7	65.1	35.1	32.9
Project development	11.8	5.5	1.0	0.8
Corporate functions / Others	0.4	0.2	-4.3	-5.3
Non-core business	6.1	6.3	-0.4	1.3
<b>Group</b>	<b>86.0</b>	<b>77.1</b>	<b>31.4</b>	<b>29.7</b>

## Portfolio management

With a real-estate portfolio worth approximately € 3.2 bn in the salient European cities, IVG is among the major listed real-estate companies in Europe. In the fields of office properties and business parks the company takes a prominent position throughout Europe. With its portfolio management, IVG pursues the aim to reach a sustainable increase in value and return and to generate attractive profits from sales by means of an active buy-and-sell strategy. Half of the real-estate portfolio is located in Germany, with the other half in European growth centres such as London, Paris, Brussels, and Milan.

Compared with the first quarter of 2002, turnover rose by 4.0%. This increase in turnover results from the higher income from rents that rose to € 58.6 m. Acquisitions of the last year that were made in Milan (Piazzale Lodi, 21,000 m<sup>2</sup> of office space) and Madrid (Coslada 25,000 m<sup>2</sup>, logistics centre) as well as recent developments in the own portfolio in Munich and Nuremberg had a positive effect on this result. Despite higher leasing expenses, operating earnings grew by 6.7% compared with the value of 2002.

Another positive effect was achieved by the sale of a fully let office property in the IVG Business Park near Duesseldorf airport.

Primarily in Infopark Budapest (1,200 m<sup>2</sup>), Alcampo in Madrid (10,300 m<sup>2</sup>), Nordost Park Nuremberg (2,700 m<sup>2</sup>), Duesseldorf-based Global Gate (1,800 m<sup>2</sup>), airbizz in Frankfurt (19,100 m<sup>2</sup>) and Westfalendamm in Dortmund (2,200 m<sup>2</sup>) new lease contracts were concluded.

In Munich, the tenant Bosch Sicherheitssysteme GmbH with a staff of several hundred moved into the new headquarters in IVG Business Park near München. The building offers Bosch lettable space of nearly 20,000 m<sup>2</sup>, with about 14,000 m<sup>2</sup> of office space and approximately 6,000 m<sup>2</sup> of production space.

Owing to the cautious demand in a large number of real-estate markets, the letting quota of the IVG real-estate portfolio was 92% at the end of the first quarter 2003.

## Project development

It is jointly with renowned partners that IVG is developing a proportional project development of approximately € 1.0 bn in major growth centres throughout Europe. The amount of € 400 m is currently invested. The earnings achieved in the projects will be allowed for after the completion, sale and hand-over to the investors.

Owing to the allowance of the office project Glockengießerwall in Hamburg both turnover and operating earnings were raised. The building had been sold to Grundeigentümer-Verband Hamburg von 1932 e.V.

The projects in Paris are making good progress, too. In the French capital, IVG is developing several projects worth about € 800 m in cooperation with AXA. The buildings will be completed by 2007. The first project "Périsud", an office building on the Périphérique is fully let and will be sold in the near future. In the project Bois Colombes IVG/AXA succeeded in letting 50,000 m<sup>2</sup> to internationally renowned companies in the planning period. For the first section of the project Oise Logistics Parc (about 33,000 m<sup>2</sup> of lettable space) final negotiations were held on two lease contracts. So far, a total of 118,000 m<sup>2</sup> of the IVG / AXA joint venture have been let.

In Brussels, the Madou Building is being modernised and extended. In May, works on the new facade of

the building will start. In autumn 2004, the new Madou Plaza with 42,000 m<sup>2</sup> of lettable space will be launched in the market. First negotiations on leases have been very promising.

In Duesseldorf, the company's early activities in the up-and-coming business district on Grafenberger Allee have paid off. Already in 2002, the first and fully let section of "Global Gate" was sold to an open-ended real-estate fund. The second section is being erected and is let at 34% already four months before the completion.

On the centrally located Leipziger Platz in Berlin IVG is active in two projects. The IVG subsidiary TERCON as the general contractor is developing two office and commercial buildings, the centre of which will be the new home to the Canadian Embassy (Canada House). The building was taken over by a closed fund of Hannover Leasing. By order of IVG, Wert-Konzept planned and managed the project "Classicon" at Leipziger Platz 9 that was already sold and handed over some days ago.

It is in Berlin-Charlottenburg, in the Quartier am Salz- ufer where the works for construction of two buildings were started in 2002. One office building was sold prior to the start of the construction.

# 10. Personnel

## 10. PERSONNEL (NUMBER AS OF END OF THE QUARTER)

	31.03.2003	31.03.2002	Changes %
Portfolio management	345	350	-1.4
Project development	124	121	+2.5
Non-core business	122	127	-3.9
Corporate functions	151	148	+2.0
<b>Group</b>	<b>742</b>	<b>746</b>	<b>-0.5</b>

## 11. IVG share

At the beginning of 2003, international stock markets suffered new lows as a result of the conflict in Iraq. Since March, the situation has improved perceptibly. This development, however, demonstrates just the return to the level that had been held by the markets before the military conflict in Iraq. The IVG share

developed congruently. After a considerable decline in January and February, the share price recovered perceptibly in April and May. Since the low of 11 March 2003, the IVG share price has risen by more than 33%.

## 12. Outlook

Also in future, a solid letting business with a stable cash flow will be the basis of our business activities in connection with an active portfolio management and interesting project developments.

The economic recovery that we all have hoped for, has failed to materialise. Already in 2002, the real-estate market suffered declining take-ups and prime rents. IVG was not able to evade this development. The economic letting quota was slightly reduced to 92%.

In the letting market we anticipate stable average rents for Paris, Munich, and Budapest. In London, Madrid, and Frankfurt, averages rents are likely to fall, whereas Brussels will see slightly increasing average rents.

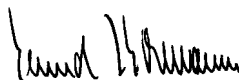
The investment market is likely to remain stable owing to the constant interest in real-estate investments

To optimally use further sources of equity capital and the operating know-how of our branches, we intend to issue and manage own funds. IVG initiate an investment company for the issue of special open-ended funds has got the approval by the Federal Office for the supervision of financial services (BaFin). We pursue the aim to exploit the different sources of equity capital and to offer investors a wide range of indirect and high-quality investment vehicles under the umbrella of IVG.

Taking the described economic and real-estate-related developments into account, a serious prediction on earnings is still not possible at the moment.



Dr. Eckart John von Freyend



Dr. Bernd Kottmann



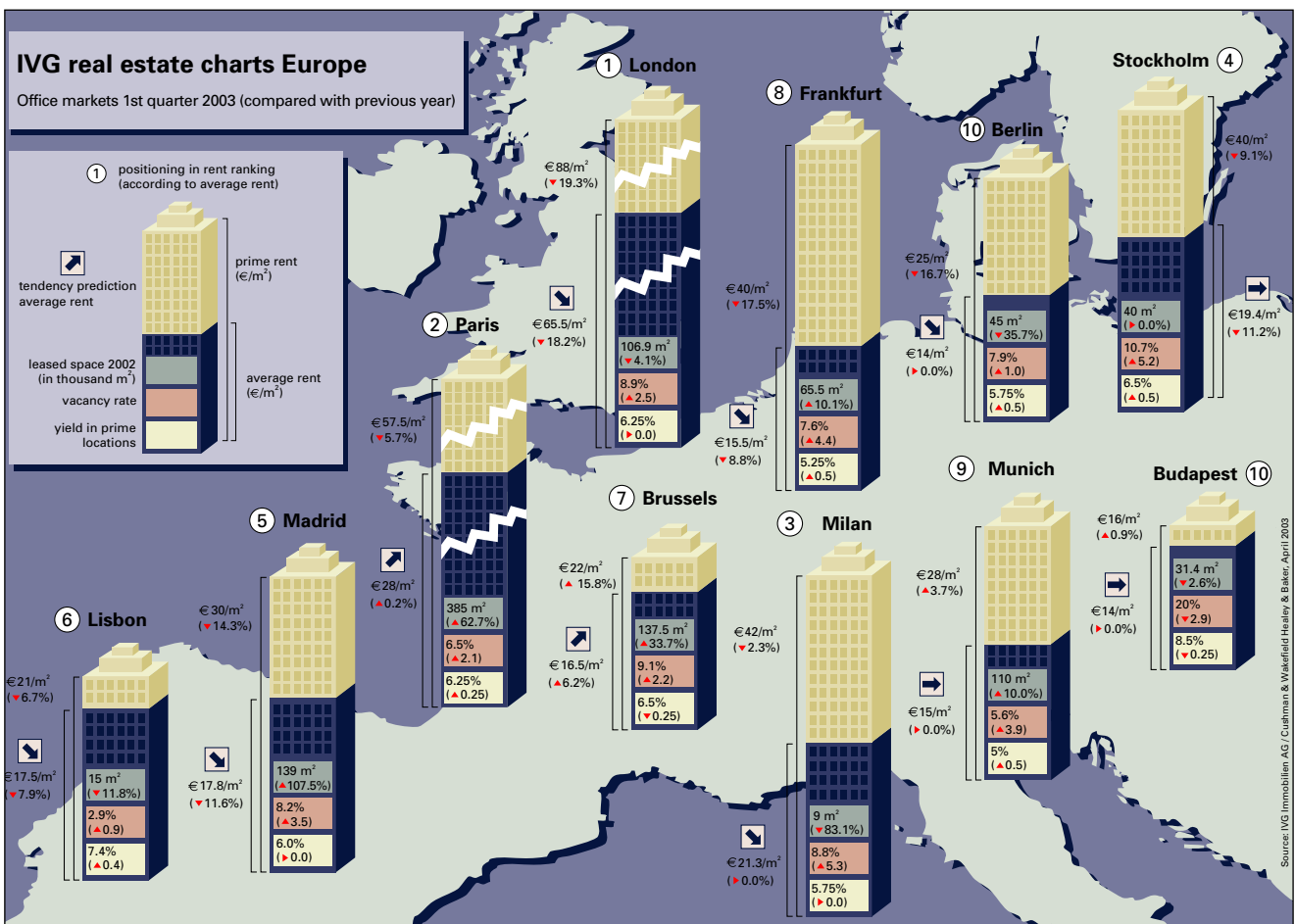
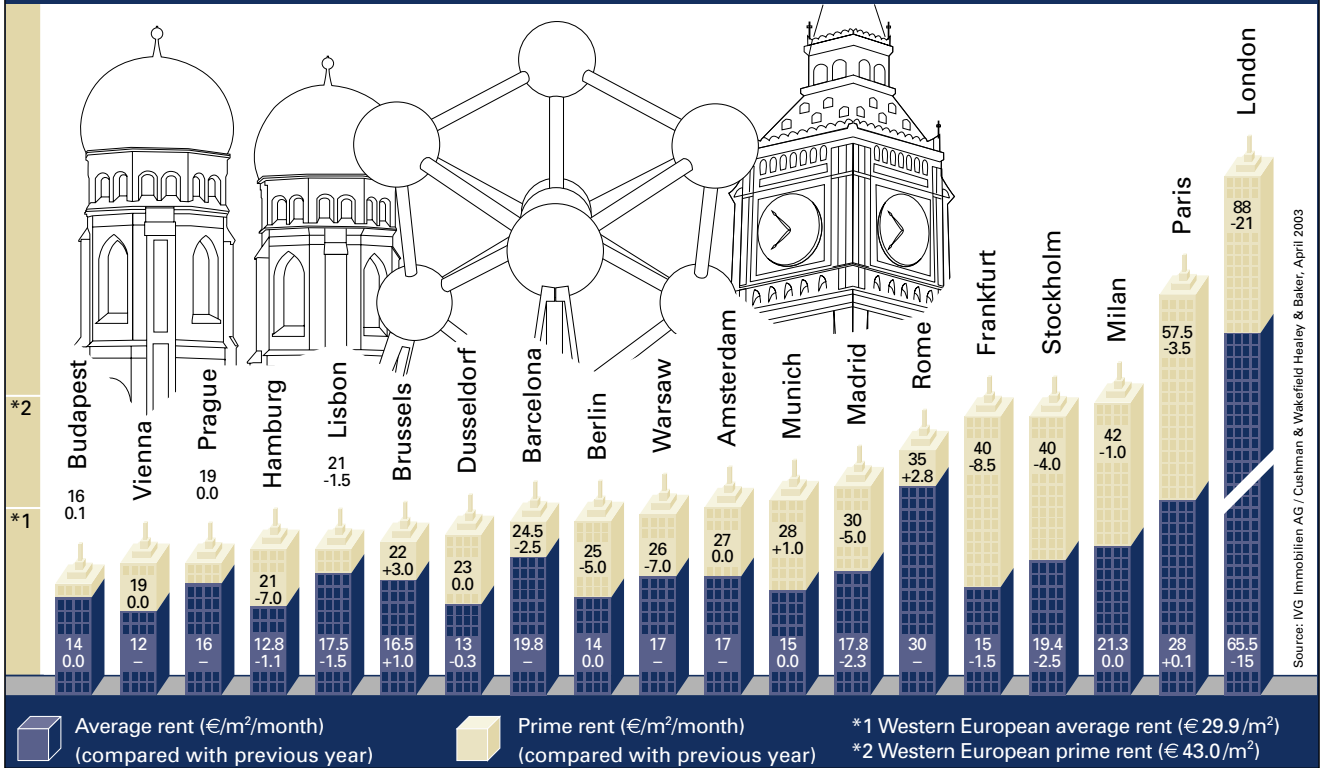
Dr. Dirk Matthey

# 13. Financial calendar 2003

<b>AGM Bonn</b>	27.5.2003
<b>Payment of the dividend for the business year 2002</b> (Dividend proposal 0.34 € per share)	28.5.2003
<b>Interim Report of the first half-year of 2003</b>	12.8.2003
<b>Interim Report 1<sup>st</sup> - 3<sup>rd</sup> quarter 2003</b>	11.11.2003
<b>Analysts` meeting</b>	11.11.2003
<b>IVG presentation GMCC German Mid Cap Conference</b>	24.-26.11.2003

# Real estate charts Europe

## IVG Real Estate Charts Europe Office markets 1st quarter 2003







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