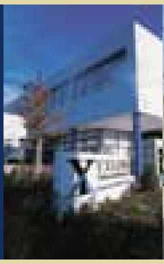
PASSION FOR REAL ESTATE.

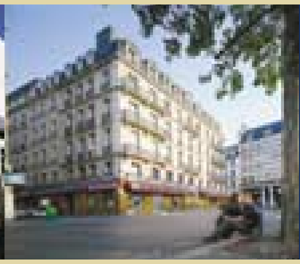
Interim Report 2004

3rd Quarter 2004

IVG IMMOBILIEN

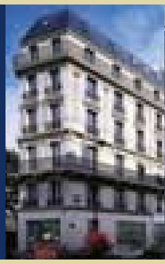
IVG Busi-
nesspark
Hamburg
Nord





Paris,
Boulevard Haussmann

Paris,
Place de la Madeleine



Budapest,
Andrássy út

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1. Overview

Interim Report
Nine Month and 3rd Quarter 2004

Bonn, November 16th, 2004

- **Operating Earnings (EBIT) + 9 %**
- **Increase in earnings also anticipated for the total year**
- **142,000 m^2 of new lettings**
- **Increasing revenues from funds business**

1. Overview

Dear Shareholders, Ladies and Gentlemen,

IVG was successful again in Q3: Operating earnings (EBIT) showed an increase in the first nine months of 9 % (€ 111.2 million). Net profit achieved € 38.2 million.

- IVG could register an increase in net rents by 11 % to € 182.2 million (142,000 m^2 new lettings).

- Capital gains from the disposal of properties of Boulevard Haussmann in Paris and Conduit Street in London had a particularly positive effect.

- Project developments and funds business (total assets under management € 15.7 billion) delivered increasing profit contributions.

- With the purchase of the Ilmarinen office property portfolio in Helsinki, IVG has established further appreciation potential in an extremely interesting property market.

- Earnings contribution from project developments improved significantly.

For the year as a whole, IVG anticipates net profit for the year to exceed last year's figure.

2. Economic Activity and Real Estate Markets

Economic growth in Europe continues to be slow but constant. After growth of 0.5 % in 2003, we consider growth of the order of 1.7 % possible in 2004.

On average, the European investment markets for office properties again displayed a slight decline in top yields in a Q3/Q2 comparison. In the five main German markets the yield corridor for top locations now lies between 5.25–6 %, for the major western European cities this figure is 5.25–7.4 %. The top yields in Warsaw, Prague and Budapest have closed the gap still further and are at 8 %.

The recovery of the rental markets outside Germany is solidifying. The core markets London/West End, Brussels/Leopold (European Quarter) and Paris/CBD are likely to close the year with a considerable increase in the top rents in comparison to those at the start of the year. In the important German property locations there are indications that the decline in top rents is finding a stable base.

3. Income Statement

3. INCOME STATEMENT *€/m*

	01 01–30 09 2004	01 01–30 09 2003	3rd Quarter 2004	3rd Quarter 2003
Turnover	289.5	247.9	119.2	78.5
Thereof Rents	182.2	164.4	60.8	51.2
Other operating income	40.7	53.5	25.7	14.6
Thereof capital gains from sale of properties	25.9	21.8	20.6	0.9
Change in inventories of finished goods	7.3	2.8	-13.2	7.9
Production of own fixed assets capitalised	0.0	0.5	0.0	0.1
Total operating performance	**337.5**	**304.7**	**131.7**	**101.1**
Costs for purchased materials	-58.8	-42.5	-18.9	-17.3
Personnel expenses	-41.9	-36.6	-16.4	-12.2
Depreciation	-35.3	-34.4	-13.2	-13.6
Leasing expenses	-13.2	-14.7	-4.1	-4.9
Other operating expenses	-81.1	-65.2	-24.5	-25.3
Income from participations	13.1	0.0	0.7	0.4
Net interest expense	-66.8	-63.8	-24.4	-19.7
Earnings from ordinary activities	**53.5**	**47.5**	**30.9**	**8.5**
Other taxes	-9.1	-9.2	-3.6	-4.0
Earnings before income tax	**44.4**	**38.3**	**27.3**	**4.5**
Income tax	-6.2	-10.6	-3.3	-2.7
Net profit	**38.2**	**27.7**	**24.0**	**1.8**
Operating Cash Flow (EBITDA)	**146.5**	**136.4**	**64.9**	**37.8**
Operating Earnings (EBIT)	**111.2**	**102.1**	**51.7**	**24.2**
Weighted average shares outstanding (in m)	116.0	116.0	116.0	116.0
Earnings per share (in €)	0.33	0.24	0.21	0.02

The considerable increase of net rents and turnover resulted primarily from the purchase of the Polar Group. The initial consolidation of Oppenheim Immobilien KAG (OIK), which was acquired in July, also had a positive effect on turnover. The disposal of properties in London and Paris led to an increase in capital gains and earnings.

The increase in personnel, material and other expenses are due to the initial consolidation of OIK, Polar, Wert-Konzept and Tercon Bau.

The successful conclusion and sale of the Périsud project in Paris, which was developed together with AXA in a joint venture, led to an improvement in income from investments and participations.

4. Balance Sheet

4. BALANCE SHEET *€/m*

	30 09 2004	31 12 2003
Assets		
A. Fixed Assets		
I. Intangible assets	135.7	26.3
II. Property, plant, equipment	2,587.6	2,595.0
III. Financial assets	218.2	218.4
	2,941.5	**2,839.7**
B. Current Assets and Prepaid Expenses		
I. Inventories	152.3	147.6
II. Receivables and other assets	305.7	378.6
III. Securities available for sale	14.9	0.4
IV. Liquid assets	93.5	54.0
V. Prepaid expenses	11.8	7.5
	578.2	**588.1**
	3,519.7	**3,427.8**
Liabilities and Shareholders' Equity		
A. Shareholders' equity		
I. Share capital	116.0	116.0
II. Additional paid-in capital	458.9	458.9
III. Revenue reserves	227.6	225.1
IV. Consolidation difference	37.7	32.0
V. Consolidated net income available for distribution	38.2	39.4
VI. Minority interests	26.0	45.6
	904.4	**917.0**
B. Provisions	**203.7**	**201.9**
C. Liabilities	**2,210.0**	**2,125.7**
D. Deferred income	**201.6**	**183.2**
	3,519.7	**3,427.8**

Intangible assets, securities available for sale and liquid assets increased as a result of the first-time consolidation of OIK.

5. Statement of Changes in Equity

€/m	31 12 2003	Use of net profit	Foreign exchange differences	other changes	30 09 2004
Share capital	116.0				116.0
Additional paid-in capital	458.9				458.9
Revenue reserves	225.1		1.9	0.6	227.6
Consolidation difference	32.0			5.7	37.7
Quarterly net profit	39.4	-1.2			38.2
Shareholders' equity according to consolidated financial statement	**871.4**	**-1.2**	**1.9**	**6.3**	**878.4**
Minority interests	45.6	-0.5		-19.1	26.0
Capital hereof	39.1			-13.5	25.6
Net income hereof	6.5	-0.5		-5.6	0.4
Consolidated equity	**917.0**	**-1.7**	**1.9**	**-12.8**	**904.4**

	31 12 2002	Use of net profit	Foreign exchange differences	other changes	30 09 2003
Share capital	116.0				116.0
Additional paid-in capital	458.9				458.9
Revenue reserves	147.3		-4.8	50.9	193.4
Consolidation difference					27.7
Quarterly net profit	39.4	-11.7			
Shareholders' equity according to consolidated financial statement	**761.6**	**-11.7**	**-4.8**	**50.9**	**796.0**
Minority interests	7.9	-0.8			7.1
Capital hereof	8.5				8.5
Net income hereof	-0.6	-0.8			-1.4
Consolidated equity	**769.5**	**-12.5**	**-4.8**	**50.9**	**803.1**

Shareholders' equity was above the previous' year figure. The acquisition of a further stake in Polar resulted in a reduction in minority interests and an increase of the consolidation difference.

6. Investments

6. INVESTMENTS *€/million*

	01 01–30 09 2004	01 01–30 09 2003	3rd Quarter 2004	3rd Quarter 2003
Portfolio management	143.0	78.6	100.4	17.2
Project development	6.9	113.6	0.9	97.8
Funds	126.0	0.0	126.0	0.0
Corporate functions	4.3	5.0	2.8	0.6
Non-core business	3.7	0.7	3.3	0.2
Group	**283.9**	**197.9**	**233.4**	**115.8**

In the first nine months, IVG invested almost € 284 million. The majority of this expenditure was incurred in Q3 and was largely related to the acquisition of the majority shareholding in OIK by the Funds segment as well as that of the Ilmarinen portfolio by Portfolio Management.

7. Cash Flow Statement

7. CASH FLOW STATEMENT *€/m*

		3rd Quarter 2004	3rd Quarter 2003
	Net income for the period, before extraordinary items	38.2	27.7
+	depreciation on fixed assets	35.3	34.4
+/–	other non-cash items	-12.1	-11.3
–	profits from the disposal of fixed assets	-25.9	-21.1
–	decrease in provisions	-17.7	-24.3
	Changes in current assets and liabilities:		
	Inventories (+ decrease / – increase)	-4.7	-3.6
	Receivables and other assets (+ decrease / – increase)	18.8	35.3
	Trade accounts payable/other liabilities (+ increase / – decrease)	10.3	64.9
	Cash used for / provided by operating activities	**42.2**	**102.0**
	Cash used for / provided by investing activities	**-106.8**	**-7.4**
	Cash used for / provided by financing activities	**104.1**	**-82.7**
	Net change in cash and cash equivalents	39.5	11.9
	Cash and cash equivalents at the beginning of the period	54.0	131.4
	Cash and cash equivalents at the end of the period	**93.5**	**143.3**

8. Notes

The quarterly financial statements have been drawn up in accordance with the provisions of the German Commercial Code, the German Stock Corporation Act and the principles of proper accounting. The quarterly financial statements of the companies included are based on uniform reporting and valuation principles. Methods of consolidation, currency translation, reporting and valuation remain unchanged as against the consolidated financial statements for 2003 and are presented in the IVG Annual Report 2003 on pages 122 ff. Oppenheim Immobilien KAG (OIK), of which IVG acquired 50.1 % in July, was consolidated for the first time in the Group financial statements in Q3.

As at 30 September 2004, IVG held 81,751 own shares (30 June 2004: 41,751), which equates to 0.07 % of the share capital. The own shares acquired in Q3 are for use in the employee share options scheme. Please refer to page 100 of the IVG Annual Report 2003 on this topic.

For details of subscription rights under share option plans, please see page 108 f. of the Annual Report 2003.

9. Financing

Financial liabilities increased by € 100 m in the third quarter to € 1,982 m due higher investments than divestments.

Despite the result of long-term interest hedging transactions, the average rate of interest for Group liabilities remained under 5.0 %.

In Q3, IVG converted the acquisition financing of Polar to an attractive long-term scheme. In September, IVG launched a commercial paper programme worth € 200 million and headed by Dresdner Bank and HSH Nordbank. Short-term financial flexibility was further developed and strengthened via this entry to the capital market. The scheme has been very well received on the market and offers IVG alternative short-term financing options with attractive terms.

10. Segment Reporting

10. SEGMENT REPORTING *€/million*

Turnover	01 01–30 09 2004	01 01–30 09 2003	3rd Quarter 2004	3rd Quarter 2003
Portfolio management	226.5	209.3	75.4	67.8
Project development	29.3	19.2	23.6	4.3
Funds	22.0	0.0	16.6	0.0
Corporate Functions	0.1	0.8	0.0	0.2
Non-core business	11.6	18.6	3.6	6.2
Group	**289.5**	**247.9**	**119.2**	**78.5**

Operating Earnings	01 01–30 09 2004	01 01–30 09 2003	3rd Quarter 2004	3rd Quarter 2003
Portfolio management	120.4	113.7	51.8	25.9
Project development	7.8	-6.2	-0.4	-4.8
Funds	3.3	1.5	3.1	1.8
Corporate Functions	-22.3	-5.9	-5.2	1.3
Non-core business	2.0	-1.0	2.4	0.0
Group	**111.2**	**102.0**	**51.7**	**24.0**

EBITDA	01 01–30 09 2004	01 01–30 09 2003	3rd Quarter 2004	3rd Quarter 2003
Portfolio management	151.1	144.3	62.0	37.8
Project development	8.9	-4.7	-0.2	-3.6
Funds	5.5	1.5	5.3	1.8
Corporate Functions	-21.4	-4.2	-4.7	1.9
Non-core business	2.4	-0.5	2.5	-0.1
Group	**146.5**	**136.4**	**64.9**	**37.8**

Portfolio Management

With a property portfolio of around € 3.3 billion in European cities, IVG ranks as one of Europe's major listed property companies. IVG pursues the goal of increasing the value of and yields on the portfolio on a sustained basis through refurbishment and upgrading and of realising attractive, regular capital gains thanks to an active buy-and-sell strategy.

- The London office building Washington House at Conduit Street 40-41 was sold on a favourable market for € 32.5 million (GBP 22 million). The buyer is the investor group Prudential Portfolio Investment Managers. The purchase price represents net initial yields of 5.0 % for the investor. The building is located in the district of Mayfair in the West End of the city and contains over 2,560 m² of office and business space.

- IVG sold the office property Boulevard Haussmann 173-175 for over € 100 million to the Allianz Group via a share deal. The fully rented property contains over 10,600 m² of office space and is situated in a good location in the centre of Paris.

- IVG established potential for an important future appreciation by acquiring the Ilmarinen portfolio in the Finnish capital. The IVG subsidiary Polar Real Estate acquired ten office properties in Helsinki for € 63 million. The letting space comprises 63,000 m², economic letting ratio reaches 93 % and 75 % of the portfolio is located in the centre of Helsinki. The seller is the insurance firm Ilmarinen Mutual Pension Insurance Company, the second-largest private insurance company and one of the largest property owners. The profitable tenants of the property include, among others, the leading northern European telecommunications group Telia-Sonera, the Finnish Sports Federation and the insurance company Nordea Life.

The increase in sales is mainly the result of the acquisition of Polar. The operating result of the segment has increased, due above all to the sales profit from the properties in Paris and London.

- IVG was also successful in its rental business, with an excellent rent result of 114,800 m² in the first nine months:

Rental Business	m²
Munich	22,900
Helsinki	22,000
Berlin	18,000
Brussels	14,700
Frankfurt	9,400
Budapest	5,200
Dusseldorf	4,900
Others	17,700
Total	**114,800**

The economic letting ratio of the property portfolio for the entire year stood at 93 % at the end of the quarter.

Project Development

IVG is currently developing pro rata project development volume of around € 1.1 billion together with well-known partners. Around € 400 million is invested at this time. The focus is on office properties in major centres of growth in Europe.

The operating result increased significantly due above all to the sale of the Parisian project Périsud (33,700 m², let to Sanofi-Synthélabo). The project was developed in the joint venture with AXA and resulted in a clear improvement in income from participations.

The domestic development business in particular has had a positive effect on sales.

After the successful performance of the joint venture with AXA which has existed since 2002, project development activities in Paris have also been extended. IVG has initiated another joint venture with AXA. IVG will take a share of 30 % in the total equity of € 300 million. The AXA insurance Group will assume at least 30 %, with the remainder going to further passive institutional investors. The focus will be commercial property developments in the Paris area. The joint venture is set to run until 2010 at least.

Responding to the beginnings of an upturn in the office market in London, IVG is also expanding its activities there. IVG has acquired a 1,700 m² project site on Caxton Street in the Victoria district. The office project „Caxton Hall" with a volume of € 65 million will be realised here between 2005 and the end of 2006. The existing buildings will be demolished and a new office building with 5,200 m² letting space will be constructed.

At the 71, Lombard Street project in London, the construction work to develop the former Lloyds Bank headquarters has begun. Behind a listed facade, IVG will create 15,900 m² of office space in the best city centre location here by the middle of 2008 with a total volume of € 160 million.

IVG let over 27,000 m² in the first three quarters. The largest share of 18,500 m² was covered by the Paris projects with AXA; 4,000 m² for the second-largest Finnish shopping complex, Jumbo 2; 2,000 m² for the Centro Marelli project in Milan.

Funds

In the Funds sector, IVG offers private and institutional investors a range of opportunities regarding indirect property investments.

At the start of July, IVG acquired 50.1 % in Oppenheim Immobilien KAG (OIK) for € 125 million. With total assets of € 8.3 billion in 27 special funds, OIK is the market leader in the growth market of property specialised funds. The acquisition represents a quantum leap for IVG. With a total of € 15.7 billion assets under management, IVG is now among the leading property asset managers.

IVG and OIK complement each other perfectly. Both concentrate on European cities. This will lead to improved market penetration in the European core markets of London, Paris and Brussels as well as extending geographic market access through additional branches in Spain, Portugal and the Netherlands.

The acquisition of 50.1 % in OIK had a positive effect as early as in the third quarter. Turnover and yields in this sector were increased significantly as a result of the consolidation of OIK.

The wholly owned subsidiary of IVG Immobilien AG, IVG ImmobilienFonds GmbH (former: Wert-Konzept ImmobilienFonds GmbH), concentrates in particular on launching European closed-end real property funds for private investors; in doing so, it makes extensive use of the expertise of its parent company's Europe-wide network. Two funds – Euroselect 07 and 08 – are currently on offer. Euroselect 07 has office properties in London and Germany, and it offers German investors with a maximum investment of € 115 Tsd. a distribution of approximately 6.5 %, largely tax exempt. It has equity of € 50 million and it has already placed over 80 %.

Sales of Euroselect 08 are now starting with equity of € 60 million. Dresdner Bank and Commerzbank have been acquired as sales partners. The fund is investing in one single office building 1, Neathouse Place, with 10,800 m^2, in the West End. To an investment of € 70 Tsd. the distribution of 7 % is largely tax-free. Approx. 40 % was placed just five weeks after selling started.

11. Staff

11. STAFF (NUMBER AT THE END OF THE QUARTER)

	30 09 2004	31 12 2003
Portfolio management	368	377
Project development	125	150
Funds	285	40
Corporate functions	141	150
Group	**919**	**717**

The number of employees increased to 919 as at 30 September due to the acquisition of the majority shareholding in OIK. Adjusted for this effect, the figure would have dropped to 675. The decline in employees in the Project Development segment is due to the bundling of the project development activities of Tercon and Wert-Konzept under the umbrella of Tercon implemented at the end of 2003.

12. IVG Share

At the start of Q3, stock markets came under pressure with new oil price highs and anticipated interest rate increases in the US and the eurozone. A recovery was not made until mid-August, when the corporate profits posted were largely positive or in line with expectations.

The IVG share progressed positively, reaching this year's high of € 11.15 on 26 October. It is currently quoted at just below the € 11 mark, equivalent to a performance of 19 % since the start of the year. In the same period, the DAX and MDAX posted only 2 % and 14 % respectively.

Sentiment surrounding property shares in Germany is currently good. The introduction of German REITS could bring about a surge in the property shares segment. A project team has been formed in the Federal Ministry of Finance to investigate the potential introduction of REITS. According to specialists, an implementation may be possible in this legislative period.

13. Outlook

Recovery trends have continued in the key European rental markets. In German property locations there is an indication that the decline in top rents is bottoming-out. The European investment markets are likely to remain stable against the background of unbroken interest in property investments. The German investment market in particular is benefiting from acquisition interest from American investors.

The recovery of the office space markets, especially in London/West End and Paris/CBD will benefit IVG in particular due to the expansion of its project development activities in these areas.

The acquisition of complete portfolios will continue to have a high priority for IVG in future. New portfolios are currently under examination. The potential for value increases established by the acquisition of the Ilmarinen portfolio will be systematically developed via rentals, optimisation of the tenant structure and refurbishments in the near future.

In the area of specialised funds, IVG will benefit from the participation in OIK as a result of the expansion of the market position in the European investment and rental markets, the entry into new markets and a considerably increased investment potential. We currently see particularly good cooperation opportunities in the placement of IVG property funds. IVG will benefit from the significant annual growth rates in the growth market for special funds.

Following the success of Euroselect 07 and 08, IVG is preparing another closed-end European property fund for private investors and is making intensive use of the expertise of its pan-European network in this.

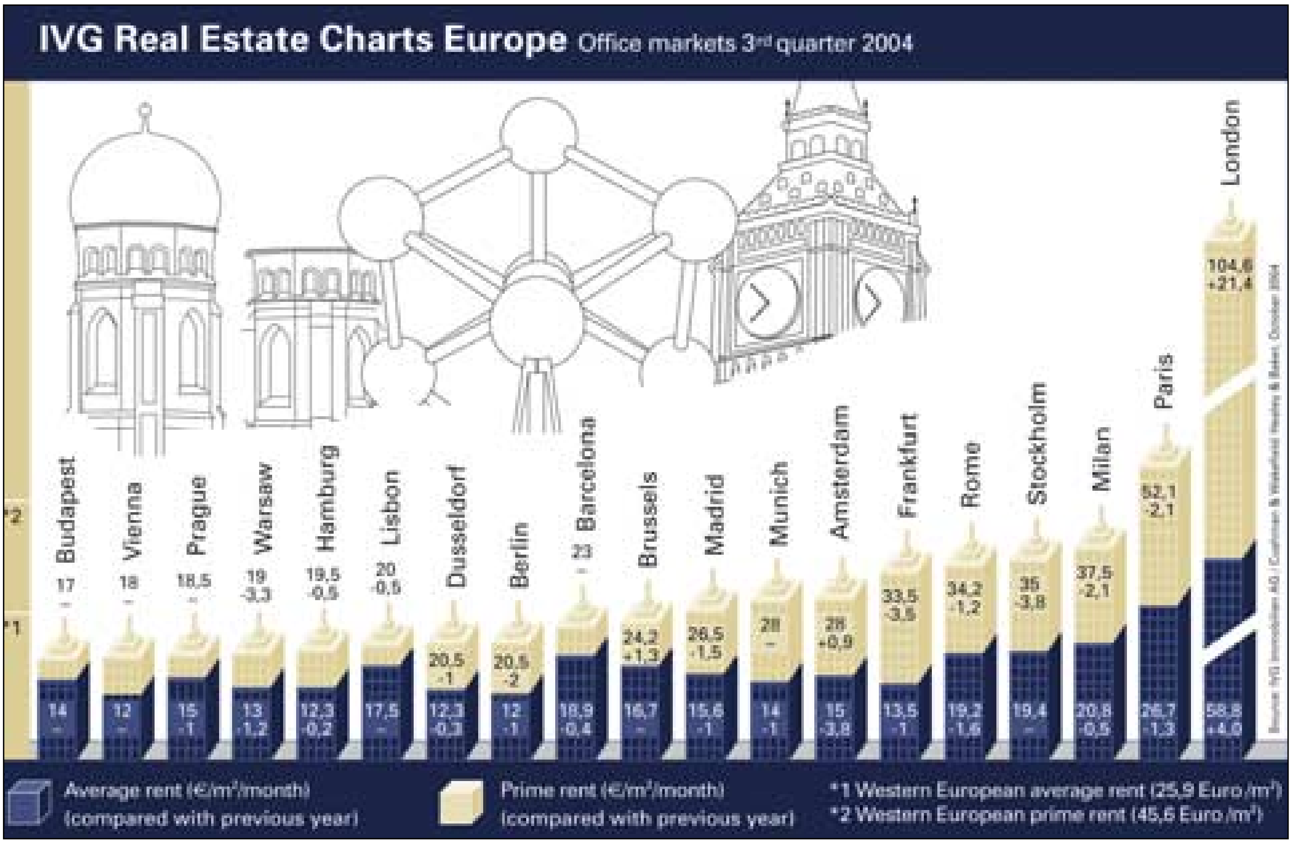
For the total year, IVG anticipates annual net profit to exceed the previous' year figure. All segments will make a contribution to the increase in earnings.

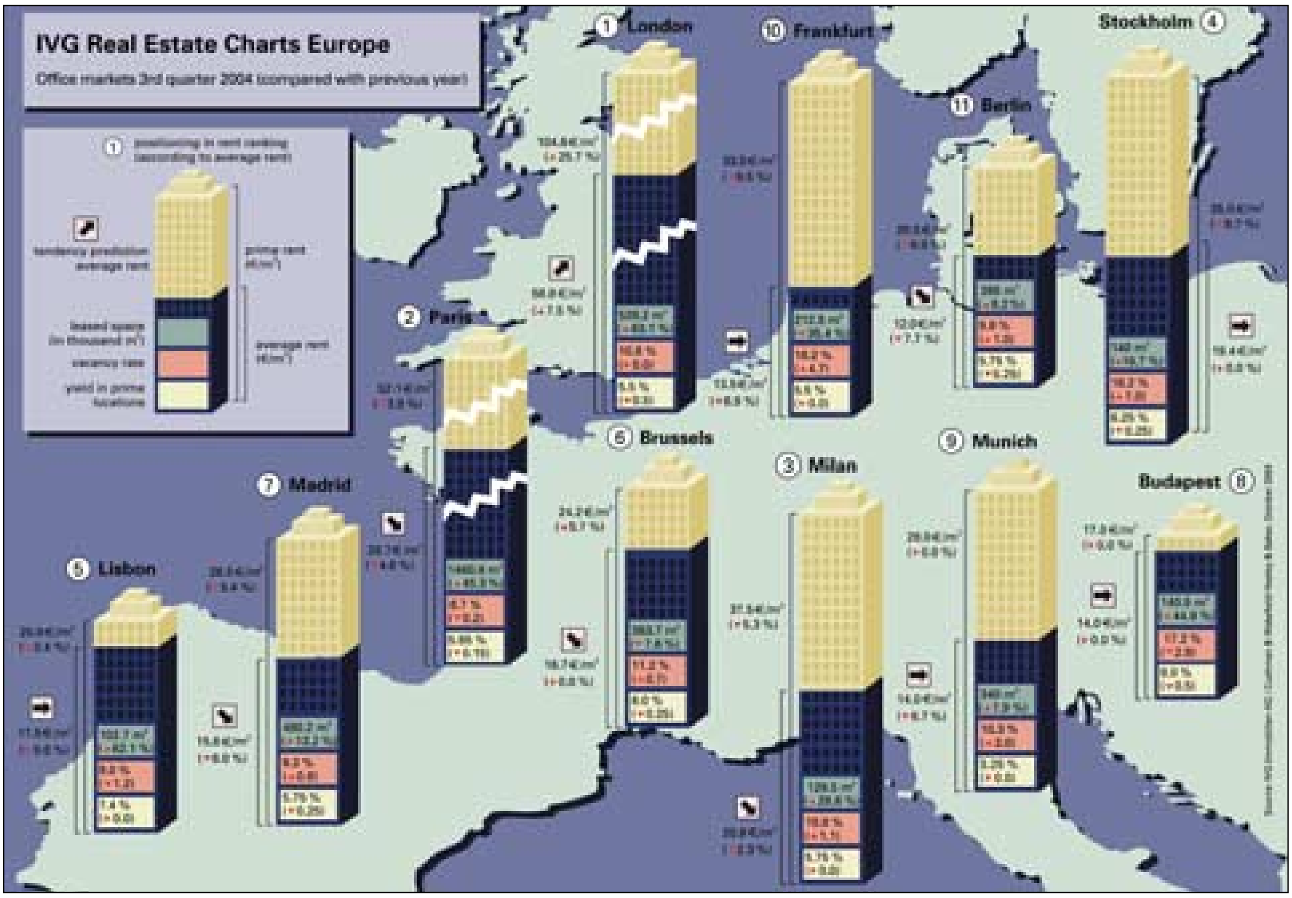
Eckart John von Freyend | Bernd Kottmann | Dirk Matthey

14. IVG Financial Calendar

Analysts' Conference for financial year 2004	13 04 2005
Interim report: 1 January – 31 March 2005	12 05 2005
IVG Annual General Meeting, Bonn	31 05 2005
Interim report: for the 1 January – June 30 2005	11 08 2005
Interim report: 1 January – September 30 2005	15 11 2005
Analysts' Conference	15 11 2005

European Real estate Markets





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