

IVG Immobilien AG

Analyst's conference

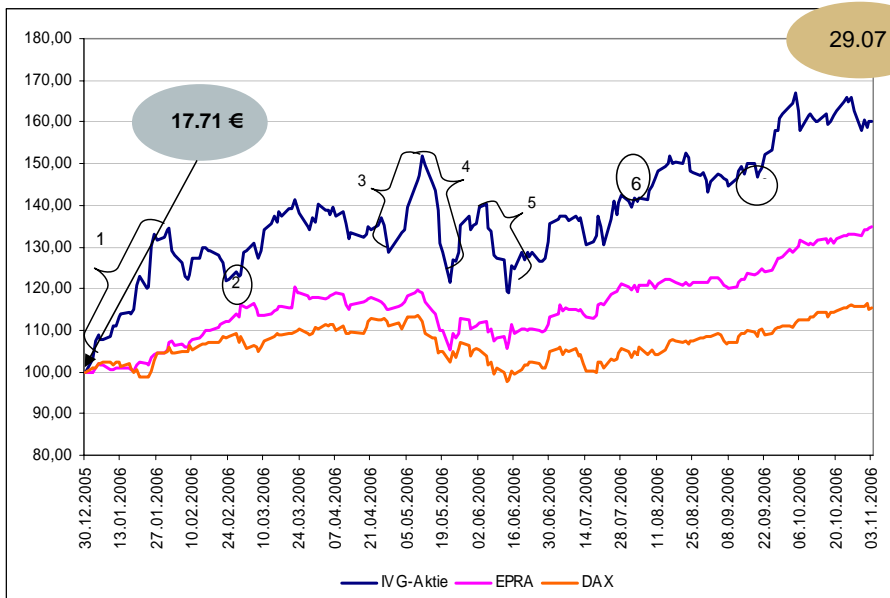
14 November 2006, Frankfurt

# Agenda



- Group Strategy
- Segment Strategy
- REITs
- Financial Situation on Group Level
- Financial Situation on Segment Level
- IVG Share

# Share Price Development



- 1 Cavern phantasy
- 2 Admission to Stoxx 600
- 3 Market euphoria  
"German Real Estate"
- 4 General market scaling  
down
- 5 Market scaling down MDAX
- 6 Good half-year figures

IVG Immobilien AG



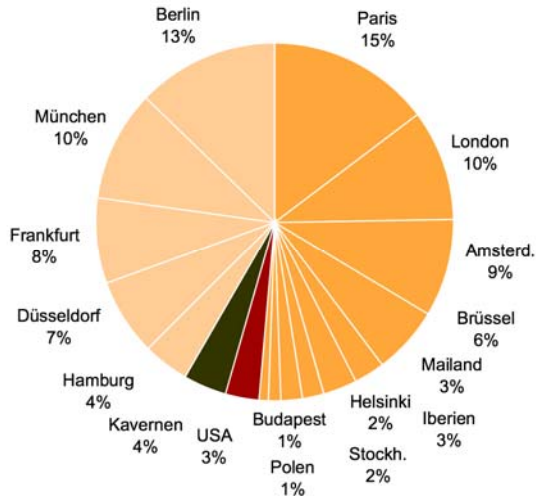
# Group Strategy

# Current Status - Geographic Split

Germany 46 %

Other Countries 54 %

Total assets under management: € 18.0 bn (30.09.06)



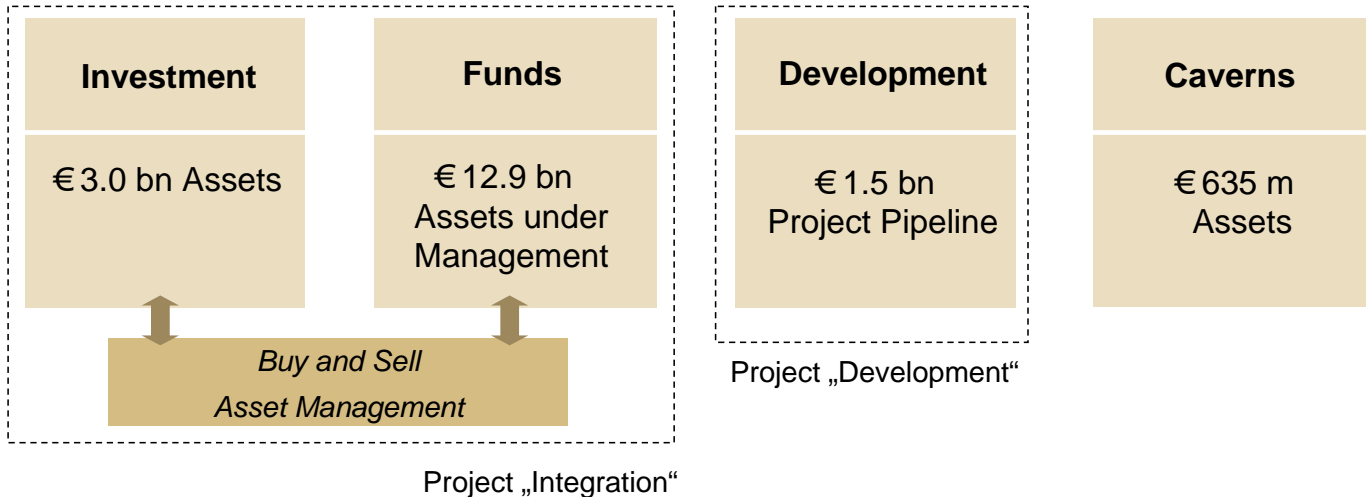
- Investment: € 3,0 bn
- Caverns\*: € 635 m
- Development: € 1,5 bn
- Funds: €12,9 bn

# Integrated European Real Estate Manager



## IVG Immobilien AG

€ 18.0 bn Total Assets under Management



# Outlook 2006

Business segment	year	
	9m 2005	9m 2006
EBIT €m		
<b>IVG Investment</b>	<b>87</b>	<b>177</b>
stock	76	67
disposals	11	110
<b>IVG Funds</b>	<b>36</b>	<b>41</b>
EuroSelect	3	8
OIK (100%)	24	21
Others	9	12
<b>IVG Development</b>	<b>1</b>	<b>-1</b>
<b>IVG Caverns</b>	<b>44</b>	<b>22</b>
<b>Corporate Functions</b>	<b>-27</b>	<b>-31</b>
<b>EBIT</b>	<b>140</b>	<b>208</b>

Group	year	
	9m 2005	9m 2006
€m		
<b>EBIT</b>	140	208
<b>Financial result</b>	-72	-44
<b>Income tax</b>	-12	-38
<b>Net profit</b>	56	127
<b>Earnings per share</b>	0,42	0,97

**Forecast unchanged:**

**EBIT: €255 m**

**Net Profit\*: €145 m**

**Net Asset Value per share: €22**

\*before minority interests and hybrid investors

# Segment Strategy

# IVG Investment



- Focussing on office properties

Successive disposal of all other properties until 2008

- Concentration on Germany (Berlin, Dusseldorf, Frankfurt, Hamburg, Munich) as well as selected European metropolis (Brussels, Helsinki, London, Paris)

Successive disposal of all properties in other cities (a.o. Dresden, Lisbon, Madrid, Milan) until 2008

- Growth in core regions, especially in Germany

Target 2007: net growth > € 500 m



Leopoldstraße, Munich



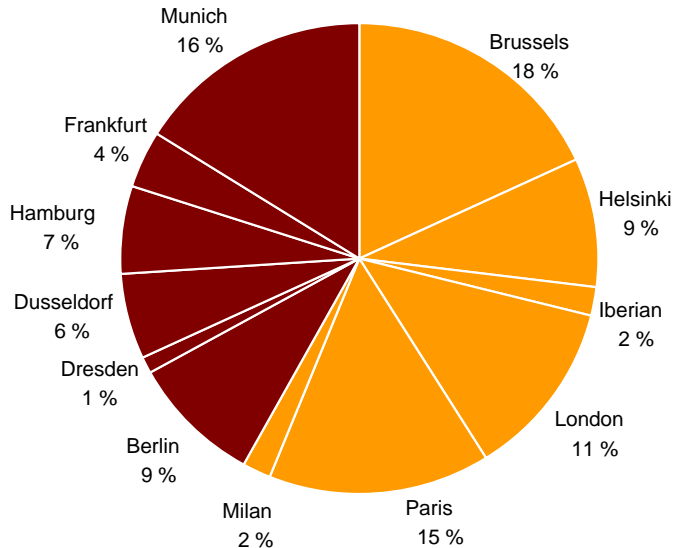
Landsberger Straße, Munich

# Business segment Investment

**Germany 43 %**

**Other Countries 57 %**

Market values by region



Total Assets: € 3.0 bn (30.09.2006)

Employees: 165

- Purchases (1<sup>st</sup>-3<sup>rd</sup> q. 06): € 780 m
- Disposals (1<sup>st</sup>-3<sup>rd</sup> q. 06): € 760 m
- Purchases realised for balance sheet 2007: € 710 m



Aldgate, London

## Investment Portfolio - Acquisition: Pan-European Office-Portfolio

- Six properties in London (2), Paris (2), Hamburg (1) and Dusseldorf (1)
- Lettable space 86,000 m<sup>2</sup>, thereof 84% offices
- Occupancy rate 90%
- Acquisition price: € 374.1 m + € 20.4 m acquisition costs
- Net initial yield: 5% after acquisition costs
- Yield at full occupancy: 5.6%
- Portfolio yield will increase as a result of:
  - increase in economic letting rate with the help of the IVG branch network,
  - index adjustments and upturning rental markets resulting in higher rent valuations



## Investment Portfolio - Acquisition: German Office Portfolio



- 25 properties in Germany, thereof 80% in Dusseldorf, Frankfurt, Hamburg and Munich
- Lettable space 215,000 m<sup>2</sup>, thereof 80% offices
- Occupancy rate 91%
- Acquisition price: € 505.1 m + € 20.2 m acquisition costs
- Net initial yield: 5.7% after acquisition costs
- Yield at full occupancy: 6.25%
- Portfolio yield will increase as a result of:
  - increase in economic letting rate with the help of the IVG branch network,
  - index adjustments and upturning rental markets resulting in higher rent valuations
- On balance sheet as of January 2007



## Investment Portfolio - Acquisition: German Office Portfolio



- 4 properties in Dusseldorf (2), Munich (1) and Stuttgart (1)
- Lettable space 66,000 m<sup>2</sup>, thereof 97% offices
- Occupancy rate 88%
- Acquisition price: € 190 m + 7 m acquisition costs
- Net initial yield: 5.2% after acquisition costs
- Yield at full occupancy: 5.9%
- Portfolio yield will increase as a result of:
  - increase in economic letting rate with the help of the IVG branch network,
  - index adjustments and upturning rental markets resulting in higher rent valuations
- On balance sheet as of 2007



## IVG Development



- Focussing on medium-sized office properties
- Concentration on Germany (Berlin, Dusseldorf, Frankfurt, Hamburg, Munich) as well as selected European metropolis (Budapest, London, Paris as well as Prag and Warsaw in the course of formation)
- Merging domestic and foreign project development divisions
- Development of strategy and structure until end of year - Start of IVG Development as business segment in January 2007
- Establish IVG Development as a brand



Infopark building "D",  
Budapest

# Business segment Development

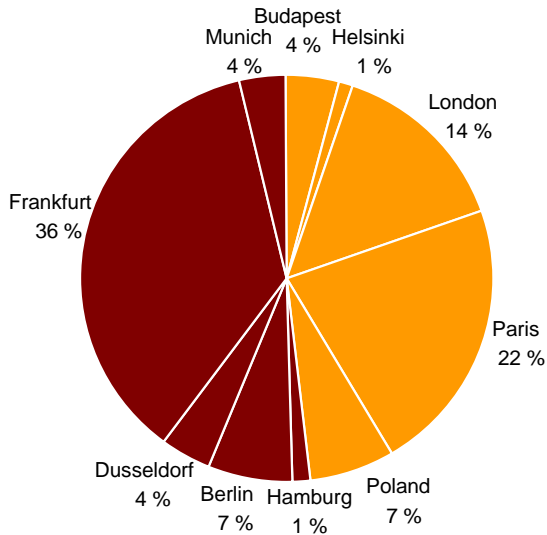


**Germany 52 %**

**Other Countries 48 %**

Project pipeline: € 1.5 bn  
 Employees: 45

Invested capital: € 350 m  
 Average pre-letting: > 40 %



14 Cornhill, London

## Project „Development“ - Strategy -



- Focussing on office properties
- Concentration on German metropolis as well as Budapest, London, Paris, Prag and Warsaw
- Size of projects € 70 m to € 130 m in London and Paris respectively € 20 m to € 50 m in other cities
- Settled volume € 500 m to € 600 m p.a. with 12 to 15 Project completions p.a.
- IRR > 12.5 % on average
- Limiting time of capital commitment to 24 to 30 months per project
- Project-oriented risk measurement with specific yield requirements
- Increasing use of „out of balance“ financing requirements (non recourse)



Caxton Hall, London



M1H, Paris

## Project „Development“ - Structure -



- Establishing a business segment IVG-Development with own Management Board
- Organisation of branches as profit center
- 8 -10 branches with 5 - 8 employees each and 10 employees in the Development main office
- Merging of domestic and international project development
- Operational management locally in branches
- Strategic management of branches as well as provision of services from Development main office
- Provision of overall services functions on IVG main office level

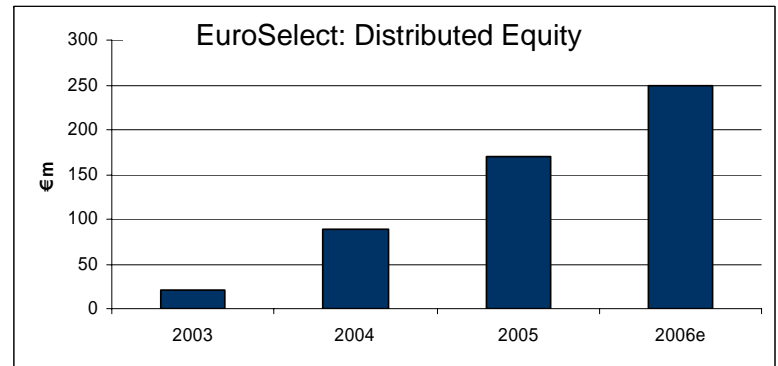


Madou Plaza, Brussels

**Decision until December 2006**

## IVG Funds - private

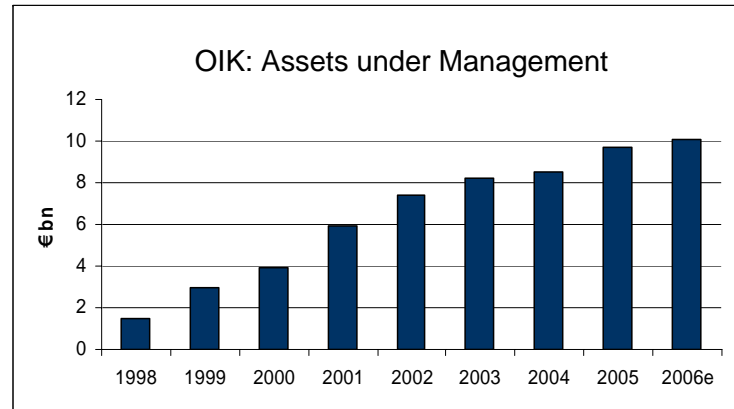
- EuroSelect: Products for private Investors
- Conception of closed-end property funds
- Distribution of closed-end funds with the help of banks and free financial service providers
- Management of funds
- 1 m m<sup>2</sup> lettable space, 60 employees



60 London Wall, EuroSelect 12

## IVG Funds - institutional

- OIK: Products for institutional investors
- Conception of specialised property funds and structured investment vehicles
  - 26 specialised funds
    - 1 mutual fund
    - 2 mixed funds
- 523 properties in 12 countries
- 3.6 m m<sup>2</sup> lettable space,  
260 employees
- Investors: leading European  
Insurance companies, pension funds etc.



Avenue Marceau, Paris

## Integration of OIK



- Increasing IVG-stake to 94 % until January 2007
- Recording on 7 November 2006
- 25 % will pass over this week, the remaining 18.9 % on 5 January 2007
  
- External valuation: € 136.5 m for 43.8 %  
Plus profit participation for 2006: € 9 m  
Total purchase price : € 145.5 m

## Project „Integration“ - Targets -

### Main targets of integration

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1. Transfer of all IVG funds products for institutional investors to OIK  
(one face to the customer)
2. Pooling of all buy and sell activities to increase market strength
3. Integrating asset management for funds business and own investment portfolio
4. Fit in branches and corporate functions enables realising cost synergies by pooling
  - branches
  - central business units
5. Realising optimisation potentials
  - Optimisation of structures and processes
  - Outsourcing
6. Increasing transparency (profit center) and more value-oriented controlling

**Decisions until February 2007**

## IVG Caverns



- IVG owns 40 caverns in a strategically important region and has the right to build additional 65 caverns (50 employees)
- Conclusion of approx. 10 rental contracts p.a. in the next 6 to 8 years, term of lease between 35 and 50 years
- Recently closed contracts:
  - 4 caverns (+4 options) for an European Utility group
  - 1 Caverns (for an European government organisation)
- In final negotiations: 6 caverns (+6 options) for an international gas-utility syndication
- Double-digit growth of turnover and profit in the next 10 years, expected IRR > 12.5 %
- Valuation of cavern business 2006 will be made by external appraisers
- Increased transparency by cavern business as separate segment
- Disposal of tank storage facilities is under review (110 employees)



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REITs

# REITs



## Main facts on G-REIT

- Listed public company based in Germany
- Exempt from corporate income tax and trade tax if principal activity consists of purchasing, management and disposal of properties (taxation directly on investor's level, no half income taxation method)
- Existing residential properties erected before 01.01.2007 are not REIT-able
- 90% minimum payout of distributable profit according to local GAAP (HGB)
- 50% maximum portfolio turnover within 5 years
- 60% maximum leverage
- 15% minimum free float, at the beginning 25%
- 10% maximum direct single shareholder stake, indirect 85% allowed
- Exit Tax: half valuation rate at taxation of properties when put into a REIT, if properties have been hold for at least 10 years; tax exemption is valid for three years

## REITs

**Introduction in 1<sup>st</sup> quarter 2007 retroactively to 01.01.2007 probable****■ Importance for IVG**

- Portfolio management and project development are likely qualifying activities, caverns maybe; funds management is likely not qualifying

**■ Strategic options**

- Maintaining status quo => limited growth, less attractive for investors than REITs
- IVG as REIT or holding with sub-REITs => critical due to cannibalisation of the share of parent company and insufficient mass of sub-REITs
- IVG-Group as REIT => good option due to sufficient volume and no cannibalisation

**IVG will scrutinise all options**

# Financial Situation on Group Level

## Profit and loss account

Income Statement in €m	9m 06	9m 05	Q3 06	Q3 05
Turnover	318	315	95	104
Other operating income	195	63	60	28
Changes in inventories of finished goods/own work capitalised	-18	-1	8	0
<b>Total operating performance</b>	<b>495</b>	<b>377</b>	<b>162</b>	<b>131</b>
Material expenses	-32	-47	-17	-16
Personnel expenses	-70	-53	-28	-19
Depreciation	-45	-34	-23	-11
Investment property expenses	-42	-44	-14	-15
Other expenses	-96	-64	-55	-18
Income from subsidiaries, at equity	-4	2	-2	-2
Income from participations	2	2	0	2
Other financial result	-44	-72	-9	-18
<b>Earnings before income taxes</b>	<b>164</b>	<b>68</b>	<b>14</b>	<b>35</b>
Income taxes	-38	-12	-3	-4
<b>Net profit for the quarter</b>	<b>127</b>	<b>56</b>	<b>11</b>	<b>31</b>
Minority/hybrid interests	14	7	7	3
Net profit after minorities	113	49	4	28
Earnings per share (€)	0,97	0,42	0,04	0,24
<b>Operating Cash Flow (EBITDA)</b>	<b>253</b>	<b>174</b>	<b>46</b>	<b>64</b>

- Increase of other operating income due to disposal gains (€ 150 m, previous year € 43 m)
- Higher personnel expenses due to stock options programme (€ 17 m)
- Higher other expenses due to provisions (€ 20 m) for project development business

## Balance sheet: Assets

€ million	30.09.2006	31.12.2005
Intangible assets	132	132
Investment properties	2.139	2.081
Other properties, plant and equipment	375	319
Financial assets	208	193
Shares in associated companies accounted for using the equity method	14	31
Derivative financial instruments	9	10
Deferred tax assets	43	57
Receivables and other assets	166	173
Prepaid expenses	2	2
<b>Total non-current assets</b>	<b>3.088</b>	<b>2.998</b>
Inventories	82	107
Receivable and other assets	231	184
Income tax receivables	9	14
Current asset securities	22	30
Cash at bank and in hand	355	91
Prepaid expenses	5	6
Non-current assets available for sale	360	258
<b>Total current assets</b>	<b>1.064</b>	<b>689</b>
<b>Total assets</b>	<b>4.152</b>	<b>3.687</b>

### Important changes

- Increased cash
- Higher amount of investment properties due to purchases
- Higher current receivables and other assets result from input tax receivables

## Balance sheet: Liabilities and Equity

€ million	30.09.2006	31.12.2005
Subscribed capital	116	116
Additional paid-in capital	459	459
Own shares	-1	0
Other reserves	4	6
Revenue reserves	411	343
<b>Equity attributable to group shareholders</b>	<b>989</b>	<b>924</b>
Hybrid capital	202	0
Monority interests	6	-2
<b>Total equity</b>	<b>1.196</b>	<b>922</b>
Financial liabilities	1.779	1.729
Derivative financial instruments	6	11
Deferred tax liabilities	153	150
Pension provisions	10	10
Other provisions	76	76
Liabilities	4	4
Deferred income	7	7
<b>Total non-current liabilities</b>	<b>2.035</b>	<b>1.986</b>
Financial liabilities	480	572
Derivative financial instruments	7	19
Other provisions	54	31
Liabilities	250	118
Income tax liabilities	28	24
Deferred income	17	14
Liabilities in connection with non-current assets available for sale	85	2
<b>Total current liabilities</b>	<b>921</b>	<b>779</b>
<b>Total liabilities and equity</b>	<b>4.152</b>	<b>3.687</b>

### Important changes

- IVG hybrid bond issued in may 06
- Higher financial liabilities due to property acquisitions
- Increased current liabilities due to received prepayments for disposals of properties

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# Financial Situation on Segment Level

## Segments

### Turnover

€ m	9m 06	9m 05	Q3 06	Q3 05
Portfolio Management (PM)	202	213	61	69
thereof net rents	161	170	54	58
Project Development (PD)	39	35	0	8
Funds	81	73	35	28
Corporate Functions	-4	-7	-1	-2
Non-core business	0	0	0	0
<b>Group</b>	<b>318</b>	<b>315</b>	<b>95</b>	<b>103</b>

### Reasons for changes

- PM: property sales
- PD: finished and sold projects
- Funds: placement of EuroSelect funds

### Operating Earnings (EBIT)

€ m	9m 06	9m 05	Q3 06	Q3 05
Portfolio Management (PM)	199	131	51	46
Project Development (PD)	-1	1	-26	7
Funds	41	36	15	10
Corporate Functions	-31	-27	-16	-9
Non-core business	0	0	0	-1
<b>Group</b>	<b>208</b>	<b>140</b>	<b>23</b>	<b>53</b>

### Reasons for changes

- PM: disposal gains
- PD: provisions for land/capitalised costs
- Funds: placement of EuroSelect funds

## Investments



€ m	9m 06	9m 05	Q3 06	Q3 05
Portfolio Management (PM)	557	204	321	23
Project Development (PD)	76	60	15	11
Funds	2	7	2	0
Corporate Functions	1	1	0	0
Non-core business	0	0	0	0
<b>Group</b>	<b>637</b>	<b>271</b>	<b>338</b>	<b>34</b>

- PM: purchase of German and pan-european office portfolios
- PD: refurbishment of a property in Helsinki, progress of construction work in London and Budapest

## Financial Calendar 2007



- 03.04.2007: Financial Statement 2006
- 10.05.2007: Interim report - 1st quarter 2007
- 24.05.2007: Annual General Meeting
- 09.08.2007: Interim report - 2nd quarter 2007
- 08.11.2007: Interim report - 3rd quarter 2007

# PASSION FOR REAL ESTATE.



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## „Half the world’s wealth is in Real Estate“

Warren Buffett