



PASSION FOR REAL ESTATE.

Nine-monthly report 2003

Interim report of the 3rd quarter 2003

IVG **I**MMOBILIEN

IVG Businesspark
Hamburg
Nord



Paris,
Boulevard Haussmann

Paris,
Place de la Madeleine



Budapest,
Andrassy út

1.	OUTLINE	PAGE 2
2.	MACRO-ECONOMIC DEVELOPMENT AND REAL-ESTATE MARKETS	PAGE 2
3.	INCOME STATEMENT	PAGE 3
4.	BALANCE SHEET	PAGE 4
5.	CHANGES IN EQUITY CAPITAL	PAGE 5
6.	INVESTMENTS	PAGE 6
7.	CASH FLOW STATEMENT	PAGE 6
8.	NOTES	PAGE 7
9.	FINANCING	PAGE 7
10.	SEGMENT REPORTING	PAGE 8
11.	PERSONNEL	PAGE 9
12.	SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD	PAGE 10
13.	IVG SHARES	PAGE 10
14.	OUTLOOK	PAGE 11
15.	IVG FINANCIAL CALENDAR	PAGE 11

1. Outline

Nine-monthly report 2003
Interim report of the 3rd quarter 2003

Bonn, 11 November 2003

- **Expected net income in 2003 just below high level of previous year**
- **Earnings after nine months down year-on-year as scheduled**
- **New contracts for more than 160,000 m² concluded**
- **Take-over bid for the Finnish company Polar**

1. Outline

Dear shareholders, ladies and gentlemen,

For 2003 as a whole, IVG is expecting net income just below the high level of the previous year of €70.4 million, in spite of a continuing difficult macro-economic situation.

In the first nine months of the year, earnings were under the level of the previous year as scheduled. The reason for this is that the sale of the Gresham Street development project in London contributed to an extraordinarily good nine-month result in 2002. In contrast, in the third quarter of this year, no major projects

were settled and no gains were realised from the sale of properties.

Despite the difficult market situation, IVG let more than 160,000 m² of space in the first nine months, more than 85,000 m² of which from its own portfolio and more than 16,000 m² relating to project developments. In Paris and Brussels, contracts relating to a further 20,000 m² are set to be concluded in the near future.

Following approval from the German, European and Finnish anti-trust authorities, IVG now holds over 76 % of the shares in Polar Real Estate. IVG has submitted a takeover offer to the remaining Polar shareholders between 7 November 2003 and 8 December 2003 at a price of €0.75 per share. The property portfolio of some €350 million (260,000 m² lettable space) is located predominantly in Helsinki. 60 % consists of office property and 40 % of shopping centres. The portfolio has a letting quota of 95 %. In addition, Polar owns property sites in Helsinki with development reserves of over 200,000 m² gross ground floor area.

2. Macro-economic development and real-estate markets

In the third quarter, the macro-economic development in Euroland was still characterised by weak domestic demand and stagnating export business as a result of the appreciation of the euro. However, there are increased signs indicating a recovery. In Euroland, the ECB is expecting growth for 2004 of between 1.1 % and 2.1 %.

The rise in the ifo index observed over the last five months, a measure of the business climate in the for-

mer West-German states, continued in October. In their recently published joint opinion for 2004, the six leading institutes for economic research are anticipating real gross domestic product growth of 1.7 %.

In the third quarter, the office property markets in Europe once more developed in a differentiated fashion. A weak letting market contrasted with a stable investment market as a result of the continuing high investment requirement of institutional investors.

However, the economy-driven negative trends on the letting market eased. Thus, the weighted average of the vacancy level of the 19 most important European markets only increased by some 0.2 percentage points, compared with an increase of some 0.6 percentage points in the second quarter. In particular, the markets in London, Milan, Amsterdam and Rome contributed to this development, whilst the vacancy levels of the major German markets increased more strongly compared with the previous quarter, with the exception of Hamburg. On the other hand, in Brussels, IVG's biggest sub-market, rents continued their upward trend, owing to the special economic situation fuelled by the EU. In the first nine months, office space sales increased by 25 % due to the EU expansion.

In London and Paris tenant demand has increased noticeably. We expect higher rentals from 2004. In the first nine months, the office space sales increased by 25 % due to the expansion of the EU.

No recovery is currently evident in Germany.

Across Europe the yield for top office properties has fallen marginally over a year, by 0.05 percentage points to 6.35 %. The steady yield reflects the stable investment market and is an indication of the attraction of property investments for institutional and private investors.

In Germany the returns are in a corridor of between 5 % and 6 %, in Western Europe between 6 % and 7 % and in Eastern Europe between 7 % and 10 %.

3. Income statement

3. INCOME STATEMENT €/m

	01.01.- 30.09.2003	01.01.- 30.09.2002	01.07.- 30.09.2003	01.07.- 30.09.2002
Turnover	247.9	374.3	79.1	222.7
Other operating income	53.5	10.0	14.7	0.1
Changes in inventories of finished goods and work in progress	2.8	-56.9	7.8	-77.9
Production of own fixed assets capitalised	0.5	0.8	0.2	0.4
Total operating performance	304.7	328.2	101.7	145.3
Costs for purchased materials	-42.5	-56.2	-17.3	-19.7
Personnel expenses	-36.6	-35.1	-12.2	-11.7
Depreciation	-34.4	-32.3	-13.6	-11.7
Leasing expenses	-14.7	-8.6	-4.9	-2.9
Other operating expenses	-65.2	-64.6	-25.9	-26.7
Income from investments and participations	0.0	3.3	0.4	-0.1
Interest income and expenses	-63.8	-64.6	-19.7	-17.2
Result from ordinary activities	47.5	70.9	8.5	55.3
Other taxes	-9.2	-9.4	-4.0	-4.0
Result before income tax	38.3	61.5	4.5	51.3
Income tax	-10.6	-10.0	-2.7	-6.4
Net income	27.7	51.5	1.8	44.9
Operating cash flow (EBITDA)	136.4	158.4	37.7	80.2
Operating earnings (EBIT)	102.1	126.1	24.2	68.5
Weighted average shares outstanding	116.0	116.0	116.0	116.0
Earnings per share (in €)	0.24	0.44	0.02	0.39

The changes in turnover, inventories of finished goods / work in progress and earnings in the third quarter and in the first nine months are due to the fact that the London Gresham Street project was settled in the third quarter last year. In contrast, in the third quar-

ter of this year no major projects were settled for and no profits were realised from the sale of properties. Net rents increased in the first nine months of 2003 from €160.4m to €164.4m compared to previous year.

4. Balance sheet

4. BALANCE SHEET €/m

	30.09.2003	31.12.2002
Assets		
A. Fixed Assets		
I. Property, plant, equipment	2,366.2	2,374.5
II. Intangible assets	10.8	11.8
III. Financial assets	302.8	289.2
	2,679.8	2,675.5
B. Current Assets and Prepaid Expenses		
I. Inventories	39.3	35.7
II. Receivables and other assets	300.2	328.6
III. Securities available for sale	0.8	0.4
IV. Liquid assets	143.3	131.5
V. Prepaid expenses	5.9	13.6
	489.5	509.8
	3,169.3	3,185.3
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	193.4	147.3
IV. Consolidated net income available for distribution	27.7	39.4
V. Minority interests	7.1	7.9
	803.1	769.5
B. Special tax-allowable reserves*	0.0	31.5
C. Provisions	137.9	162.2
D. Liabilities	2,046.2	2,106.5
E. Deferred income	182.1	115.6
	3,169.3	3,185.3

*See notes

5. Changes in equity capital

€/m			Use of	Foreign
	31.12.2002		net income	exchange differences and other changes
				30.09.2003
Share capital	116.0			116.0
Additional paid-in capital	458.9			458.9
Revenue reserves	147.3		46.1	193.4
Consolidated net income available for distribution	39.4	-39.4		0.0
Quarterly result	0.0	27.7		27.7
Shareholders' equity according to consolidated financial statement	761.6	-11.7	46.1	796.0
Minority interests	7.9	-0.8		7.1
Capital hereof	8.5			8.5
Net income herof	-0.6	-0.8		-1.4
Consolidated equity	769.5	-12.5	46.1	803.1

€/m			Use of	Foreign
	31.12.2001		net income	exchange differences and other changes
				30.09.2002
Share capital	116.0			116.0
Additional paid-in capital	458.9			458.9
Revenue reserves	115.9		0.7	116.6
Consolidated net income available for distribution	39.4	12.1		51.5
Shareholders' equity according to consolidated financial statement	730.2	12.1	0.7	743.0
Minority interests	28.2	-1.8	-10.6	15.8
Consolidated equity	758.4	10.3	-9.9	758.8

At the end of the third quarter, consolidated equity rose strongly to €803.1 million. The reduction as a result of the 2002 dividend distribution of €39.4 million in May was more than cushioned by net income for the

quarter, exchange rate changes relating to the revenue reserves and higher reserves as a result of the new Article 308 of the German Commercial Code.

6. Investments

6. INVESTMENTS €/m

	01.01.- 30.09.2003	01.01.- 30.09.2002	01.07.- 30.09.2003	01.07.- 30.09.2002
Portfolio management	78.6	116.9	17.2	27.3
Project development / fund business	113.6	58.6	97.5	43.3
Corporate functions / other	5.0	26.5	0.6	15.5
Non-core business	0.7	0.9	0.2	0.4
Group	197.9	202.9	115.5	86.5

At approximately €200 million, investments after nine months were at the level of the previous year. In the third quarter, IVG primarily invested in the further construction stages of the Madou Building in Brussels, in the further development of the IVG business parks and

in projects being implemented jointly with AXA. Investments already made in the first quarter were also the initial founding of the asset management company, the further construction stages of Frankfurt-based airbizz.

7. Cash flow statement

7. CASH FLOW STATEMENT €/m

	01.01.- 30.09.2003	01.01.- 30.09.2002	Change in %
Net income for the period before extraordinary items	27.7	51.5	-46.2
+/- depreciation on fixed assets	34.4	32.3	6.5
+/- other non-cash items	-11.3	-6.0	88.3
- profits from the disposal of fixed assets	-21.1	-5.6	276.8
- decrease in provisions	-24.3	-6.8	257.4
Changes in current assets and liabilities:			
Inventories (+decrease/-increase)	-3.6	104.0	-103.5
Receivables and other assets (+decrease/-increase)	35.3	65.6	-46.2
Trade accounts payable / other liabilities (+decrease/-increase)	64.9	-31.6	-305.4
Cash used for / provided by operating activities	102.0	203.4	-49.9
Cash used for / provided by investing activities	-7.4	-155.2	-95.2
Cash used for / provided by financing activities	-82.7	57.2	-244.6
Net change in cash and cash equivalents	11.9	105.4	-88.7
Cash and cash equivalents at the start of the period	131.4	20.2	550.5
Cash and cash equivalents at the end of the period	143.3	125.6	14.1

Cash inflows from disposals of properties led to an increase in cash and cash equivalents to more than €143 million at the end of the third quarter, despite

repayments of €82.7 million. Consequently, this value is clearly above the comparable value from the previous year.

8. Notes

The quarterly account has been drawn up in line with the regulations of the German Commercial Code, the German Stock Corporation Act and the principles of orderly bookkeeping. The quarterly accounts of incorporated companies are based on standardised accounting and valuation principles. Compared with the consolidated accounts for 2002, the consolidation methods, currency conversions as well as accounting and valuation principles remain unchanged and are illustrated in the 2002 IVG Annual Report on pages 107ff. The effects of the amended Article 308 of HGB were taken into account for the first time as at 30 September 2003. With the cancellation of Paragraph 3 in Article 308 of the German Commercial Code, tax values may no longer be transferred to the consolidated financial statements. The impact of this change in the balance sheet is to be shown in the equity position without impacting the income statement. As a result, IVG must reverse all tax-motivated depreciation and

amortisation (including the special tax-allowable reserves) and recalculate the depreciation and amortisation figures. Overall, fixed assets increased by approximately €35 million, resulting in an annual increase in depreciation of approximately €3 million (c.p.).

Please see page 122f of the 2002 Annual Report for subscription rights with regard to share option plans.

As at 30 September 2003, IVG held 103,351 ordinary shares in treasury stock (31 December 2002: 52,551). This figure corresponds to 0.09 % (31 December 2002: 0.05 %) of the share capital. No own shares were acquired in the second or third quarter. The shares acquired in the first quarter (50,800; 0.04 % of the share capital) are used for the share program for staff. Please find further information on page 122 of the 2002 IVG Annual Report.

9. Financing

The interest rate level moved sideward in the euro arena in the third quarter in all terms. Under these conditions, IVG succeeded in concluding the acquisition

financing of €135 million for the purchase of the Finnish company Polar at acceptable terms in October.

10. Segment reporting

10. SEGMENT REPORTING €/m

	Turnover		Operating Earnings (EBIT)		Turnover		Operating Earnings (EBIT)	
	01.01.- 30.09.2003	01.01.- 30.09.2002	01.01.- 30.09.2003	01.01.- 30.09.2002	01.07.- 30.09.2003	01.07.- 30.09.2002	01.07.- 30.09.2003	01.07.- 30.09.2002
Portfolio management	209.3	197.2	113.7	107.5	67.8	64.8	25.9	33.1
Project development	19.2	156.8	-4.7	45.4	4.9	151.2	-3.0	49.9
Corporate functions	0.8	0.9	-5.9	-30.7	0.2	0.2	1.4	-33.5
Non-core business	18.6	19.4	-1.1	4.0	6.2	6.5	-0.1	19.3
Group	247.7	374.3	102.0	126.1	79.1	222.7	24.2	68.8

Portfolio management

IVG owns a real-estate portfolio worth about €3.2 billion in major European cities and is among the leading listed real-estate companies in Europe. 50 % of the portfolio is located in Germany and 50 % in European growth centres such as London, Paris and Brussels. In the fields of office properties and business parks, IVG holds a prominent position throughout Europe. By means of its portfolio management, IVG pursues the objective of achieving a sustainable growth in value and yield of the portfolio and to regularly generate significant profits from sales with an active buy-and-sell strategy.

Compared with the first nine months of 2002, turnover grew by 6.1 %. This increase primarily results from the higher income from rents that rose from €160.4 million to €164.4 million. This figure was positively influenced by the acquisitions concluded last year in Milan (Piazzale Lodi) and Madrid (Coslada) as well as by the development projects in the company portfolio in Munich and Nuremberg. As scheduled, operating earnings were also increased due to property sales. This included an office building at 16 Great Marlborough Street in London, sold in the second quarter, and two buildings in Brussels on Rue de Trèves and Rue du Luxembourg. The sale of an office building in the IVG business park near Dusseldorf airport was settled in the first quarter.

At the end of the quarter, the anticipated economic letting quota of the IVG real-estate portfolio for the total

year 2003 was constant at 91 %. For 2004, IVG anticipates a considerable improvement in portfolio utilization.

Despite the difficult macro-economic situation, IVG concluded lease contracts from its own portfolio with space totalling more than 85,000 m² in the first nine months, e.g. in Frankfurt (30,000 m²), Munich (13,000 m²), Berlin (7,400 m²), Dusseldorf (4,100 m²), Madrid (10,300 m²), Brussels (8,200 m²), London (3,300 m²) and Budapest (1,300 m²). In Paris and Brussels, contracts are about to be exchanged for a further 20,000 m².

In the third quarter, major tenancies were concluded primarily in Frankfurt, London and Berlin:

- IVG leased 7,500 m² to Thiel Logistik in the Frankfurt-based airbizz.
- IVG secured Hill & Knowlton, an anchor tenant for its property at 20 Soho Square in London. The PR agency has rented approximately 3,300 m² in a high-quality office building in Soho that had been renovated by IVG from top to bottom, occupying about 60 % of the total lettable space. The lease contract was concluded for 20 years.
- IVG also succeeded in securing another important tenancy in the Berlin-based Spreespeicher in an up-and-coming district next to the Oberbaumbrücke bridge, where the Siemens Group rented 1,200 m² of space on a long-term basis.

Project development

It is jointly with renowned partners that IVG is developing a proportional project-development volume of approximately €1 billion. A project volume of over €290 million has already been sold on the part of IVG. The current investment sum is approximately €400 million. Investments are primarily made in major European cities and growth centres.

As a result of the Gresham Street project settled in the third quarter of 2002, both turnover and operating earnings were below the comparative values of the previous year. No major projects were settled in the third quarter of 2003. However, project developments are not allowed for in turnover and earnings before being completed, sold and handed over to the investor. In May, IVG and AXA Real Estate Investment Managers (REIM) sold the jointly developed project PÉrisud to Commerz Grundbesitz-Investmentgesellschaft mbH (CGI) (33,500 m² rental space). The profits resulting from this project will be allowed for in 2004.

IVG let a total of more than 75,000 m² of space relating to project developments in the first nine months, despite the fact that demand has remained cautious in

numerous European real-estate markets. Tenancies at attractive locations were concluded

- in particular with the Global Gate project in Dusseldorf
- the Milan-based Centro Marelli
- and the projects in Paris with Axa.

At the end of the third quarter, the average pre-letting rate of the projects remained unchanged at 42 %.

In the Berlin-Mitte quarter, IVG started a new project development after the successful sale of the Leipziger Platz and Dorotheenstraße projects. The IVG-subsiary Tercon is now jointly developing with a partner over 60,000 m² of office space for Deutsche Bahn AG. The project volume amounts to around €160 million. After the completion scheduled for the end of 2004, the office complex will be sold to a major German investor, who has already entered into a contract.

After the takeover of 100 % of the Wert-Konzept Group, IVG has combined the project development activities of Tercon and Wert-Konzept under the umbrella of Tercon.

11. Personnel

11. PERSONNEL (NUMBER AT END OF THE QUARTER)

	30.09.2003*	30.09.2002
Portfolio management	335	326
Project development	120	125
Funds / capital management*	5	3
Non-core business	120	137
Corporate functions	155**	142
Group	735	733

* Wert-Konzept group not yet included.

** 17 of which are apprentices and trainees

12. Significant events after the end of the reporting period

At the beginning of October, IVG signed a purchase contract relating to the acquisition of 71.42 % of the listed real-estate company, Polar Kiinteistöt Oyj (Polar Real Estate Corporation), in Helsinki. Following approval from the German, European and Finnish anti-trust authorities, IVG exercised its purchase right on 31 October 2003. The shares were bought from the previous major shareholders in the company, UPM Kymmene, Nordea, Kone and Wärtsilä, at a price of €0.75 per share, with a total of €96.4 million.

Taking further share purchases via the stock exchange into account, IVG now holds more than 76 % of the shares. IVG will submit a takeover bid to the remaining Polar shareholders for their shares between 7 November 2003 and 8 December 2003. The purchase price of €0.75 per share is to correspond to the price paid to the major shareholders. The takeover bid is around 25 % above the weighted average price of the past twelve months.

With the acquisition of Polar, IVG is set to secure its entry into one of Europe's thriving real-estate markets.

The real-estate portfolio amounting to some €350 million (260,000 m² of lettable space) comprises 60 % office properties and 40 % of shopping centres. Polar continues to hold property sites in Helsinki with development reserves for a gross ground-floor area of over 200,000 m². Approximately 70 % of the 38 Polar properties are located in Helsinki. The portfolio has a letting quota of 95 %. The turnover of Polar amounted to €61.9 million in 2002 and net income was €28.9 million.

Finland is among the model economies in the euro zone. Growth rates have been above the EU average for a number of years. State revenue exceeds spending. State debts only total 40 % of the GDP. These positive economic and basic regulatory key data indicate long-term potential on the Finnish real-estate market.

Following the successful acquisition of the listed Swedish company, ASTICUS AB, with real-estate in London, Paris and Brussels in 1999, this is the second takeover of a listed real-estate company by IVG.

13. IVG share

The price recovery that has been underway since March on the international stock markets has intensified over the course of the year and gained momentum. Boosted by low interest rates and improved corporate profits, share prices increased significantly. Banks and technology shares in particular contributed greatly to the upturn. Stock markets also benefited from an overall improvement in the macro-economic outlook. According to recently published data, the US

economy in particular appears to be on a more stable course than anticipated in the summer. However, the price increase of the euro against the US dollar may result in curbing effects in particular for export-intensive companies.

Since the beginning of 2003, the IVG share has increased by a total of 14 %, outperforming the EPRA Total Return Index (13.5 %) and EuroStoxx 50 (5.8 %).

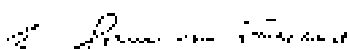
14. Outlook

Despite the difficult situation relating to the economy and the real-estate sector, we anticipate net income slightly below the previous year's value of €70.4 million for the year as a whole. We anticipate that the transactions currently being negotiated will be realised by the end of the year.

However, the situation appears to be easing in important European real-estate markets. Many markets have bottomed out. Demand for lettable space, in particular in the major European real-estate markets of London and Paris, is showing a noticeable recovery. As strong interest in real estate investments is unabated, the European investment markets are likely to continue to be stable in the fourth quarter.

With the acquisition of Polar, IVG is set to secure its entry into one of Europe's thriving real-estate markets. IVG is likely to benefit from the long-term potential of the Finnish real-estate market. The acquisition of entire portfolios is expected to remain a considerable part of the IVG strategy.

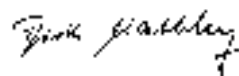
We intend to offer our extensive range of services in the field of portfolio and project management by our own branches to third parties. The funds segment is therefore to be further expanded. IVG Immobilien Kapitalanlagegesellschaft, which was authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Office for the Supervision of Financial Services) in the spring, is to issue special funds for institutional investors such as insurance companies and pension funds. This investment vehicle is particularly suited to institutional investors to take advantage of real estate in a fungible and professional way. Furthermore, IVG is set to expand in the field of closed-end funds for private and institutional investors. This is to be realised via the experienced Wert-Konzept Group that was taken over at 100 % by IVG in June 2003. Wert-Konzept, too, will concentrate on European real-estate funds.



Dr. Eckart John von Freyend



Dr. Bernd Kottmann

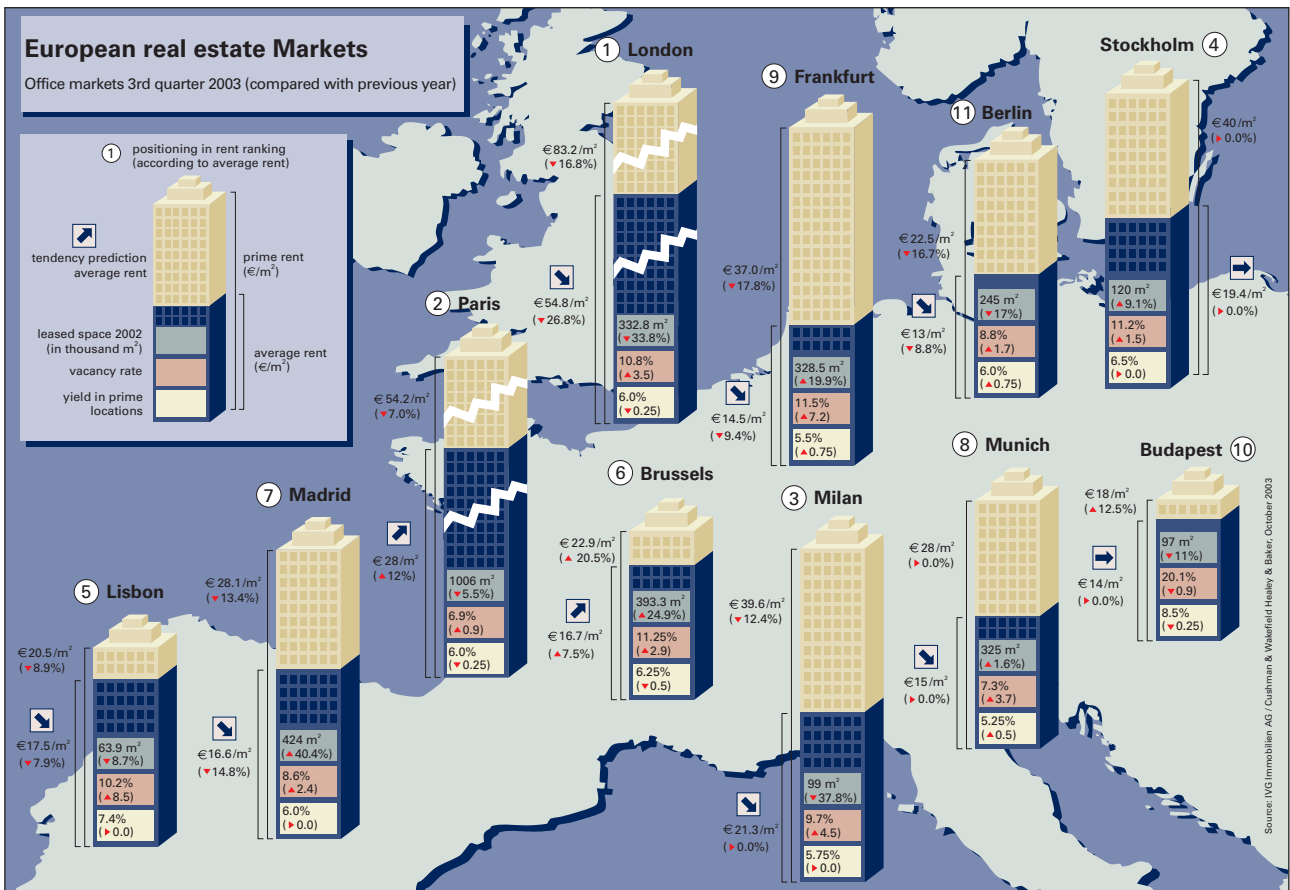
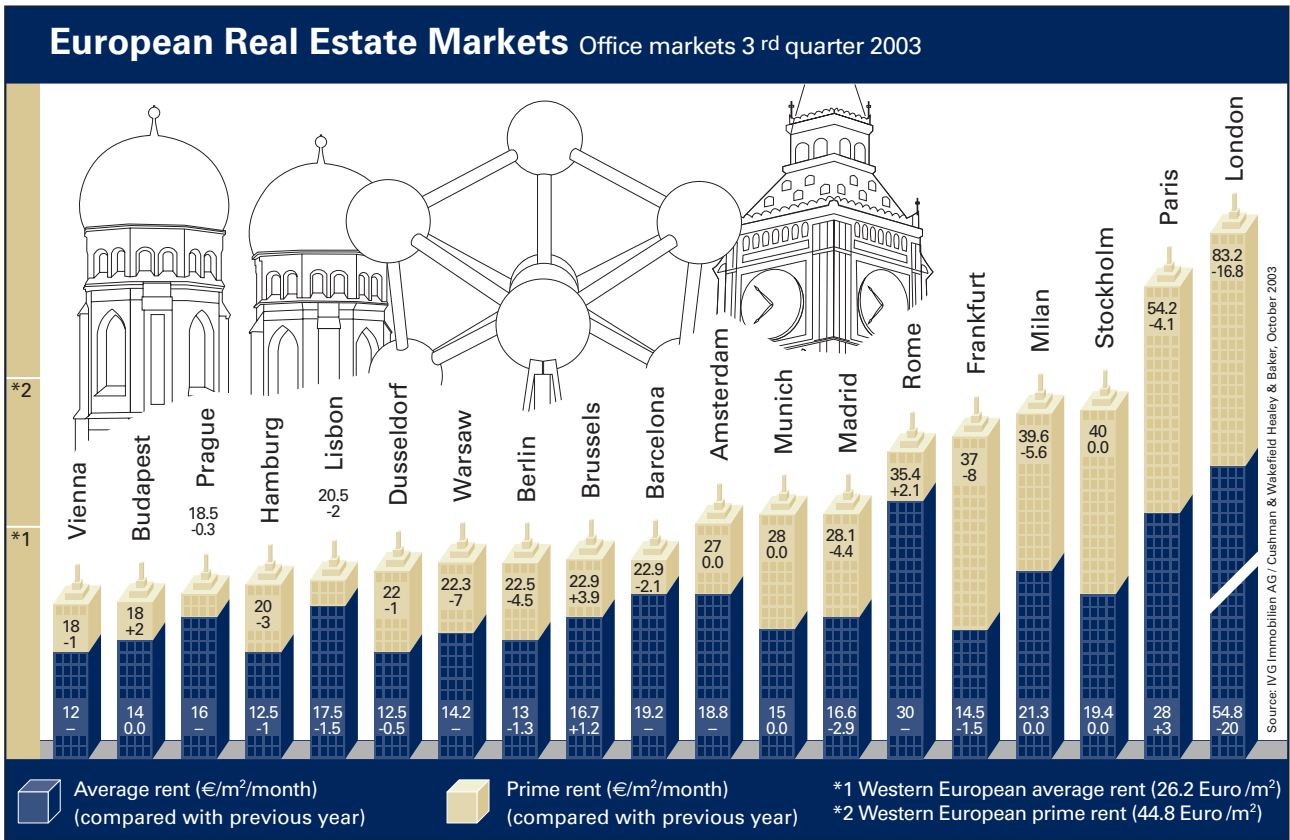


Dr. Dirk Matthey

15. IVG financial calendar 2003 / 2004

Publication of the interim report as at 30 September 2003	11.11.2003
IVG analysts' meeting in Frankfurt	11.11.2003
IVG presentation GMCC German Mid Cap Conference in Frankfurt	26.11.2003
IVG AGM for the 2003 financial year in Bonn	27.05.2004
Dividend payment for the 2003 financial year	28.05.2004

European Real estate Markets



Investor Relations

Dr. Wilhelm Breuer

Phone: +49 (0)228 / 844-137

Fax: +49 (0)228 / 844-372

E-Mail: investor.relations@ivg.de

Press

Thomas Rucker

Phone: +49 (0)228 / 844-230

Fax: +49 (0)228 / 844-6230

E-Mail: info@ivg.de