



PASSION FOR REAL ESTATE.

Half-yearly report 2003

Interim report of the 2nd quarter 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

Half-yearly report 2003

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- **Significant increase in earnings despite difficult economic situation**
- **Essential contribution to earnings by active portfolio management**
- **IVG has let more than 70,000 m² in the first six months**

1. Outline

Dear shareholders, ladies and gentlemen,

Despite the difficult macro-economic situation IVG was able to increase the operating earnings (EBIT) from €57.4m to €77.8m and post-tax earnings from €6.6m to €25.9m in the first half-year, compared with

the previous year. This significant increase in earnings is based on successful disposals of properties in London and Brussels within the framework of the active buy-and-sell strategy.

Already in the first half of the year IVG has let 71,700 m² of space, with about 59,000 m² of the own portfolio and 12,700 m² in project developments, although demand in many European real-estate markets has been very cautious. Furthermore, the project PÉrisud in Paris (33,500 m²) that is being implemented together with AXA Real Estate Investment Managers, was sold in May to Commerz Grundbesitz-Investmentgesellschaft mbH (CGI). These profits will be allowed for in 2004, after the completion of the project.

2. Macro-economic development and real-estate markets

After the economic situation world-wide had continued to develop negatively in the first quarter owing to the war in Iraq and the repercussions of SARS, a slight recovery has started to materialise at the end of the first half-year. The macro-economic development in Euroland, however, is still influenced by the weak domestic demand and the consequences of the upturn of the EURO for the exports. There are nevertheless signs that indicate a turn for the better. The Ifo-Index of the business climate in Western Germany has been improved in July for the third successive time. But the six leading institutes for economic research do not anticipate a slight growth of 1.3 % to 1.8% of the real GDP before 2004. In Euroland, ECB expects a growth of 1.1 to 2.1 % in 2004.

Most rental markets have been influenced by a weak demand for lettable space, as had been anticipated before. And particularly German locations are heavily involved. In Brussels, IVG's biggest sub-market, however, rents continue their upward trend, owing to the very special economic situation that is marked by EU.

In contrast to the rental markets, the investment markets remained stable. Yields have virtually not been changed in the second quarter. This reflects the investors' great interest in properties who reduce the risks of the portfolio by setting a greater store by real estate.

3. Income statement

3. INCOME STATEMENT €/m

	1 st half-year 2003	1 st half-year 2002	Change %	2 nd Quarter 2003	2 nd Quarter 2002	Change %
Turnover	168.8	151.6	11.3	82.8	74.5	11.1
Other operating income	38.9	9.9	292.9	25.2	8.2	207.3
Changes in inventories of finished goods and work in progress	-5.1	21.0	-124.3	1.7	7.1	-76.1
Production of own fixes assets capitalised	0.4	0.4	0.0	0.3	0.1	200.0
Total operating performance	203.0	182.9	11.0	110.0	89.9	22.4
Costs for purchased material	-25.2	-36.5	-31.0	-13.8	-12.0	15.0
Personnel expenses	-24.4	-23.4	4.3	-12.4	-12.0	3.3
Depreciation	-20.8	-20.5	1.5	-10.6	-9.4	12.8
Leasing expenses	-9.8	-5.9	66.1	-4.9	-3.1	58.1
Other operating expenses	-39.3	-37.1	5.9	-17.7	-23.3	-24.0
Income from investments and participation	-0.4	3.3	-112.1	0.0	0.2	-100.0
Interest income and expenses	-44.1	-47.2	-6.6	-22.9	-26.6	-13.9
Result from ordinary activities	39.0	15.6	150.0	27.7	3.7	648.6
Other taxes	-5.2	-5.4	-3.7	-4.1	-2.6	57.7
Result before income tax	33.8	10.2	231.4	23.6	1.1	2,045.5
Income Tax	-7.9	-3.6	119.4	-4.8	-1.0	380.0
Net income	25.9	6.6	292.4	18.8	0.1	18,700.0
Operating Cash Flow (EBITDA)	108.5	83.8	29.5	62.0	40.2	54.2
Operating earnings (EBIT)	77.8	57.4	35.5	46.4	27.7	67.5
Weighted average shares outstanding	116.0	116.0	-	116.0	116.0	-
Earnings per share (€)	0.22	0.06	266.7	0.16	0.001	15,900.0

The increase in turnover in the second quarter and in the first six months derives from the higher income from rents and higher proceeds from project developments. Compared with the previous year, net rents rose from €96.0m to €111.6m in the first half-year. Profits from sales of properties in London and Brussels resulted in the rise in earnings and total operating performance in the second quarter and the first half-year compared with the values of the previ-

ous year. Costs for purchased materials and changes in inventories of finished goods decreased both during the half-year and the second quarter, as previous year's figures included the project development on Gresham Street. Furthermore, changes in the inventories of finished goods were reduced in the first half of the year, mainly by the allowance of the project development on Glockengießerwall in Hamburg that had to be considered both in turnover and earnings.

4. Balance sheet

4. BALANCE SHEET €/m

	30.06.2003	31.12.2002
Assets		
A. Fixed Assets		
I. Property, plant, equipment	2,321.6	2,374.5
II. Intangible assets	11.5	11.8
II. Financial assets	239.6	289.2
	2,572.7	2,675.5
B. Current Assets and Prepaid Expenses		
I. Inventories	31.6	35.7
II. Receivables and other assets	306.4	328.6
III. Securities available for sale	0.8	0.4
IV. Liquid assets	270.4	131.5
V. Prepaid expenses	6.7	13.6
	615.9	509.8
	3,188.6	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	142.5	147.3
IV. Consolidated net income available for distribution	25.9	39.4
V. Minority interests	7.1	7.9
	750.4	769.5
B. Special tax-allowable reserves	30.9	31.5
C. Provisions	139.1	162.2
D. Liabilities	2,080.2	2,106.5
E. Deferred income	188.0	115.6
	3,188.6	3,185.3

5. Changes in equity capital

€/m			Use of	Foreign
	31.12.2002		net income	exchange differences
				30.06.2003
Share capital	116.0			116.0
Additional paid-in capital	458.9			458.9
Revenue reserves	147.3		-4.8	142.5
Consolidated net income available for distribution	39.4	-13.5		25.9
Shareholders' equity according to consolidated financial statement	761.6	-13.5	-4.8	743.3
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	-14.3	-4.8	750.4

€/m			Use of	Foreign
	31.12.2002		net income	exchange differences
				30.06.2003
Share capital	116.0			116.0
Additional paid-in capital	458.9			458.9
Revenue reserves	115.9		-1.4	114.5
Consolidated net income available for distribution	39.4	-32.8		6.6
Shareholders' equity according to consolidated financial statement	730.2	-32.8	-1.4	696.0
Minority interests	28.2	-0.5		27.7
Consolidated equity	758.4	-33.3	-1.4	723.7

The equity capital according to the balance sheet was raised by the half-yearly surplus, but was reduced mainly by the dividend for the year 2002 to the amount of €39.4m that was distributed in May. As

international standards require, IVG determines the equity ratio on the basis of the market values. Currently, it is about 43%.

6. Investments

6. INVESTMENTS €/m

	1 st half-year 2003	1 st half-year 2002	2 nd Quarter 2003	2 nd Quarter 2002
Portfolio management	61.4	89.6	42.1	34.3
Project development	15.8	15.3	8.6	9.0
Non-core business	0.5	0.5	0.2	0.4
Corporate functions/Other	4.4	11.0	0	0.5
Group	82.1	116.4	50.9	44.2

Investments of the half-year of the IVG group came to €82.1m. In the second quarter IVG primarily invested in the further construction of the Madou Building in Brussels, in the further development of the IVG business parks and the projects that are being implement-

ed jointly with AXA. Investments already made in the first quarter were the initial founding of the investment-trust company, the further construction of Frankfurt-based airbizz and Madou Building in Brussels, and the further development of the IVG business parks.

7. Cash flow statement

7. CASH FLOW STATEMENT €/m

	1 st half-year 2003	1 st half-year 2002
Net income for the period, before extraordinary items	25.9	6.6
+/- depreciation on fixed assets	20.8	20.5
+/- other non-cash items	-7.6	0
- profits from the disposal of fixed assets	-20.9	-2.6
- decrease in provisions	-23.1	-21.6
Changes in current assets and liabilities:		
Inventories (+decrease/-increase))	4.1	-13.4
Receivables and other assets (+decrease/-increase)	28.7	21.5
Trade accounts payable/other liabilities (+increase/-decrease)	114.7	-8.6
Cash used for / provided by operating activities	142.6	2.4
Cash used for / provided by investing activities	99.5	-39.0
Cash used for / provided by financing activities	-103.1	65.6
Net change in cash and cash equivalents	139.0	29.0
Cash and cash equivalents at the start of the period	131.4	20.2
Cash and cash equivalents at the end of the period	270.4	49.2

More cash provided by operating activities as well as cash provided by disposals of properties led to an increase in cash and cash equivalents to more than

€270m at the end of the half-year, despite repayments of €103.1m. Consequently, this value is clearly above previous year's value.

8. Appendix

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 107ff. The effects of the amended § 308 HGB were not taken into account in the first half of the year. Please

see page 122f of the annual report 2002 for subscription rights with regard to share option plans.

As per 30 June 2003 IVG held 103,351 unit shares (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 quarter. The shares that had been 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 IVG annual report 2002.

9. Financing

The second quarter of the year was marked by new lows in interest rates throughout the Euro-Zone, nearly reaching the historic low of 1999. IVG has taken advan-

tage of this situation by re-financing €70m at low interest rates in the long run, with the average interest rate in the IVG loan portfolio coming to 4.85 %.

10. Segment reporting

10. SEGMENT REPORTING €/m

	Turnover		Operating Earnings (EBIT)		Turnover		Operating Earnings (EBIT)	
	Half-year 2003	Half-year 2002	Half-year 2003	Half-year 2002	2 nd Quarter 2003	2 nd Quarter 2002	2 nd Quarter 2003	2 nd Quarter 2002
Portfolio management	141.5	132.4	87.8	74.4	73.8	67.3	52.7	41.5
Project development	14.3	5.6	-1.7	-4.5	2.5	0.1	-2.7	-5.3
Non-core business	12.4	12.9	-1.0	2.8	6.3	6.6	-0.6	1.5
Corporate functions	0.6	0.7	-7.3	-15.3	0.2	0.5	-3.0	-10.0
Group	168.8	151.6	77.8	57.4	82.8	74.5	46.4	27.7

Portfolio Management

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

Compared with the first half-year of 2002, turnover grew by 6.8 %. This increase primarily results from the higher income from rents that rose from €95.8m to €110.5m. This figure was positively influenced by the acquisitions that we concluded last year in Milan (Piazzale Lodi) and Madrid (Coslada) as well as by the development projects in the own portfolio in Munich and Nuremberg. We were able to increase the operating earnings by well-planned sales of properties. We

sold an office building at 16 Great Marlborough Street in London 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 had already been allowed for in the first quarter.

The anticipated economic letting quota of the IVG real-estate portfolio for the total year 2003 was slightly reduced from 94 % to 91.3 % in the first quarter. In the second quarter, the letting quota remained nearly unchanged. Despite the difficult macro-economic situation IVG succeeded in concluding lease contracts in the own portfolio with space totalling about 59,000 m² in the course of the first six months, e. g. in Frankfurt (22,000 m²), Munich (7,900 m²), Berlin (4,800 m²), Dusseldorf (4,000 m²), Madrid (10,300 m²), Brussels (2,700 m²), and Budapest (1,300 m²). In Munich, Bosch Sicherheitssysteme GmbH moved into its new headquarters in the IVG Businesspark vor München with a staff of several hundred. This building provides 13,600 m² of office space.

After the first half of the year, IVG was able to let another 7,500 m² in Frankfurt and 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. In July 2003 IVG succeeded in securing an important tenancy in Berlin-based Spreespeicher, as 1,200 m² were let to the Siemens Group on a long-term basis.

Project development

It is jointly with renowned partners that IVG is developing a proportional project-development volume of approximately €1bn. On the part of IVG a project volume of about €290m was already sold. The current investment sum is coming to about €400m. Investments are primarily made in major European cities and growth centres.

With the Hamburg-based office project on Glockengießerwall allowed for in the first quarter, both turnover and operating earnings were raised. No major projects were allowed for in the second quarter. But it has to be considered that 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 Périssud to Commerz Grundbesitz-Investmentgesellschaft mbH (CGI). The profits generated in this project will be allowed for in 2004.

Besides IVG has managed to let about 12,700 m² of space in the project developments since the beginning of the year, despite the cautious demand in numerous European real-estate markets. It is mainly in Dusseldorf, Milan, and Paris - that tenancies at attractive locations could be concluded. The average letting rate of the projects was raised to 42 % at the end of the second quarter.

After the projects on Leipziger Platz and Dorotheenstraße in the centre of Berlin were successfully sold, the IVG-subsiary Tercon in cooperation with Rendata is now developing 61,300 m² of office space for Deutsche Bahn AG on the former station site on Invalidenstraße in the centre of Berlin. The project volume is coming to about €160m, with 50 % held by Tercon. After the completion that is scheduled for the end of 2004, the office complex will be transferred to a major German investor who already entered into a contract. Deutsche Bahn AG intends to move into the new building at the beginning of 2005.

After the take-over of 100 % of the Wert-Konzept Group, IVG has connected the activities in the field of project development of Tercon and Wert-Konzept under the umbrella of Tercon.

In the second quarter the privatisation process of the Berlin-based airports was rescinded by the public sector. The consortium led by IVG and Hochtief has reached an acceptable agreement on the rescission with the public authorities. No details shall be published on this agreement. IVG regrets that no economically acceptable solution regarding a privatisation could be found in the course of eight years that were marked by intense efforts.

11. Personnel

11. PERSONNEL (NUMBER AT END OF THE QUARTER)

	30.06.2003*	30.06.2002
Portfolio management	341	326
Project development	115	123
Funds/Capital management*	4	3
Non-core business	120	137
Corporate functions	150	138
Group	730	727

*Wert-Konzept group not yet included

12. IVG share

After the lows at the beginning of the year, the end of the Iraq war and the containment of SARS, the positive attitude in the stock markets has become more firmly established in the course of the second quarter of 2003. Despite the macro-economic situation that is still difficult, the most important indices were marked by significant growth rates. This trend was backed up by the positive development on the stock markets by decreases in interest rates by both ECB and Federal Reserve. It was primarily finance shares that were responsible for the positive development of the shares.

After the clear downward trend in the first three months of the year, the IVG share, too, developed positively in the second quarter, gaining nearly 22 % in value. Consequently, the share performed more successfully than the EPRA Total Return Index (+ 15 %), the index of the leading European real-estate shares, in the same period. Taking a look at the first half of the year, however, shows, that the IVG share lost 12 % in value, performing more negatively than the EPRA Total Return Index (+ 2 %) and Euro Stoxx 50 (- 3 %). In July and early August, the IVG share has continued to recover, and the decline at the beginning of the year was compensated.

13. Outlook

The economic recovery has failed to materialise yet. Against the setting of the persistently weak economic development, demand for lettable space is still very cautious in most markets. As there is an incessantly strong interest in real estate investments, the investment market is likely to remain fairly stable in the course of the year. In addition to the solid letting business, profits from sales of properties are an integral part of the earnings. For the total year we anticipate that the business year will be concluded with a net income slightly below the previous year's high value of €70m, despite the difficult situation of the economy and the real-estate sector.

IVG intends to offer its extensive range of services in the field of portfolio and project management by its own branches also to third parties. Therefore we are expanding our funds segment. In spring we obtained

the operating licence to run an investment trust company (Kapitalanlagegesellschaft/KAG) that was granted by Bundesanstalt für Finanzdienstleistungsaufsicht (Federal office for the supervision of financial services). IVG Immobilien KAG will issue special funds for institutional investors such as insurance companies or pension funds. This investment vehicle is particularly suited to institutional investors to take advantage of real estate in the fungible and professional way. Furthermore we will also expand in the field of closed-end funds for private and institutional investor. This will be made 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.

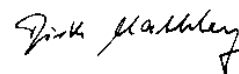
Bonn, 12 August 2003



Dr. Eckart John von Freyend



Dr. Bernd Kottmann



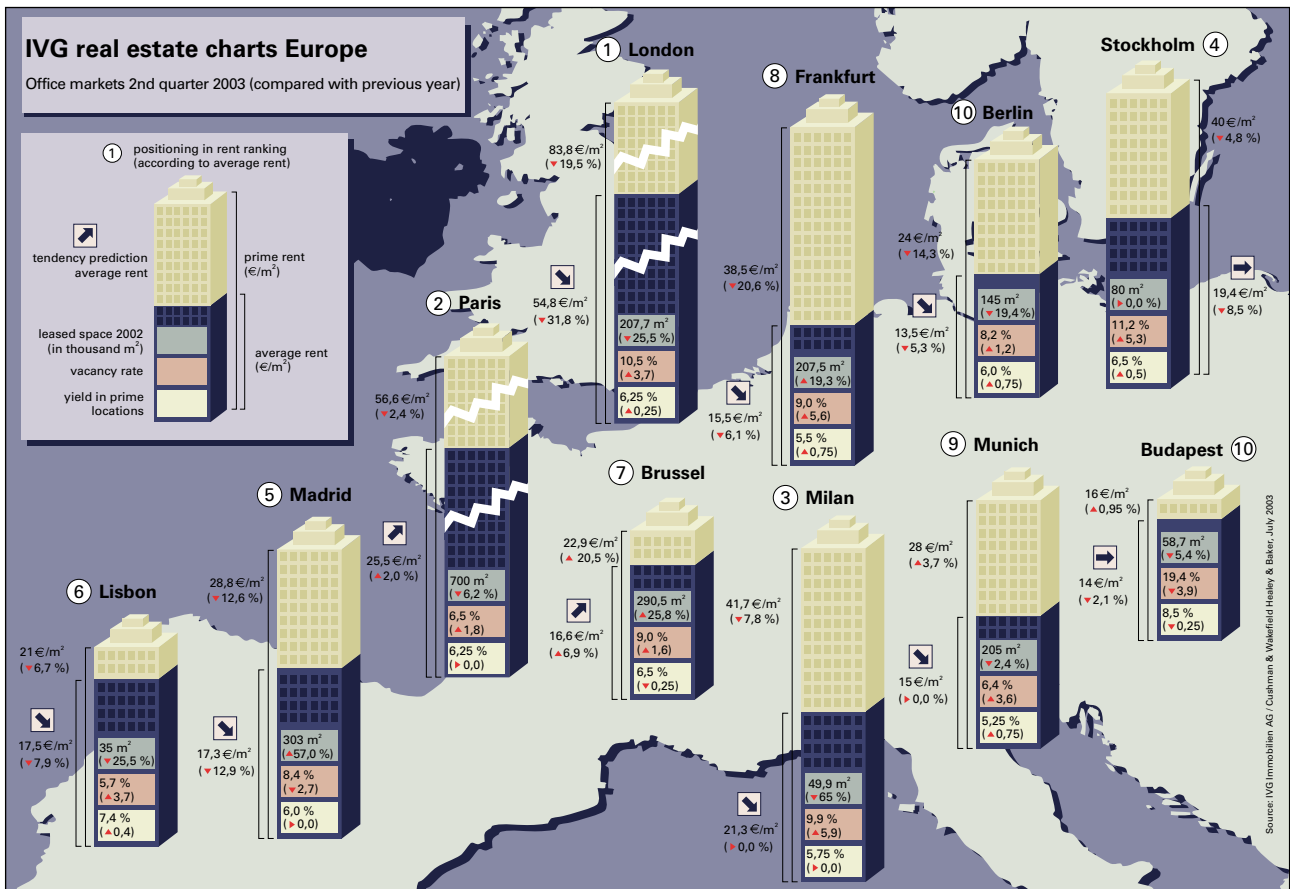
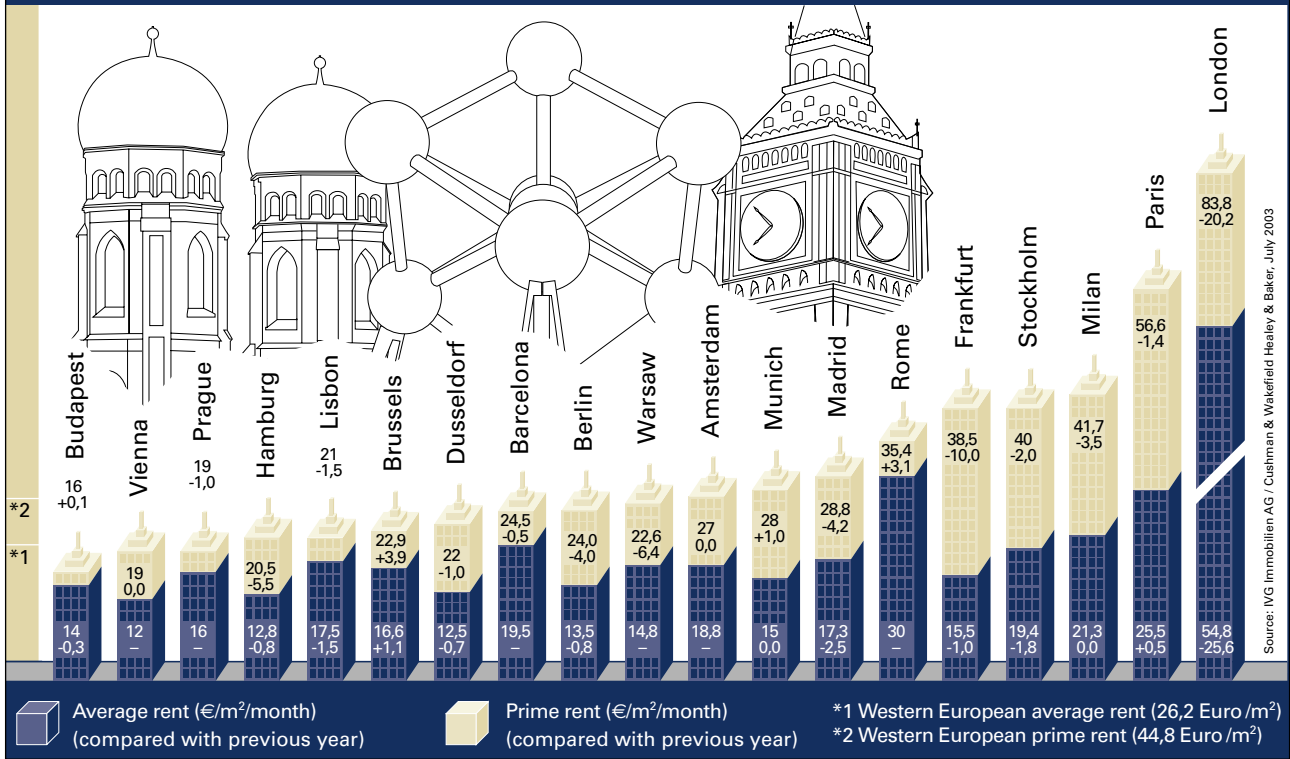
Dr. Dirk Matthey

14. IVG financial calendar 2003

Interim report 2nd quarter/first half-year 2003	12 August 2003
IVG presentation, 3rd annual conference „Initiative Immobilienaktie“ („Initiative Real Estate Shares“) in Frankfurt, Hilton Hotel	23 October 2003
Interim report 3rd quarter/Nine months 2003	11 November 2003
Analysts' meeting in Frankfurt	11 November 2003
IVG presentation GMCC German Mid Cap Conference in Frankfurt	24-26 Nov. 2003
IVG AGM in Bonn	27 May 2004

Real estate charts Europe

IVG Real Estate Charts Europe Office markets 2nd quarter 2003



IVG Immobilien AG

-Investor Relations-

Zanderstrasse 5-7

53117 Bonn, Germany

Phone: +49(0)228 844-137

Fax: +49(0)228 844-372

Investor.Relations@IVG.de

-Kommunikation-

Phone: +49(0)228 844-300

Fax: +49(0)228 844-337

info@ivg.de, www.ivg.de