Interim Report for the 1st Quarter 2005

Bonn, May 12th, 2005

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- **Successfully started in 2005**
- **Outlook 2005: Further growth in earnings and net asset value**
- **Acquisition of oil and gas caverns opens up growth potential**
- **EuroSelect-Funds on course for success**

1. Overview

Dear shareholders, ladies and gentlemen,

IVG has made a successful start to the financial year:

- In the first 3 months, IVG has managed 111,000 m² of new lettings.
- A good start of the buy-and-sell-program in 2005: purchases of €530 million, et al. in London, Paris and Wilhelmshaven (caverns); sales for €120 million in Brussels, Milan, Munich and Paris that will mainly become effective in the following quarters.
- The acquisition of oil and gas caverns in Etzel/Wilhelmshaven opens up considerable potential for expansion in the growth market of energy storage.
- The EuroSelect 08 fund has been fully placed since February and sales of the new EuroSelect 09 London fund have made a successful start.
- IVG received the mandate to manage the €170 million property portfolio of a professional welfare provider.
- In the regularly weak first quarter, the result after tax increased by 17.4% to €2.7 million.

2. Macro-economic Development and Property Markets

Economic researchers currently forecast average growth of 1.8% for 2005. The growth rates for Germany range from 0.6% to 1.0%.

Compared to the previous quarter, the European investment markets for office property showed on average a slight decrease in the top yields and thus further price increase. In the five main German markets, the yield corridor for top locations is still 5.25% - 6%, while the major cities in Western Europe are in the 5.25% - 7.25% corridor. The initial prices in Warsaw, Prague and Budapest have again increased, yields range from 7.5% - 7.75%.

The recovery of the rental markets is solidifying. The core market of London/West End started the year with an increase in the top rents and holds further upwards potential until the end of the year. Brussels/Leopold (European quarter) and Paris/CBD currently appear stable and will remain so for 2005. In the German property markets, it is likely that the top rents will have reached the bottoming-out.

3. Income Statement

	Q1 2005	Q1 2004
Turnover	95.2	99.9
Other operating income	8.0	5.1
Change in inventories of finished goods and production of own fixed assets capitalised	0.5	-3.9
Total operating performance	**103.7**	**101.1**
Material expenses	-9.0	-12.4
Personnel expenses	-16.7	-13.9
Depreciation of intangible assets, property, plant and equipment, and investment properties	-11.4	-12.3
Investment property expenses	-12.3	-14.0
Other operating expenses	-26.6	-22.1
Income from at-equity associated companies	-1.1	9.9
Income from participations	0.2	0.0
Other interest and investment income	-22.9	-33.2
Earnings before income tax	**3.9**	**3.1**
Income tax	-1.2	-0.8
Quarterly net profit	**2.7**	**2.3**
Attributable to Group shareholders	0.7	0.6
Minority interests	2.0	1.7
Earnings per share in € due to the shareholders		
Undiluted	0.01	0.01
Diluted	0.01	0.01
Operating Cash Flow (EBITDA)	**38.2**	**48.6**
Operating Earnings (EBIT)	**26.8**	**36.3**
Number of shares	116.0	116.0
Earnings per share (in €)	0.02	0.02

The slight decline in turnover is attributable to the fact that in the past year, amongst other things, the project development of Nordbahnhof has been calculated using the percentage of completion method. At €57.7 million, the net rents contained in the turnover were almost equal to previous year (€58.3 million).

Personnel expenses increased due to the comprehension of 240 employees of OIK while including opposite effects by reducing in other segments.

The decrease in income from at-equity associated companies was caused by the disposal of the project development Perisud realised within the Joint Venture with AXA REIM in previous quarter. Earnings from already finalised disposals that are included in the buy-and-sell-volume will become effective in the following quarters.

The financial result improved because of declining financial liabilities and because of special effects from hedging and currency transactions in previous quarter.

4. Balance Sheet

A S S E T S

€ m	**31 03 2005**	**31 12 2004**
Non-current assets		
Intangible assets	131.6	131.6
Investment properties	2,385.7	2,398.6
Other property, plant and equipment	207.3	172.2
Financial assets	130.1	124.7
Shares in associated companies accounted for using the equity method	31.5	32.0
Derivative financial instruments	13.4	15.3
Deferred tax assets	49.7	49.9
Receivables and other assets	72.4	76.5
Prepaid expenses	4.6	4.9
Total non-current assets	**3,026.3**	**3,005.7**
Current assets		
Inventories	79.2	73.2
Receivables and other assets	195.5	406.2
Income tax receivables	7.8	11.2
Current asset securities	38.6	37.3
Cash at bank and in hand	106.8	74.5
Prepaid expenses	6.4	5.2
Total current assets	**434.3**	**607.6**
Total assets	**3,460.6**	**3,613.3**

L I A B I L I T I E S A N D E Q U I T Y

€ m	**31.03.2005**	**31.12.2004**
Equity		
Subscribed capital	116.0	116.0
Additional paid-in capital	459.7	459.7
Own shares	-0.2	-0.2
Other reserves	-2.5	-6.4
Revenue reserves	291.6	292.2
Equity attributable to Group shareholders	**864.6**	**861.3**
Minority interests	-0.5	-2.3
Total equity	**864.1**	**859.0**
Liabilities		
Non-current liabilities		
Financial liabilities	1,900.2	1,906.2
Derivative financial instruments	30.0	31.4
Deferred tax liabilities	138.9	143.0
Pension provisions	23.7	23.6
Other provisions	33.6	33.6
Accounts payable	40.5	40.9
Deferred income	7.9	8.2
Total non-current liabilities	**2,174.8**	**2,186.9**
Current liabilities		
Financial liabilities	106.3	272.4
Derivative financial instruments	1,2	1.4
Other provisions	37.1	40.3
Accounts payable	252.8	229.2
Income tax liabilities	10.8	11.2
Deferred income	13.5	12.9
Total current liabilities	**421.7**	**567.4**
Total liabilities and equity	**3,460.6**	**3,613.3**

5. Statement of Changes in Equity

€ m	Subscribed Capital	Additional Paid-in Capital	Own Shares	Translation differences	Other reserves	Revenue reserves	Minorities
Per 31 12 2003	**116.0**	**459.2**	**-0.3**	**-10.9**	**-0.9**	**255.9**	**26.6**
Earnings directly recognised in equity:							
-Change in participation quota and consolidation						3.4	-12.0
- Translation differences				3.5			
- Securities and ownership available for sale and hedges					-2.8		
Total				3.5	-2.8	3.4	-12.0
Quarterly net profit						0.6	1.7
Per 31 03 2004	**116.0**	**459.2**	**-0.3**	**-7.4**	**-3.7**	**259.9**	**16.3**
Per 31 12 2004	**116.0**	**459.7**	**-0.2**	**-8.9**	**2.5**	**292.2**	**-2.3**
Earnings directly recognised in equity:							
- Change in participation quota and consolidation						-1.3	-0.2
- Translation differences				4.2			
- Securities and ownership available for sale and hedges					-0.3		
Total				4.2	-0.3	-1.3	-0.2
Quarterly net profit						0.7	2.0
Per 31 03 2005	**116.0**	**459.7**	**-0.2**	**-4.7**	**2.2**	**291.6**	**-0.5**

6. Investments

€ m	Q1 2005	Q 1 2004
Portfolio management	28.9	23.9
Project development	22.2	10.5
Funds	1.3	-
Corporate Functions	0.1	1.5
Non-core business	-	0.2
Group	**52.5**	**36.1**

7. Cash Flow Statement

€ m	**Q1 2005**	**Q1 2004**
Quartely net profit	2.7	2.3
+/- depreciation / apprecation on fixed assets	11.3	12.3
+/- other non-cash items	1.6	-5.5
+/- profits from the disposal of fixed assets	-1.3	0.5
Change in receivables and other assets (+ decrease / - increase)	186.9	-15.0
Change in liabilities and accruals (+ increase / - decrease)	-12.1	-0.2
Cash provided by/used for operating activities	**189.1**	**-5.6**
Cash provided by/used for investing activities	**-40.2**	**35.0**
Cash provided by/used for financing activities	**-116.6**	**24.9**
Net change in cash and cash equivalents	**32.3**	**54.3**
Cash and cash equivalents at the beginning of the period	**74.5**	**62.8**
Cash and cash equivalents at the end of the period	**106.8**	**117.1**

Due to cash provided by operating activities, the cash and cash equivalents at the end of the first quarter increased to more than €106 million despite repayment of liabilities.

8. Notes

The quarterly financial statements have been drawn up in accordance with the provisions of the International Financial Reporting Standards (IFRS). 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 2004 and are presented in the IVG Annual Report on pages 79 ff.

For details of subscription rights under share option plans, please see page 128 ff of the Annual Report 2004.

As at 31 March 2005, IVG held 21,351 own shares, which equates to 0.018 % of the share capital. No own shares were acquired in the first quarter. Please refer to page 102 f of the IVG Annual Report 2004 on this topic.

9. Segment Reporting

€ m	Revenues	
	Q1 2005	Q1 2004
Portfolio management	69.0	69.5
Project development	11.0	24.1
Funds	17.0	1.9
Non-core business	0.1	4.1
Corporate Functions	-1.9	0.3
Group	**95.2**	**99.9**

€ m	Operating result	
	Q1 2005	Q1 2004
Portfolio management	29.7	33.6
Project development	0.5	8.5
Funds	4.9	-0.2
Non-core business	0.0	-0.1
Corporate Functions	-8.3	-5.5
Group	**26.8**	**36.3**

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. In its portfolio management, IVG pursues the goal of increasing the value of and yields on the portfolio on a sustained basis and of realising attractive, regular capital gains thanks to an active buy-and-sell strategy.

A major event in the first quarter was the acquisition of the oil and gas caverns in Etzel/Wilhelmshaven for €132 million. IVG won an international bidding competition. The cavern complex comprises 33 caverns for storage of crude oil and natural gas. These caverns are subterranean cavities in the Etzel salt mines, providing an environmentally friendly and safe storage facility for large volumes of natural gas and crude oil. IVG set up the complex in the mid 1970s and, since then, has managed them in trust for the Federal government. Together with its own seven caverns with long-term rental arrangements, IVG thus has 9 gas and 31 oil caverns at this location.
The oil caverns contain parts of the legally specified strategic reserves held by the organisations for crude oil stocks of the Federal Republic of Germany, the Netherlands and Portugal. There is also a long-term contract with the Etzel Gas Store Group, the majority shareholders of which are E.ON Ruhrgas AG and the Norwegian Statoil, to use the gas caverns. The first class credit rating of the tenants means that the transaction can be financed favourably.

The complex in Etzel is connected to the most important international natural gas pipeline systems and is now already an energy hub for imported natural gas and crude oil. The oil pipelines lead to the refinery centres of Hamburg and Rhine-Ruhr. The gas pipelines connect the location with the West European natural gas alliance. With regard to the growing demand for gas in the future, the Federal government has kept 14 of its 24 oil caverns unrented at the disposal of the purchaser. These are available in the short term for conversion to gas storage and rental. IVG expects this offer to be accepted in the short term in view of the worldwide increased demand for energy and raw materials and the expected increase in price fluctuations. As a result of the extensive salt rights acquired in the 1990s, IVG can at least double the cavern capacity at this location in the future.

The total rent volume is currently more than €45 million p.a. and will increase significantly. With the acquisition, IVG is expanding its position in the strategically significant business area of logistics properties. Right from the beginning, the acquisition makes a positive contribution to the Group’s net income. In the past, IVG has generated stable and long-term cash flow yields of well over 10% p.a. with the cavern business.

A further acquisition during the first quarter was the "Parc Avenue" property in Paris, purchased for about €90 million. The seven-storey office and commercial property, with 15,300 m² renting space, comes into being at the start of 2007. It is located in the district “Paris Rive Gauche” at Avenue de France 82-90 to the east of the Gare d´Austerlitz and near to the future sites of the Denis Diderot University as well as a national law court Tribunal de Grande Instance.

Paris remains for IVG a preferred investment location in Europe. For the next few years, we expect increased demand for office space and a stable investment market in Paris.

IVG was also successful in the rental business. With more than 51,000 m², the company again achieved good rental earnings with its property portfolio.

Rentals	**m²**
Berlin	11,956
Hamburg	1,946
Dusseldorf	1,332
Munich	11,159
Brussels	3,313
Budapest	2,445
Lisbon	4,659
Helsinki	12,863
Other	1,627
Total	**51,300**

For 2005, the economic occupancy ratio for the IVG portfolio shall improve from 92.7 % to more than 93 %. The vacancy will decrease consequently.

Turnover and net rents in the first quarter were virtually unchanged. The operating result was below that of the previous year, as in the first quarter of 2004 it contained the sales profit from a shopping centre in Finland and in the first three months of 2005 there have been no major sales profits affecting earnings.

Project Development

IVG is currently developing a pro rata project development volume of €1.1 billion with well-known partners. Around €400 million is invested at this time. However, project developments are not allowed for in turnover and earnings before being completed, sold and handed over to the investor - unless it is not a contract manufacture (Percentage of completion). Investments are primarily made in major European cities and growth centres.

In a joint venture with AXA REIM, IVG has sold a further office project in the Paris district of Bois Colombes for €63 million. The new owner of the property, containing 14,000 m² of letting space, is the investment trust company KanAm Grund Spezialfondsgesellschaft. Two other buildings in the office complex had already been sold to KanAm by IVG/AXA in December 2004. The three buildings with a total letting space of 41,000 m² had been let by IVG/AXA to the British insurance group Aviva for twelve years. IVG's proportion of the sales profit will be allowed in 2005.

In terms of project developments, IVG let more than 10,000 m² in the first quarter. Of this, 9,300 m² was to the Infopark in Budapest and 1,300 m² to the second-largest shopping centre in Finland, Jumbo 2 in Helsinki.

Turnover and earnings in this segment are below those of the previous year. This is due to the fact that in the first three months, in contrast to the previous year, no major projects have yet been included in the final accounts or posted in accordance with percentage of completion.

Funds

In the Funds segment, IVG offers private and institutional investors a range of interesting opportunities regarding indirect property investments. Authorisation to manage the properties contained in the portfolios of institutional investors complete the range of services.

- Oppenheim Immobilien Kapitalanlagegesellschaft mbH (OIK), in which a majority interest was acquired last year, is the market leader in special funds and currently manages property assets of €8.8 billion for institutional investors in 28 special funds. In the first quarter OIK has acquired 7 properties for €156 million.

- With the range of EuroSelect property funds, IVG enables private investors to invest in high-quality property in Europe managed by local IVG branches. In spring IVG finalised the placement of the fund "EuroSelect 08" with the One Neathouse Place property in London's West End successfully after just a short time. Meanwhile IVG started the sales of a new closed-end property fund "EuroSelect 09" with good success. It enables private investors to invest in the fully rented office property Riverside House on London's South Bank with a minimum investment of €15,000. The architecturally outstanding building is located right by the Thames opposite the City of London. IVG acquired the property for a converted figure of €156 million. The initial distribution is approximately 6.5% per year and, by making use of the tax-free amount in Great Britain of up to an investment of approx. €75,000 per person, is largely tax exempt. The funds has been awarded with "very good" by the two independent rating companies Feri and Scope.

As real estate asset manager for institutional investors IVG received the mandate to manage the €170 million property portfolio of a professional welfare provider and since the beginning of the year has managed 10 office properties in Germany. The first successes from rentals have already been seen by using the rental expertise of IVG branches.

In the funds business, 49,900 m² were let.

Turnover and earnings in this segment increased mainly due to the successful placing of the EuroSelect range and increased turnover at OIK where IVG had no participation in the previous quarter.

10. Staff

Number at the end of the quarter	**31 03 2005**	**31 12 2004**
Portfolio management	360	364
Project development	95	122
Funds	288	300
Corporate Functions	130	144
Group	**873**	**930**

The decrease in staff is mainly due to the retirement of employees in the project development segment and the outsourcing of IT services in the Corporate Functions segment.

11. IVG Share

After an increase of 33.5% in the last year, the IVG share had with +13% again a better performance than DAX (+0.5%), MDAX (+4.5%) and other European property shares (EPRA index: +5%). In addition to the clear strategic positioning and good fundamentals the discussion surrounding the launch of the Real Estate Investment Trust (REIT) in Germany shall encourage the IVG-share.

In January, the BMF announced it was prepared in principle to launch the REIT in Germany. IVG supports the ambitious plan of the Federal Ministry of Finance to launch a German REIT short term. The coming legislative procedure will concentrate fundamentally on creating a flexible and competitive REIT in Germany and on recording accurately the total tax burden of a German REIT model: the taxation of undisclosed reserves (so-called "exit tax"), the definition of the method of measuring distribution of dividends and taxation with investors will represent an overall system which will make decision on the acceptance of the REIT.

IVG supports a flexible REIT in Germany subject to as little regulation as possible and is convinced that with the swift launch of the REIT, Germany can become a leading investment and capital market for property. Public households, investors, property management, and thus the economic and working location of Germany will all benefit. This has been confirmed by many examples abroad

12. Outlook

We expect a moderate economic upturn for the eurozone in 2005. Coupled with a limited offer of new space, this is likely to lead onto a recovery in the most important European rental markets. IVG will benefit especially from the lively markets in London and Paris in terms of its own portfolio and from the expansion of its project development activities. The investment markets are likely to remain stable against the background of constant interest in property investments. The German market in particular is currently attracting a high degree of acquisition interest especially from foreign investors.

Europe continues to offer attractive business opportunities in 2005. The acquisition of complete portfolios will continue to have a high priority for IVG in future. The potential for value increases will be systematically developed via rentals, optimisation of the tenant structure and refurbishments.

In the area of funds, IVG is striving for further growth. In addition to the doubling of equity distributed with closed-end funds expected in 2005, OIK is also planning to further expand the property assets it manages. There are also interesting structural investment opportunities for institutional investors.

IVG is strategically well placed as a European investment company for property investments. We expect to further increase earnings and net asset value in 2005 based on the planned property and project selling programme and also due to the growth in the funds business.

Eckart John von Freyend Bernd Kottmann Dirk Matthey

13. IVG Financial Calendar

IVG Annual General Meeting for the financial year 2004, Bonn	31 05 2005
Dividend payment for the 2004 financial year (proposed dividend €0.35 per share)	01 06.2005
Interim report: for the 1 January – 30 June 2005	11 08 2005
Interim report: for the 1 January – 30 September 2005	15 11 2005
Analyst's Conference	15 11 2005

Investor Relations Contact
Dr Wilhelm Breuer
Tel.: + 49 (0) 228 / 844-137
Fax: + 49 (0) 228 / 844-372
E-Mail: investor.relations@ivg.de

Press Contact
Thomas Rücker
Tel.: + 49 (0) 228 / 844-230
Fax: + 49 (0) 228 / 844-6230
E-mail: info@ivg.de