

Interim report per 30 09 2005

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Bonn, 15 November 2005

Interim report for the 3rd Quarter 2005

- **Consolidated earnings increase by 67% to €55.9 million as of 30 September 2005**
- **Forecast for the 2005 as a whole**
 - **Consolidated earnings after taxes: €100 million**
 - **Net asset value more than €16.50**
 - **Dividend increase planned**
- **IVG plans further growth**

16. Overview

Dear Shareholders, Ladies and Gentlemen,

IVG remains on course for success at the end of the third quarter.

- Earnings after tax increased significantly by 67% from €33.5 million to €55.9 million.
- In the first nine months, IVG has achieved 450,000 m² of new leases.
- The buy-and-sell programme continues to be successful, with purchases of real estate in Paris and Wilhelmshaven (caverns) and sales in Milan, Geneva, Helsinki and Paris
- The acquired cavern facility is fully let. The eleven oil caverns, which were standing empty at the time of acquisition, have now been let to E.ON Ruhrgas as gas caverns until 2043. The leases for another nine gas caverns have also been extended until 2043. The tenant is a consortium lead by E.ON Ruhrgas and Statoil.
- With €116 million equity of Euroselect funds placed in the private investor sector, IVG has already far surpassed the volume for the whole of the previous year.
- The volume of managed properties for institutional investors increased by €800 million.

2. Macro-economic Development and Property Markets

Economic growth in Europe is slowly gathering pace. In their autumn report, the leading economic research institutes are predicting that the Eurozone will witness a growth rate of 1.3%

in 2005 and 1.8% in 2006. Economic growth in Germany is expected to be 0.8% in 2005 and 1.2% in 2006.

In the European investment market for office property, yields have continued to fall, and therefore prices have again risen. The top yields for western European high-quality property were down to 5.3%. In the five major German office markets of Berlin, Frankfurt, Hamburg, Munich und Düsseldorf, top yields continued to move between 5.25% and 6%. Once again the steepest falls in yields in the third quarter were in Warsaw, Prague and Budapest, where they are between 6.75% and 7.0%.

The rental markets remained largely stable in the important European office locations.

3. Income Statement

Profit and loss account	1.1. - 30.09.05	1.6.- 30.09.05	1.1. - 30.09.04	1.6.- 30.09.04
Turnover	314,7	103,5	339,0	125,8
Other operating income	63,4	27,8	38,7	27,2
Change in inventories of finished goods and production of own fixed assets capitalised	-0,8	-0,3	3,6	-0,5
Total operating performance	377,3	131,0	381,3	152,5
Material expenses	-47,2	-15,6	-85,0	-24,4
Personnel expenses	-52,8	-18,6	-44,4	-19,4
Depreciation of intangible assets, property, plant and equipment, and investment properties	-33,5	-11,0	-40,2	-12,2
Investment property expenses	-43,6	-15,3	-35,8	-12,2
Other operating expenses	-64,2	-17,5	-61,7	-25,1
Income from at-equity associated companies	2,0	-1,8	11,7	2,3
Income from participations	2,4	1,7	0,9	0,0
Other interest and investment income	-72,3	-17,8	-83,0	-29,9
Earnings before income tax	68,1	35,1	43,8	31,6
Income tax	-12,2	-4,0	-10,3	-9,6
Quarterly net profit	55,9	31,1	33,5	22,0
Attributable to Group shareholders	48,7	28,2	29,0	18,4
Minority interests	7,2	2,9	4,5	3,6
Earnings per share in € due to the shareholders				
Undiluted	0,42	0,24	0,25	0,16
Diluted	0,42	0,24	0,25	0,16
Operating Cash Flow (EBITDA)	173,9	63,9	167,0	73,7
Operating Earnings (EBIT)	140,4	52,9	126,8	61,5

Number of outstanding shares: 116 million

The slight drop in turnover can be mainly attributed to the fact that in the past year the project development of Nordbahnhof has been calculated using the percentage-of-completion method. The cost of materials fell as a result. The gross rental income contained in the turnover increased from €173.2 million to €177.9 million as a result of the acquisition of the Fed-

eral caverns. The increase in other operating income can be attributed to capital gains from the sale of office properties, and to profits from finance lease contracts.

Personnel expenses rose as a result of the first fully year inclusion of the 240 OIK staff, though this was offset to some extent by reductions in personnel expenses in other areas of the company. The increase in investment property-related expenses came about as a result of the first-time inclusion of the Federal caverns acquired, and from non-capitalised maintenance investments.

Earnings from associated companies valued at equity fell due to the impact in the previous year of the sale of the Périssud project developed jointly with AXA REIM.

The financial result improved as a result of lower financial debt and more favourable market values of interest rate swaps.

4. Balance Sheet

Assets

€ millions	30.09.2005	31.12.2004
Non-current assets		
Intangible assets	131.1	131.6
Investment properties	2,265.7	2,398.6
Other property, plant and equipment	343.2	172.2
Financial assets	215.6	124.7
Shares in associated companies accounted for using the equity method	33.5	32.0
Derivative financial instruments	14.0	15.3
Deferred tax assets	60.0	49.9
Receivables and other assets	135.5	76.5
Deferred income	5.0	4.9
Total non-current assets	3,203.6	3,005.7
Current assets		
Inventories	68.0	73.2
Receivables and other assets	194.8	406.2
Income tax receivables	12.1	11.2
Current asset securities	18.5	37.3
Cash at bank and in hand	106.6	74.5
Deferred income	6.0	5.2
Total current assets	406.0	607.6
Total liabilities and equity	3,609.6	3,613.3

Liabilities and equity

€ millions	30.09.2005	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	0.2	-6.4
Revenue reserves	301.5	292.2
Equity attributable to Group shareholders	877.2	861.3
Minority interests	1.5	-2.3
Total equity	878.7	859.0
Liabilities		
Non-current liabilities		
Financial liabilities	1,952.4	1,906.2
Derivative financial instruments	31.7	31.4
Deferred tax liabilities	148.8	143.0
Pension provisions	23.9	23.6
Other provisions	33.6	33.6
Accounts payable	39.0	40.9
Deferred income	7.6	8.2
Total non-current liabilities	2,237.0	2,186.9
Current liabilities		
Financial liabilities	182.2	272.4
Derivative financial instruments	0.0	1.4
Other provisions	32.4	40.3
Accounts payable	253.5	229.2
Income tax liabilities	11.1	11.2
Deferred income	14.7	12.9
Total current liabilities	493.9	567.4
Total liabilities and equity	3,609.6	3,613.3

Other property, plant and equipment increased as construction work in project developments progressed. The transfer of the Nordbahnhof project in Berlin in early 2005 brought about a substantial reduction in short-term receivables and a decrease in short-term financial liabilities.

5. Financing

IVG issued a new €750 million 5-year term syndicated loan at the end of July. The new loan saw IVG clearing existing loans and creating additional liquidity reserves for potential portfolio acquisitions. IVG had also generated further long-term lending commitments from banks by the end of the quarter, affording it open money-market lines and liquidity of about €1.0

billion. The Commercial Paper programme (volume €200 million) was also utilised by IVG specifically for corporate financing. The current volume at 30 September stood at €75 million.

The use of long-term interest rate hedging transactions meant that average interest rates for group liabilities remained at under 5.0% in the third quarter.

6. Statement of Changes in Equity

Mio. €	Subscribed Capital	Additional paid-in Capital	Own shares	Other reserves		Revenue reserves	Minorities	Equity
				Exchange rate differencies	other reserves			
Stand zum 31.12.2003	116,0	459,2	-0,3	-10,9	-0,9	255,9	26,6	
Earnings directly recognized in equity								
Change in participation quota and consolidation						12,4	-18,8	
Exchange rate differencies				4,3				
Securities and ownership available for sale, hedges					-0,7			
Total				4,3	-0,7	12,4	-18,8	
Distribution						-39,4	-1,9	
Quarterly net profit						29,0	4,5	
Per 30.09.2004	116,0	459,2	-0,3	-6,6	-1,6	257,9	12,3	836,9
Per 31.12.2004	116,0	459,7	-0,2	-8,9	2,5	292,2	-2,3	859,0
Earnings directly recognized in equity								
Change in participation quota and consolidation						1,2	-2,3	
Exchange rate differencies				5,2				
Securities and ownership available for sale, hedges					1,4			
Total				5,2	1,4	1,2	-2,3	
Distribution						-40,6	-1,1	
Quarterly net profit						48,7	7,2	
Per 30.09.2005	116,0	459,7	-0,2	-3,7	3,9	301,5	1,5	878,7

Book equity increased in the first nine months and compared to the previous year, primarily as a result of higher quarterly net profit.

7. Investments

€m	01 01 – 30 09		3 rd quarter	
	2005	2004	2005	2004
Portfolio management	203.5	41.1	23.4	17.1
Project development	59.7	75.3	10.9	52.2
Funds	7.4	124.0	0.0	124.0
Corporate Functions	0.8	1.5	0.0	0.0
Non-core business	0.0	0.2	0.0	0.0
Group	271.4	242.1	34.3	193.3

Investments increased by 15% to €271 million in the first nine months compared to the previous year. The biggest single investment was the acquisition of the former Federal caverns for €132 million in the Portfolio Management segment. Further portfolio management investments included the acquisition of the Parc Avenue office building in Paris and the extension of the German business parks. In terms of project developments, the main IVG investments were in the Madou Tower in Brussels, Lombard Street and Caxton Hall in London, Jumbo in Helsinki and the third phase of construction of the Global Gate in Düsseldorf.

8. Cash Flow Statement

€m	Q1 2005	Q1 2004
Quartely net profit	55.9	33.5
+/- depreciation / appreciation on fixed assets	32.5	39.3
+/- other non-cash items	9.0	-4.1
+/- profits from the disposal of fixed assets	-18.5	-28.6
Change in receivables and other assets (+ decrease / - increase)	106.1	-27.9
Change in liabilities and accruals (+ increase / - decrease)	-55.2	-29.6
Cash provided by/used for operating activities	129.8	-17.4
Cash provided by/used for investing activities	-94.2	-106.8
Cash provided by/used for financing activities	-3.5	176.7
Net change in cash and cash equivalents	32.1	52.5
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	115.3

9. 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 from 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 30 September 2005, IVG held 21,351 own shares, which equates to 0.018 % of the share capital. No own shares were acquired in the first nine months. Please refer to page 102 f of the IVG Annual Report 2004 on this topic

10. Segment Reporting

m €	Turnover 1.1. - 30.9.		Turnover 3rd Quarter	
	2005	2004	2005	2004
Portfolio Management	213.1	225.4	69.1	74.5
Project Development	34.5	85.8	7.8	28.0
Funds	73.3	28.7	28.3	20.9
Corporate Functions	-6.6	-7.2	-1.9	0.3
Non-Core-Business	0.3	6.3	0.1	2.1
Group	314.6	339.0	103.4	125.8
m €	Operating Earnings 1.1. - 30.9.		Operating Earnings 3rd Quarter	
	2005	2004	2005	2004
Portfolio Management	131.2	116.9	45.8	53,0
Project Development	1.2	15.7	6.6	6,3
Funds	35.6	10.4	10.3	7,1
Corporate Functions	-27.4	-16.5	-9.0	-6,0
Non-Core-Business	-0.2	0.3	-0.8	1,1
Group	140.4	126.8	52.9	61.5

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 with an active buy-and-sell strategy.

The first nine months were characterised primarily by the acquisition of the Federal caverns and the fully letting of the facility to tenants with a first-class credit rating, the purchase of the Paris Parc Avenue property, and the successful continuation of the selling programme. After the end of the reporting period, IVG also acquired two properties in Munich, realised an asset swap with the listed Dutch Rodamco Group, and sold an office real estate complex in Nuremberg.

- As of 1 April, IVG acquired the 33 Federal oil and gas caverns in Etzel near Wilhelmshaven for €132 million. Caverns are subterranean cavities in 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 has managed them in trust for the Federal government ever since. Together with its own seven caverns with long-term rental arrangements, IVG now has nine gas and 31 oil caverns at this location. Right from the outset the acquisition has made a positive contribution to the Group's net income.

In the past, IVG has already generated stable and long-term cash flow revenues of well over 10% p.a. with the cavern business. 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 lease contract with the Etzel Gas Store Group, the majority shareholders of which are E.ON Ruhrgas AG and the Norwegian Statoil. Long-term rental to business partners with a first-class credit rating means that the transaction can be financed favourably.

The 12 oil caverns that were standing empty at the time of the acquisition have now all been let by IVG. At the end of May, IVG entered into a contract with E.ON Ruhrgas AG on the use of up to 11 caverns for the storage of gas in the Etzel salt mine. The conversion from oil to gas storage will be realised step by step by 2009 at the latest. The contract has a fixed term which will run until 2043.

In addition, an existing permission-for-use contract governing nine caverns for the storage of gas with Statoil ASA, Norway was extended early at the end of May. The extended contract also applies until 2043.

When there is sufficient demand, IVG will be able to at least double the cavern capacity at this location in the future. The expanding market for energy storage and a strategically favourable geographical location provide good conditions. The caverns in Etzel are connected to the most important international natural gas pipeline systems and are 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. Moreover, the Wilhelmshaven oil port is very close to the IVG caverns. E.ON Ruhrgas recently declared its intention to build harbour facilities for importing liquefied natural gas (LNG) in Wilhelmshaven. This would create demand for additional caverns.

- Early in the year IVG acquired the Paris Parc Avenue property. The seven-storey office and commercial property, with 15,300 m² of letting space, will be ready by the start of 2007. The purchase price of €90 million will be due pro rata temporis. It is located in the Paris Rive Gauche district 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 the national law court Tribunal de Grande Instance. We anticipate an increase in demand for office space and a stable investment market there over the next few years.

In 2005 IVG is also continuing its strategy of selling, at an attractive profit, property whose value has increased systematically through renovation and the conclusion of new lease contracts.

- In Milan, IVG sold a property on Piazzale Lodi with 22,000 m² of letting space. The buyer was the Italian insurance group RAS.
- In Finland, IVG sold two properties worth €30 million in total – at a profit of more than €5 million. These were:
 - the Elimaenkatu office property in Helsinki with 12,100 m² of letting space, bought by the German firm LB Immo Invest. IVG has benefited from the sharp rise in international investor interest in the Finnish capital as an attractive office market.
 - a shopping centre with 5,800 m² of letting space in Hollolan, 100 km to the north of Helsinki, bought by the British firm Investor Rockspring.

After the end of the reporting period IVG realised other attractive transactions. These include the property swap with the Dutch Rodamco Group, the acquisition of three other properties in Munich, and the sale of property in Nuremberg.

The exchange with Rodamco is worth a total of €215 million. IVG is acquiring two office properties in Paris and one in Munich, and at the same time is selling its shareholding in the Jumbo Shopping Centre in Helsinki for around €135 million. In addition, IVG is receiving cash compensation of around €55 million and a right of pre-emption on an office project development in Paris. This asset swap shows once more, that IVG is able to avoid price competition by realising complex transactions.

The office properties acquired are located at prime office locations, and offer potential for development, rental and appreciation. The two Paris properties, with 5,400 m² of letting

space and a project development with around 3,000 m², are on the eighth arrondissement close to the Arc de Triomphe. The Munich office property, with 14,000 m² of letting space, is situated on Arnulfstrasse near the city's main railway station.

Beyond the Rodamco transaction, IVG also prepared the acquisition of three further commercial properties in Munich for in excess of €60 million. The properties are in an inner-city location, and offer opportunities for development and rental. The purchases have consolidated IVG's property portfolio in one of Germany's most stable and promising property markets.

- One of the properties has over 15,000 m² of office space and parking space for more than 100 cars. It is a state-of-the-art property and is let to tenants with a good credit rating.
- The second of the two properties has 7,000 m² of letting space and room to park around 50 cars; it will be complete in spring 2006. The quality of the location is underlined by the fact that 83% of the available space has already been let.
- The third one is an office building with 10,000 m² lettable space. Tenants are a bank and an insurance company.

Munich is currently one of the most attractive property markets in Germany. Science, high-tech, electronics, software, corporate finance, media, tourism and fashion are areas currently being developed on what is an essentially sound economic structure. Following the difficult years up to the middle of 2004, stable rental sales and high sales of rental space are indicators that the office market is recovering. It is predicted that rental prices will increase significantly in the coming years.

IVG also sold a property in Nuremberg after the end of the reporting period. The property complex let to Lucent technology, in Nuremberg's Nordostpark, was sold to a foreign investor for €81 million. Built in 2000, the complex included three properties offering 47,200 m² of office space and a 912-capacity car park.

IVG also recorded successes in the rental business, most notably with its own portfolio of around 180,000 m² in the first three quarters.

Rentals

Branch	m ²
Helsinki	53,881
Munich	30,829
Berlin	28,241
Lisbon/ Madrid	26,561
Frankfurt	12,029
Budapest	6,104
Other	21,980
Total	179,625

The IVG portfolio's commercial rental ratio is expected to improve in 2005 – from 92.7% to 93.4%.

The operating result improved on the back of sales profits that were up on the previous year.

Project development

In conjunction with well-known partners, IVG is developing office property in major European cities and growth centres. IVG's pro rata project development volume is around €1.3 billion. Around €288 million is invested at present.

In Geneva, IVG sold the Rue de Lausanne property to a private investor for in excess of €61 million, achieving a tax-free profit of €4 million. Rue de Lausanne is a 10-storey office building with 13,400 m² of rental space in the centre of the Swiss metropolis. IVG was able to acquire the property in 2001 through the assumption of bank debts. In 2004, the building was completely renovated for rental, whilst the rental ratio was increased to 95%.

In Finland IVG sold a 75,000 m² of residential land in the Helsinki metropolitan area, bought by the Finnish construction group Lujatalo.

In a joint venture with AXA REIM, IVG has sold a further office project in Paris for €63 million. The new owner of the 14,000 m² property is the investment trust company KanAm. Two other buildings in the office complex had already been sold to KanAm by IVG and AXA last year. The building's tenants are the British insurance group Aviva. IVG's share of the profit from the sale will have an impact on net income in the 4th quarter 2005.

Following the success of the first Paris project development joint venture, IVG and AXA have a successor in place. This will also see the development of commercial property projects in the Paris area worth a total of €1.2 billion until 2011. Equity of €405 million has already been placed in full with institutional investors. The joint adventure got off to a good start with the sale of the Suresnes office project (76,000 m² letting space) to a French insurance company even before construction work had begun.

In terms of project developments, IVG let 105,000 m² in the first nine months of the year. Of this figure, 73,500 m² alone belong to the projects with AXA in Paris. An additional 9,300 m² went to the Infopark in Budapest, and 3,000 m² to the Centro Marelli project in Milan.

After the reporting period in the 4th quarter IVG sold via the already mentioned asset swap with Rodamco the fully-let 85,000 m² Jumbo shopping centre near Helsinki airport. It was developed by IVG's Finnish subsidiary Polar and partners. It was opened at the end of October. IVG acquired Jumbo in 2003 as part of the acquisition of the previously listed Polar. In 2004 it became part of a comprehensive project development, significantly increasing the value.

However, project developments are not taken into account in turnover and earnings before being completed, sold and handed over to the investor. Only in the case of contract manufacture is there a pro rata realisation of earnings according to the percentage-of-completion method. In the first three quarters of the year, turnover and earnings within the segment were down on the previous year because, in contrast to the previous year, despite the fact that pre-production costs were incurred, no major projects have yet been included in the final accounts or affected earnings in accordance with percentage of completion. The sale of the Jumbo project realised as part of the Rodamco swap did not take place until after the end of the reporting period, and therefore will have an impact on earnings in the fourth quarter.

In order to streamline the project development business still further, as of 1 August 2005 IVG increased its existing 83 per cent stake in Tercon Immobilien Projektentwicklungs-GmbH to 100%. The company is moving its head office from Munich to Bonn. The full integration of Tercon means that, in addition to portfolio management, the funds business and international project development, the German development projects will now also be centrally controlled. By dealing directly with the German branch offices, interesting projects can be identified at an early stage and realised efficiently.

Funds

In the Funds segment, IVG offers private and institutional investors opportunities for indirect property investments. Management of the properties contained in the portfolios of institutional investors completes the range of services.

- With the EuroSelect property funds, IVG enables private investors to invest in property in Europe managed by local IVG branches. The quality of the funds was confirmed recently by the independent ratings agency Scope. IVG received the Scope Award as the best issuing house in the European Closed Property Funds segment. The award was based on the fact that “with its EuroSelect range, IVG Immobilien AG has put Europe back on the map as a place to invest. High product quality combined with strategic far-sightedness have made the issuing house the market leader in the segment within a very short period of time.”

IVG has already placed significantly more equity (€116 million) in closed funds in the first nine months than in the whole of 2004 (€88 million).

After the EuroSelect 08 with the One Neathouse Place property in London’s West End was placed successfully by IVG after just a short time in the spring (€118 million fund volume, €60 million equity), the EuroSelect 09 (€170 million fund volume, €76.7 million equity) launched in March has been fully distributed after just a few weeks. Private investors therefore have a participation in the Riverside House office property development in London’s South Bank. The architecturally outstanding building is located right by the Thames opposite the City of London. The fund has been classified by the independent rating agencies Feri and Scope as “very good”.

EuroSelect 10, which was launched just a few weeks ago, is currently on the verge of being fully placed. The office property – a long-term let to DHL – is situated in Amersfoort in the Dutch region of Randstad.

IVG will begin selling the EuroSelect 11 property fund on 14th November. It has a volume of €190million and equity of some €85 million. The minimum stake in the Moorgate office property in the City of London is €15,000. The building, which was erected in 2002, is in the heart of London’s banking district. The 14,000 m² building has been let in its entirety to JP Morgan Cazenove – part of one of the biggest global banking groups. Once again,

IVG has set great store by security in the design. The rental contract runs until 2027. The tenant has a one-off right of termination in 2018. The building will be looked after by IVG's London branch during the term of the fund. The initial dividend payout will be 6%. The double taxation agreement (DBA) will enable investors from Germany with a stake of €100,000 to have nearly tax-free income.

- Oppenheim Immobilien Kapitalanlagegesellschaft mbH (OIK), in which a majority interest was acquired last year, is the market leader in special funds, and currently manages properties worth €9.6 billion for institutional investors in 28 special funds. In the first nine months of the year, OIK has already invested more than €620 million in acquiring property throughout Europe.
- In addition, IVG, in conjunction with IKB Deutsche Industriebank AG and the banking firm Sal. Oppenheim, has launched an equity fund for project developments. A quarter of the fund's initial capital of €100 million has been raised by the initiators who are also responsible for managing the fund. The remainder of the fund volume is expected to be provided gradually by institutional investors. The fund provides equity-related funding and is actively involved in project developments in Germany in the form of joint ventures with developers. The focus is on both office and trade properties in major German towns and cities. The main advantage for project developers is the high quality of the equity afforded by the new form of financing. For example, a tailor-made mix of mezzanine capital and pure equity capital is provided for investment projects with an individual volume of between €20 million and €50 million. From the lenders' perspective, the aim is a timely implementation of the project development so that at least ten projects can be conducted over the fund's eight-year term. The mezzanine tranche provides a guarantee of a regular payment of interest on the commitment.
- In addition to property in funds, IVG also manages portfolios directly for institutional investors. At the beginning of the year, IVG received was commissioned to manage the €170 million property portfolio of a professional welfare provider in Berlin with ten German office properties. The contract is very much performance-oriented. The first successes from rentals have already been seen by using the IVG branches. The award of this contract has a pilot effect for a business area which IVG, with its know-how, is in an ideal position to build on.

IVG has let 165,000 m² in the funds business.

Turnover and earnings in this segment increased mainly due to the successful placing of the EuroSelect funds and the full year inclusion of OIK in which IVG only had a stake in the first half of the previous year.

11. Staff

Number at the end of the quarter	30.09.2005	31.12.2004
Portfolio management	359	364
Project development	81	122
Funds	280	300
Corporate functions	130	144
Group	850	930

Staffing levels were reduced as scheduled by the end of the third quarter, due mainly to Project Development staff leaving and the outsourcing of IT services in the Corporate Functions division.

12. Changes to the shareholder structure

The banking firms Sal. Oppenheim and HSH Nordbank reduced their shares in IVG at the end of September through the sale, in each case, of 5% of their shareholding – to 20.1% and 5.1% respectively. Sal. Oppenheim regards its IVG participation unchanged as a long term investment. According to Sal. Oppenheim, IVG with the joint participation in OIK is an important platform for Oppenheim's institutional business in the European Real estate markets. The steady and broad placement of 11.6 million shares with investors also from abroad shows the increased interest of institutional investors in the company. The Board of Management welcomes the associated increase in the free float to 75% and heavier weighting in all share indices. IVG is therefore becoming of greater interest to institutional investors both within Germany and beyond.

13. IVG Share

As in 2004, the IVG share, at + 43%, again performed better in 2005 than DAX (+17%), MDAX (+30%) and other European property shares (EPRA Index: +21%). Further upside potential is derived from the favourable strategic positioning as a European investment house for real estate, the expected increase in earnings and net asset value, the ongoing recovery of the European real estate markets, the expansion of the caverns business, and

the fast-growing funds business. The further dynamic sampling of the German real estate markets, such as the introduction of Real Estate Investment Trusts (REITs), offer additional opportunities for profitable growth.

We expect the launch of REITs to follow quickly under the new German government. The political parties in Germany have made noises and given out signals to this effect. The forthcoming legislative process will concentrate fundamentally on creating a G-REIT in Germany which will enable it to compete internationally and provide a guarantee of appropriate taxation. 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 would all benefit. Constructive political talks must concentrate on achieving a consensus on a flexible G-REIT which will resolve fiscal problems and can be communicated easily to the capital market.

14. Outlook

The moderate upward trend which is beginning to emerge for the Eurozone at the macro-economic level, coupled with a limited offer of new space, will lead to a further recovery in European rental markets. IVG will benefit in particular in the recovering London, Paris and Madrid markets, both in terms of its company holdings and project developments.

The investment markets are likely to remain stable against the background of sizeable demand for property investments. The German market, in particular, is currently enjoying a high degree of interest – especially from foreign investors – due to the expected bottoming out of rent development in Germany.

In the funds business, IVG expects an €88 million (2004) increase in the distributed equity of closed funds to about €150 million by the end of the year. In the future, IVG will increase its distributed equity significantly.

In special funds, OIK will also continue to expand the property assets that it manages. IVG will also offer institutional investors interesting structured investment opportunities.

IVG is strategically well placed as a European investment company for property investments. Based on the positive performance of the business, IVG is expecting consolidated earnings after taxes on income to be in the region of € 100 million, following €74.9 million in the previous year. This marked increase in earnings will be due in part to all three business divisions: Portfolio Management (including Caverns), Project Development and Funds. We also expect

the net asset value to increase in 2005 to more than 16.50 € per share; it stood at €15.20 per share at the end of 2004.

Following the positive development, the Board of Management intends to propose another dividend increase for 2005. The dividend for the 2004 business year was €0.35 per share.

Between 2006 and 2008, IVG is planning a transaction volume of €10 billion. €8 billion of this will derive from property acquisitions, mainly in the fast-growing funds business; € 2 billion from sales. According to planning, the net asset value per share is set to increase to more than €20 by the end of 2008 and managed property assets from €16.5 billion to over €25 billion.

Eckart John von Freyend

Bernd Kottmann

Dirk Matthey

Georg Reul

17. IVG Financial Calendar

Interim Report for the 1 st to 3 rd Quarters 2005	15 11 2005
Analysts' Conference	15 11 2005
Annual General Meeting for the financial year 2005	30 05 2005

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