

Interim Report

for the 1st Quarter 2007



IVG **I**MMOBILIEN

moving forward

IVG Group key figures

		Q1 2007	Q1 2006
Turnover	€ mn	104.4	127.1
Total operating performance	€ mn	120.1	97.7
EBITDA	€ mn	133.2	117.4
EBIT	€ mn	131.8	116.2
Consolidated net profit	€ mn	69.7	72.8
Earnings per share	€	0.55	0.60
Investments	€ mn	1,148.0	42.1

		31 March 2007	31 Dec. 2006
Total equity and liabilities	€ mn	6,098.4	5,056.6
Equity (carrying amounts)	€ mn	2,021.7	1,642.9
Equity ratio at carrying amounts	%	32.5	31.7
Equity ratio at market values	%	40.7	43.9
Investment: fair value	€ bn	3.8	2.6
Development: total investment volume (IVG share)	€ bn	1.7	1.4
Funds: assets under management	€ bn	13.8	13.1
Storage caverns: fair value	€ bn	1.2	1.2
Number of employees		815	816



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IVG Immobilien AG is one of Europe's major publicly listed real estate companies. Our business is focussed on office properties in selected cities in Germany and Europe. Via our network of local branch offices we currently manage property assets valued at € 18 billion.

Our market activities are carried out in four independent divisions: Investment, Funds, Development and Storage Caverns. Each division acts autonomously with its own strategy on its markets. All divisions share the same goal – profitable growth.

Foreword

Dear Shareholders, Ladies and Gentlemen,

Your Company has increased its operating profit by 13 % to € 132 million in the first quarter, and thus surpassed the record earnings of the same quarter in the previous year. The increase in operating profit is primarily due to the Investment division which made a positive contribution to consolidated net profit with revaluation gains of € 87 million (previous year: € 21 million). Consolidated net profit after interest and taxes fell slightly from € 72.8 million to € 69.7 million as positive one-time items in the net financial income of the previous year were not repeated.

We expect consolidated net profit to rise significantly for the full-year based on favourable conditions in our core markets.

Acquisitions of more than € 1 billion which were initiated as early as the fourth quarter of 2006 and recognised in the balance sheet in the first quarter enabled us to significantly expand our German exposure in the Investment division. In the first three months, it climbed from 40 % to 55 %. This means that we have extended the foundation for further profitable growth.

We saw the first quarter off to a successful start in the Funds division when we acquired “The Gherkin”, the landmark building in London. The property was acquired in a joint venture with a British investment bank. IVG has a 50 % stake in this joint venture and will place its stake as EuroSelect funds for private investors in the summer.

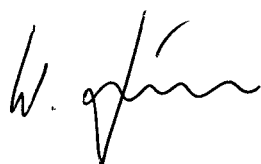
In the Development division, AIRRAIL-Center Frankfurt entered the active construction phase in March with pre-letting of 50 %. The project is currently one of the biggest commercial property projects in Europe. By the end of 2009, a 660 meter long building will be erected on the roof of the ICE mainline station at Frankfurt Airport.

The Storage Caverns division is undergoing rapid expansion. After five out of the 65 caverns in the development reserve were let on a long-term basis in the fourth quarter of 2006, the division succeeded in letting another six caverns to an international syndicate of energy companies.

The restructuring of the Group continues. We now operate on the market through four independent divisions that are managed as profit centres: Investment, Funds, Development and Storage Caverns. They are supported by two central departments – Transaction and Asset Management – whose duties are to conduct purchases and sales as well as manage the properties for the entire IVG Group.

To further increase transparency, we made the transition to reporting at fair value in the first quarter. This means that we now carry investment properties at their market values. Changes in market values are thus reflected directly in the consolidated net profit. Since the beginning of the year, we have also reported the Storage Caverns division as a separate segment.


By issuing a convertible bond for the first time and increasing our existing hybrid capital, we also embarked on new paths in financing with the aim of optimising our finance structure and further cutting the cost of capital.



Dr Wolfhard Lechnitz



Dr Bernd Kottmann



Andreas Barth



Dr Georg Reul

Interim Management Report

Macroeconomic Development and Property Markets

The economic upturn is to remain intact in the euro zone this year and next. The economic early indicators such as the Ifo Business Climate Index, the high level of incoming orders and the latest production figures point towards this. As before, the favourable economic development in Europe is being carried by strong international demand.

However, there is now also positive impetus from domestic demand. For instance, the rising capacity utilisation, the consistently favourable financing terms and profits ensure a strong investment climate that favours replacement and expansion investments. Consumption, which is expected to experience a considerable upturn in the next year, will also be supported by increased employment and higher wage agreements.

Against this background, economic growth of 2.3 % for this year and 2.0 % for 2008 is expected for the euro zone as a whole and for Germany in particular. It is assumed that the European Central Bank will abandon the expansive orientation of its monetary policy in view of the strong economic development. The ECB may possibly raise interest rates within the next six months.

Given the strong economy, the situation on most European office letting markets continued to improve in the first quarter of 2007. According to our own market analyses, total European office take-up was up 8.2 % on the same period of the previous year. The average vacancy rate on the key European markets fell from 8.0 % in March 2006 to 7.1 % at the end of 2006, and is now down to 6.8 %. In the two large markets of Paris and central London, only

6.6 % respectively 6.1 % of total office capacity respectively is available for let. In the large German office locations, where the market recovery has been underway since last year, vacancy rates are higher so far, namely 7.6 % in Hamburg, 9.5 % in Munich, 9.2 % in Berlin, 11.2 % in Düsseldorf and 15.9 % in Frankfurt.

Top office rents continued their upward trend in Europe in the first quarter of 2007 due to the scarcity of high-quality space, rising by 6.3 % on average compared with the end of 2006. Cities posting above-average rent increases include London (+9.2 % to € 145.40/m² per month) and Warsaw (+13.6 % to € 25/m² per month). In Paris, the top monthly rent rose by 2.8 % to € 62.50/m² per month. Of the German office markets, Hamburg and Düsseldorf each recorded a 2.4 % increase in top monthly rents to € 21.50/m² per month. Top monthly rents are stable on the other German markets. The prospects for further falls in vacancy rates and rises in rents are good for the rest of 2007 and for 2008 in almost all European office markets in view of the economic upturn and currently moderate new building activity.

As a result of the continuing positive prospects, the European investment markets for commercial property were again characterised by high transaction volumes and stable or falling initial yields in the first quarter of 2007. Initial yields particularly declined in Central and Eastern Europe, namely in Warsaw and Prague (to 5.25 %) and Budapest (to 5.75 %). In contrast, initial yields in central London and Paris are stable at 4.0 %. They range between 4.75 % and 5.0 % in the five German real estate strongholds.

However, the uniform downward trend in initial yields throughout Europe, which has been a key factor in the performance of office properties in the past year, is likely to come to an end this year in view of the increased interest rates. Therefore performance will be driven more by rent growth and vacancy level trends than in recent years.

The recovery of the letting markets means that real estate continues to look like an attractive form of investment, particularly as the stock markets are likely to remain volatile and falling prices and rising interest rates are expected for the bond markets at least until 2008. The property markets are receiving new positive impetus from the introduction of REITs in the UK, Germany and Italy. Declining vacancy rates, rising project development activity and the resale of individual properties from past portfolio purchases are likely to bolster supply of suitable investment properties.

Business Development

Higher changes in inventories caused total operating performance to increase by 23 % to € 120 million. In contrast, turnover fell from € 127 million to € 104 million. This is primarily because no large-scale projects were settled in the Development division in contrast to the first quarter of the previous year. Large-scale settlements will not be done until later in the year. In contrast, the revenues of the Investment – particularly net rents – and Funds division increased.

In the first quarter, the operating profit was up 13 % to € 132 million, thus exceeding the high level of the previous year. The increased operating profit is primarily attributable to the Investment division, which made a significant contribution to consolidated net profit with revaluation gains of € 87 million (previous year € 21 million).

Consolidated net profit after interest and taxes was down slightly from € 72.8 million to € 69.7 million, as positive non-recurring effects in net financial income were not repeated. However, for the year as a whole, we expect a significant increase in consolidated net profit as a result of the favourable general conditions in our core markets.

Development in the Divisions

IVG Investment

This division pursues the goal of sustainably increasing the value and yields of its own portfolio. Applying an active purchasing, improvement and sales strategy, it exploits the cycles on the property markets. By acquiring German real estate portfolios that were initiated in the fourth quarter of 2006, IVG continued the business expansion in Germany and the concentration on office properties in the first quarter. This enables IVG to benefit strongly from the accelerating economy and the upturn on the German office markets. The individual portfolios are set out below:

Allegro portfolio: This comprises 25 properties in Germany. 80 % of the properties are located in the office strongholds of Hamburg, Munich, Dusseldorf and Frankfurt. The portfolio breakdown is 86 % office space, 4 % retail space and 5 % logistic space and other space respectively. The purchase price for the 215,000 m² is € 505.1 million plus € 20.2 million in transaction costs. The seller is an open-ended property fund of WestInvest. At the current letting rate of 91 %, the net initial yield is 5.7 % after incidental costs. The yield of the portfolio will be increased by the rise in the effective occupancy, aided by the IVG branch network and index adjustments as well as attractive letting markets and resultant higher letting rates. At full letting, the yield amounts to 6.25 %. The properties on secondary locations are to be sold in 2007.

Nautilus portfolio: This consists of four properties in Düsseldorf, Munich and Stuttgart. The proportion of office space is 97 %. The purchase price was € 197 million including transaction costs. The seller is an open-ended property fund of Union Investment Real Estate. With a current letting rate of 88 %, the net initial yield is currently 5.2 % after transaction costs. At full letting, the yield increases to 5.9 % after transaction costs. The portfolio has a total lettable space of

66,000 m². The majority of the buildings were erected in the 1990s or later and are in excellent condition. The reduction of the current 12 % vacancy rate and the rising rental markets are significant levers for capital appreciation. As all the vacant space is located in Munich, IVG can benefit particularly from the expected rent increases in the Bavarian capital. The portfolio has an average remaining letting period of 6.25 years. Each of the two fully let properties in Stuttgart and Düsseldorf has a remaining letting period of eight years. Most of the letting contracts have normal letting conditions with indexation.

Channel portfolio: This contains office properties in Hamburg and was acquired at a price of € 98 million plus € 4.9 million transaction costs. The net initial yield is 6.1 % after transaction costs with an effective occupancy of more than 99 %. Channel Hamburg and the neighbouring Schlossinsel area are currently the two most important development sites in Hamburg, next to Hafencity. The area is very close to the Technical University of Hamburg-Harburg. The portfolio has a total lettable space of 47,500 m². The buildings were erected or modernised between 1998 and 2003 and are in good condition. The portfolio has a 90 % share of office space, with parking (7 %) and other types of use (3 %) accounting for the remaining space. The properties have capital appreciation potential, as some of them are under-rented. The portfolio has an average remaining letting period of 2.9 years. In this way, IVG can benefit from the ongoing high demand for lettable area in the Hanseatic city. Most of the leases are index-linked and concluded under normal market conditions. The majority of the properties are buildings that are intended for several tenants. The tenants include prestigious technology and industrial companies.

Other acquisitions involved properties in Berlin, Munich and other German cities.

In the first quarter, IVG sold properties for a total of € 16 million in line with its strategy.

In the first three months, IVG achieved new lettings of over 42,500 m² in its own portfolio. As of 31 March, despite the sale of fully rented property and the selective acquisition of properties with vacancies, the IVG portfolio's commercial rental ratio was 91.5 %.

To increase transparency, IVG has been carrying its investment properties according to the fair value method since this quarter. The change in market values arising from the quarterly revaluation of the real estate will thus become part of the earnings. Turnover and the gross rental income included in turnover increased, chiefly as a result of the acquired property portfolios. Another factor in the increased operating profit was revaluation gains, which rose from € 21 million to € 87 million.

IVG Funds

The division develops, distributes and manages property funds for private and institutional investors. The investment focus is on high-quality office properties in European and global cities.

Funds for private investors

With the EuroSelect property funds, IVG enables private investors to invest in properties for which IVG takes over the long-term asset management.

As early as the fourth quarter of 2006, IVG began to distribute the EuroSelect Balanced Portfolio UK. This fund of funds enables private investors to access property funds which otherwise are reserved only for institutional investors. The three selected target funds from AXA and IVG, ING and UBS invest in real estate in growth centres around the United Kingdom with the focus in the London region. The planned fund of funds volume is around GBP 105 million and is fully financed by equity.

IVG is also expanding the structured funds product range. The IVG Italy Office Fund is currently in distribution for charitable foundations and organisations. This enables investment in a portfolio containing ten rented quality Italian office properties with a value of approximately € 250 million, allowing attractive tax-free distributions. With a clearly defined disposal strategy, investors receive ongoing distributions even during the fund term of seven years.

In the first three months, IVG placed a total of € 97 million (previous year € 43 million) of equity with private investors. For 2007 as a whole, the equity raised is expected to increase from € 252 million to approx. € 300 million.

The standout event of the first three months in the funds division was the acquisition of the London office property 30 St Mary Axe ("The Gherkin"). IVG acquired 50 % of "The Gherkin" from Swiss Re via a joint venture with the UK investment bank Evans Randall. The purchase price for 100 % totalled GBP 630 million (€ 950 million). Asset management of the property will be performed by the IVG London office. The property is let on long-term leases to tenants with a sound credit rating. Swiss Re will remain the core tenant until at least 2031 with 50 % of the lettable area. IVG and Swiss Re agreed that the latter will pay the rent in Swiss francs, which enables favourable financing in that currency. For fund subscribers, a tax-free distribution yield of 5.6 % is likely. Sales are scheduled to start in the summer.

Investment products for institutional investors

The IVG subsidiary Oppenheim Immobilien Kapital-Anlagegesellschaft mbH (OIK), the market leader for special property funds, currently manages fund assets worth € 9.9 billion.

IVG increased its 50.1 % interest in OIK to 75 % in November 2006, and followed this up with a further increase to 94 % in January 2007. The price for the combined 43.9 % increase totalled € 145.6 million. This includes the pro rata share of earnings for 2006. The external audit on which the purchase price was based produced a value of € 311 mil-

lion for 100 % of OIK. OIK will be the platform for the institutional funds business in the IVG Group. By integrating it with the IVG Group, synergies will be realised and skills will be bundled in the operational interface functions such as asset management and in buying and selling. An increased transaction volume, the resulting improved access to properties and property management via the branch network of the whole Group will set IVG apart from the competition in terms of quality. We also intend to broaden the product range and increase our involvement in the various business centres in and outside Europe.

The FarEastFund OIK is a property fund likely to be launched within the next few weeks, structured as an FCP (Fonds commun de placement), and investing in Asia and the Pacific region. The target investment volume is € 1 billion with leverage of around 60 %. The minimum equity commitment is € 25 million per investor. The portfolio is to be constructed over the next years with a local partner. Another new product is the IVG European Core Plus Office Fund. The fund has a target volume of € 600 million and will invest in European office properties with good potential for valuation gains.

In addition to property funds, IVG also manages portfolios, which remain the property of institutional investors (direct mandates). Since the beginning of 2005, IVG has been managing the portfolio of a professional welfare provider in Berlin, which consists of ten German office properties and has a total value of € 160 million. As part of this performance-oriented mandate, IVG has already achieved letting successes and implemented sales. Additional mandates have been gained in 2007.

Turnover and earnings in this segment mainly increased as a result of the successful placement of the EuroSelect fund of funds.

IVG Development

This business segment develops office property projects in selected major European metropolises. The focus is on medium-sized projects in Germany and selected European growth centres. The aim is to settle an annual project development volume of € 500-600 million in the 10 German and European branches in the medium term and make earnings steady and sustainable. The branches will have lean management structures and be managed on the basis of value-oriented controlling instruments. As part of the Group-wide reorganisation, the independence of the division has been extended further. In view of its importance, IVG Development has been represented within the Management Board of IVG since 1 January 2007.

At the end of the first quarter, IVG's development pipeline amounted to € 1.7 billion. € 484 million was invested.

At the beginning of 2007, we completed the Caxton Hall project development in London's West End, in the Victoria sub-market. For this distinctive 5,300 m² new building, IVG Development used the attractive London property market and has fully let this class-A office property.

The active construction phase of the "AIRRAIL-Center Frankfurt" at Frankfurt Airport, one of Europe's largest commercial property projects, started in March. This major project, developed jointly by IVG Immobilien AG and Fraport AG, is directly connected to the terminal, and is to be completed by the end of 2009. A 660 metre long, multi-storey building is being erected on the roof of the ICE mainline station, with some 140,000 m² of lettable office, retail, restaurant and hotel space. Leases have already been concluded with the Hilton hotel group, the auditors and consultants KPMG and the Metropolitan Medical Centre. 50 % of the space has thus been leased before the start of construction. Tenants will be able to take up occupancy at the beginning of 2009.

In Budapest, in the Infopark D building project, IVG has concluded a lease for 5,500 m² of office space with a German mobile phone operator and sold the building in a forward sale to a special property fund. The project is likely to be completed in autumn 2007.

In terms of project developments, IVG let around 10,000 m² in the first three months.

In contrast to the previous year, no major projects were settled in the first quarter. Total income, revenues and operating profit were therefore down year-on-year.

IVG Storage Caverns

The storage cavern business is being reported as an independent division for the first time this quarter. It was previously part of the Portfolio Management division. As an independent provider, the Storage Caverns division lets underground oil and natural gas storage sites (caverns), which provide an environmentally friendly and safe storage option for large quantities of natural gas and oil. It generates sustained, stable cash flows and earnings contributions from long-term leases with publicly owned oil stockholding organisations and energy industry companies with sound finances.

Currently, IVG has 40 oil and gas caverns, which are let on long-term contracts. On the basis of the salt rights it has secured, IVG can add at least 65 more caverns to its facility. 14 caverns are currently under construction. The construction time for storage caverns is 2 to 3 years. A powerful leaching facility enables a maximum of 20 caverns to be formed in parallel. The steadily increasing market for energy storage and the strategically favourable geographical situation provide a solid foundation for this. The cavern facilities in Etzel are part of the Western European Natural Gas Association. A crude oil pipeline connects Etzel with the Wilhelmshaven deeper water oil port. Via pipelines, these supply the refinery centres of Hamburg and the Rhine-Ruhr region.

With five caverns in the expansion reserves having already been rented on a long-term basis in the fourth quarter of 2006, six more caverns were rented to a consortium of international energy companies in the first quarter of 2007. This means that 11 caverns in the expansion reserves have already been rented. Additional leases are currently under negotiation.

The operating profit of the Storage Caverns division, which does not include the finance lease gains, increased by 8 % to € 6.7 million as a result of lower operating expenses.

Financial Position and Assets

Changes in key income statement items

The increase in changes in inventories and material expenses primarily reflects the construction progress of project developments. Material expenses also climbed as a result of sales commissions relating to the EuroSelect funds. Personnel expenses mainly rose due to provisions for share options. Other expenses increased as a result of higher consultancy, legal and auditing fees.

The decrease in net financial income is primarily due to higher debt incurred in portfolio acquisitions made as well as lower income from derivatives that cannot be used for hedge accounting and from exchange rate changes.

Changes in key balance sheet items

The rise in investment properties is primarily due to acquisitions of the Allegro, Nautilus and Channel portfolios which were recognised in the balance sheet in the first quarter as well as to revaluation gains. Financial liabilities also increased as a result of the acquisitions.

The “Non-current assets held for sale” item primarily comprises the interest in “The Gherkin”, an office building in London. It will be distributed to private investors as a closed-end fund from summer onwards.

The higher consolidated equity is due to the increase in the hybrid bond, the equity portion of the convertible bond and the current net profit.

Investments

in € mn	31 March 07	31 March 06
Investment	1,062.8	25.0
Funds	59.6	0.6
Development	8.1	14.3
Storage caverns	16.0	0.9
Non-core business	0.0	0.4
Corporate functions/funds	1.5	0.9
Group	1,148.0	42.1

Investments in the first quarter climbed year-on-year, mainly due to the acquired German property portfolios in the Investment division, the increase in the OIK stake as well as caverns being built.

Financing

With the free limits of the commercial paper programme in the amount of € 230 million, open lines of credit from banks of around € 1.1 billion, existing liquidity of around € 100 million and free cash flow, IVG has financial scope amounting to € 1.4 billion for potential portfolio acquisitions which can be expanded if needed.

In February 2007, IVG increased its subordinate hybrid bond of € 200 million issued in 2006 by a further € 200 million using the same parameters (e.g. coupon of 8 %, cannot be called until 2013). The issue was priced at 103.5 % and bears interest of 7.27 %. As the interest is tax deductible, the financing costs after tax are favourable.

In February 2007, IVG also issued a convertible bond with a maturity of 10 years and issue proceeds of € 400 million. The bond has a coupon of 1.75 % and a conversion price of € 46.22. In issuing this bond, IVG made use of the authorisation granted by the Annual General Meeting in 2002.

In connection with the acquisition of the 30 St Mary Axe building in the City of London – known as “Swiss Re Tower/The Gherkin”, the EuroSelect interest was financed by two tranches from the senior loan in Swiss francs (€ 271.5 million) and via bridging finance guaranteed by IVG for the equity to be subscribed to in British pounds (€ 172.2 million). The currency risk will be fully hedged until 31 March 2017 and thereafter in diminishing instalments. The interests held by EuroSelect in the property companies are reported at equity. Therefore only the bridging finance is primarily reported in the IVG consolidated financial statements.

Furthermore, IVG concluded attractive financing in the first quarter of 2007 for the “AIRRAIL-Center Frankfurt” project which is one of the largest commercial property projects in Europe. The contract concluded was for traditional development finance with a term until 2010 including an extension option and limited enforcement of liability against IVG (non recourse).

Position with regard to German REIT Legislation

On 30 March 2007, the German Bundesrat (upper house of parliament) passed the German REIT law. The property investment vehicle which is exempt from corporation and trade tax and is internationally widespread now also exists in Germany retroactively to 1 January 2007. The tax exemption is subject to specific restrictions being observed, particularly with regards to permissible fields of activity and investment opportunities as well as group and shareholder structures. At the same time, a minimum distribution of 90 % of the accounting profit is required; the distributed income can be fully taxed at investor level and is not subject to the half-income method.

Since the middle of 2006, IVG has been examining the opportunities arising from the new legislation in depth. In doing so, it is carefully weighing up the tax and strategic aspects of the possible options: the full transformation of IVG into a REIT, outsourcing subactivities into a REIT subsidiary and maintaining the status quo. Nothing can be concluded at the present time.

Full conversion is more unlikely as it would highly restrict the strategic flexibility in all divisions, mainly because of property business restrictions and permissible sideline activities such as the funds business and project development. Especially if previously taxed income is fully taxed at investor level, IVG is not attractive as a REIT to shareholders in terms of tax either. Even if the double taxation was eliminated, REITs do not constitute an improvement in post-tax profit for the majority of investors as the IVG Group is already very tax-efficient and the tax savings at company level are lower than the additional burden at shareholder level.

The set up of one or more focused Sub-REIT seems to be the most attractive option for IVG and its shareholders at present. A focused Sub-REIT would make the German subportfolio accessible to the capital market with maximum transparency, for example. This would have positive effects on the valuation of the portfolio and the taxation of many shareholders. At the same time, such a REIT would be an attractive, strategic partner for sellers since selling properties to a REIT is more favourable in terms of tax under certain conditions and only half of the capital gains are taxed. A REIT also improves the growth potential of IVG's Germany portfolio. In addition, REITs are an internationally established standard and constitute a separate asset class which is taken as such and serves to diversify portfolios while at the same time being deducted from the property quota. These are important arguments in favour of a REIT in the IVG Group against maintaining the status quo.

REITs are forward-looking investment vehicles for properties. IVG will keep a very close eye on current developments in the markets and review the introduction of a German office REIT in 2008 after performing detailed analyses and calculating the effects of the business tax reform.

Staff

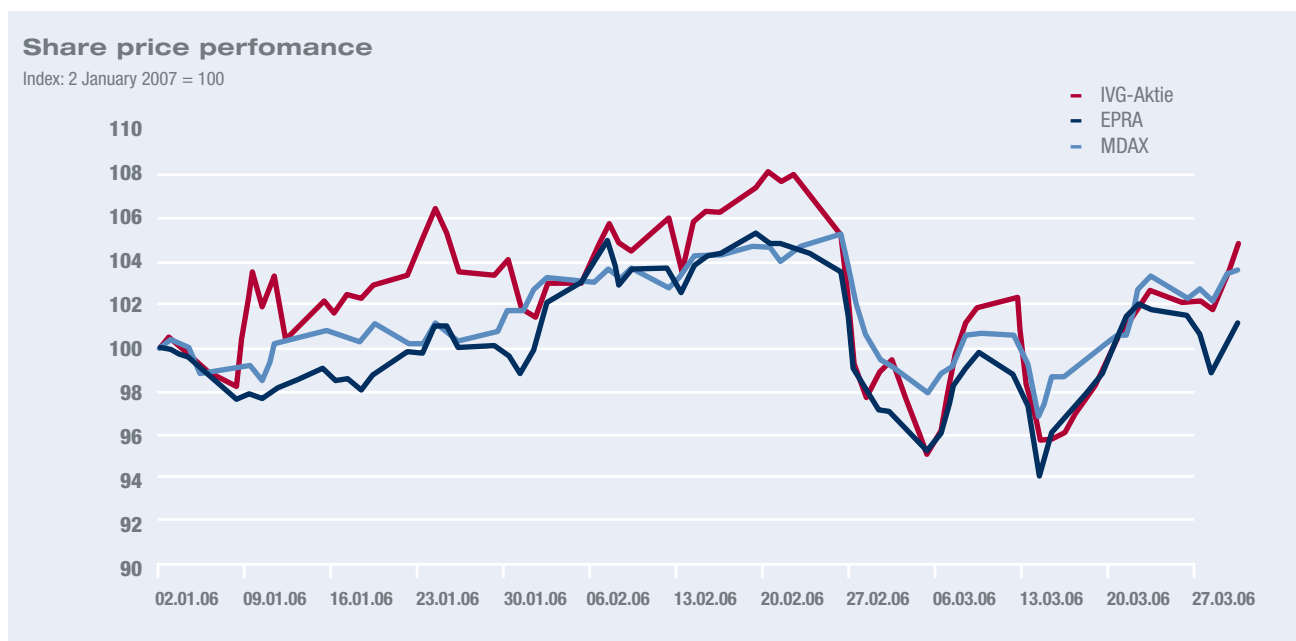
The number of employees fell slightly in the first quarter by 17 to 815 employees. The decrease affected all divisions and the corporate functions.

Number at the end of the quarter

in € mn	31 March 2007	31 Dec. 2006	31 March 2006
Investment	160	166	166
Funds	308	311	301
Development	49	50	58
Storage cavernes	155	159	158
Corporate functions	110	112	103
Trainees	33	34	30
Total	815	832	816

IVG Shares

In line with the German and European stock markets, the performance of IVG's share price in the first quarter was volatile. It fluctuated between a low of € 32.37 and a high € 36.90.



Despite this volatility, IVG's shares outperformed both the DAX (+5 %) and the EPRA (+2 %) with a price gain of 10 %. The average daily trading volume was 694,000 shares in the first quarter of 2007. The Management Board and the Supervisory Board will propose to the Annual General Meeting to raise the dividend from € 0.38 to € 0.50 per share. This represents total distribution of € 58 million.

Outlook

The conditions in IVG's core markets for financial year 2007 are still considered favourable. A positive economic trend is likely to lead to higher office rents both in Germany and Europe's main markets of London and Paris. At the same time, we still expect substantial cash flows on the European property market. As a result of the good conditions, IVG will strive for substantial net growth in the property portfolio in the Investment division.

Indirect property investment will remain a growth market, with the result that we are also upbeat about the Funds division. Here, IVG aims to raise its placed equity from € 252 million to approximately € 300 million.

The Development division is undergoing development and expansion. IVG expects a clear rise in earnings in the division for 2007.

In the Storage Caverns division, rising energy consumption and the desire for security of supply provide for an increased need for storage caverns to store energy sources. In 2007, IVG expects to conclude more leases, the corresponding start of construction for further storage caverns and significantly higher earnings.

In 2006, IVG resolved to focus on its core competences: office properties in selected German and European locations as well as storage caverns. All activities that do not fall under the core business are set to be sold. Overall, IVG aims to significantly increase its consolidated net profit in 2007.

Interim Financial Statements

at 31 March 2007

CONSOLIDATED INCOME STATEMENT

in € mn	1 January - 31 March 2007	1 January - 31 March 2006	
Turnover	104.4	127.1	
Other operating profit	5.6	2.3	
Changes in inventories and other own work capitalised	10.1	-31.7	
Total operating performance	120.1	97.7	
Material expenses	-19.4	-3.6	
Personnel expenses	-19.4	-17.1	
Depreciation and amortisation of intangible assets and property, plan and equipment	-1.4	-1.2	
Expenses from investment properties	-13.6	-14.3	
Other expenses	-26.2	-18.9	
Net income from changes in market value and the sale of investment properties	86.7	73.6	
Profit/loss from associates measured at equity	4.1	-0.8	
Income from participating interests	0.9	0.8	
Other financial income	-32.2	-7.6	
Net profit before tax	99.6	108.6	
Income taxes	-29.9	-35.8	
Net profit for the quarter	69.7	72.8	
Share of net profit attributable to Group shareholders	64.1	69.8	
Share of net profit attributable to providers of hybrid capital	6.3	0.0	
Share of net profit attributable to minority interests	-0.7	3.0	
Earnings per share attributable to Group shareholders			
Basic	in €	0.55	0.60
Diluted	in €	0.52	0.60
Operating cash flow (EBITDA)	133.2	117.4	
Operating profit (EBIT)	131.8	116.2	

CONSOLIDATED BALANCE SHEET

in € mn	31 March 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	259.3	259.5
Investment properties	3,970.2	2,778.3
Other property, plant and equipment	362.6	438.0
Financial assets	230.4	157.6
Shares in associates accounted for using the equity method	50.5	46.8
Derivative financial instruments	12.6	10.8
Deferred tax assets	49.5	48.7
Receivables and other assets	150.1	151.9
Total non-current assets	5,085.2	3,891.6
Current assets		
Inventories	379.6	325.3
Receivables and other assets	233.9	210.2
Income tax receivables	14.0	13.7
Derivative financial instruments	0.1	0.3
Securities	20.0	19.7
Cash and cash equivalents	96.1	549.0
	743.7	1,118.2
Non-current assets held for sale	269.5	46.8
Total current assets	1,013.2	1,165.0
Total equity and liabilities	6,098.4	5,056.6

in € mn	31 March 2007	31 Dec. 2006
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	116.0	116.0
Capital reserve	561.1	458.9
Treasury shares	0.0	-0.6
Other reserves	11.8	4.3
Retained earnings	875.1	811.0
Equity attributable to Group shareholders	1,564.0	1,389.6
Hybrid capital	400.0	195.9
Minority interests	57.7	57.4
Total equity	2,021.7	1,642.9
Liabilities		
Non-current liabilities		
Financial liabilities	2,126.6	1,750.0
Derivative financial instruments	3.3	5.6
Deferred tax liabilities	399.2	371.8
Pension provisions	10.9	10.6
Other provisions	74.9	136.7
Liabilities	45.9	45.5
Total non-current liabilities	2,660.8	2,320.2
Current liabilities		
Financial liabilities	928.3	725.8
Derivative financial instruments	1.6	2.6
Other provisions	107.2	36.0
Liabilities	157.2	301.8
Income tax liabilities	25.8	26.0
	1,220.1	1,092.2
Liabilities associated with non-current assets held for sale	195.8	1.3
Total current liabilities	1,415.9	1,093.5
Total equity and liabilities	6,098.4	5,056.6

CONSOLIDATED CASH FLOW STATEMENT

in € mn	1 January - 31 March 2007	1 January - 31 March 2006
Net profit for the period	69.7	72.8
Write-downs/reversals of write-downs	1.4	1.2
Changes in the market value of investment properties	-86.7	-20.9
Other non-cash earnings and expenses	17.0	25.0
Gains/losses from the disposal of non-current assets	0.0	-52.7
Changes in current asset items and liabilities: Receivables and other assets (+decrease/-increase)	-76.6	-39.7
Trade payables/other liabilities (+increase/-decrease)	-37.2	70.5
Cash flow from/used in operating activities	-112.4	56.2
Cash flow from/used in investing activities	-1,422.6	164.5
Cash flow from/used in financing activities	1,079.9	-222.8
Net change in cash and cash equivalents	-455.1	-2.1
Cash and cash equivalents at the beginning of the year	551.2	92.0
Cash and cash equivalents at the end of the year	96.1	89.9

€ 75 million of the cash flow used in operating activities was primarily due to the repayment of an obligation from the partial heritable building rights agreement for the AIRRAIL-Center Frankfurt project development and € 54 million was due to the rise in inventories. The funds accrued in the quarter from the convertible bond, the hybrid bond and the net change in financial liabilities were used at the beginning of the period, as with the majority of the cash and cash equivalents, to finance the property portfolios acquired.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in € mn	Sub- scribed capital	Capital reserve	Treasury shares	Other reserves	Retained earnings	Equity attributable to Group share- holders	Hybrid capital	Minority interests	Equity
As at 31 December 2005	116.0	458.9	0.0	6.4	342.8	924.1	0.0	-2.2	921.9
Change to accounting policies					424.4	424.4		63.6	488.0
As at 1 January 2006	116.0	458.9	0.0	6.4	767.2	1,348.5	0.0	61.4	1,409.9
Gains and losses recognised directly in equity:									
Change in ownership and group of consolidated companies					-1.4	-1.4		-0.2	-1.6
Exchange rate differences					-2.2	-2.2			-2.2
Share and securities available for sale, hedges				0.0	2.1	2.1		2.3	4.4
Total				0.0	-1.5	-1.5		2.1	0.6
Net profit for the quarter					69.8	69.8		3.0	72.8
Dividends						0.0		-0.6	-0.6
As at 31 March 2006	116.0	458.9	0.0	6.4	835.5	1,416.8	0.0	65.9	1,482.7
As at 1 January 2007	116.0	458.9	-0.6	4.3	811.0	1,389.6	195.9	57.4	1,447.0
Gains and losses recognised directly in equity:									
Change in ownership and group of consolidated companies						0.0		1.1	1.1
Exchange rate differences				4.6		4.6			4.6
Share and securities available for sale, hedges				2.9		2.9		0.3	3.2
Total				7.5	0.0	7.5		1.4	8.9
Net profit for the quarter					64.1	64.1	6.3	-0.7	69.7
Increase of hybrid capital		102.2				102.2	204.1		306.3
Own shares repurchased/sold			0.6			0.6			0.6
Dividends						0.0	-6.3	-0.4	-6.7
As at 31 March 2007	116.0	561.1	0.0	11.8	875.1	1,564.0	400.0	57.7	2,021.7

SEGMENT REPORTING

in € mn	31 March 2007	31 March 2006
TURNOVER		
Investment	60.1	58.4
Funds	28.8	19.3
Development	2.2	37.2
Storage caverns	10.1	10.2
Non-core business	3.9	3.9
Corporate functions/consolidation	-0.7	-1.9
Group	104.4	127.1
OPERATING PROFIT		
Investment	116.6	74.5
Funds	11.3	8.3
Development	10.2	33.5
Storage caverns	6.7	6.2
Non-core business	1.2	1.0
Corporate functions/consolidation	-14.2	-7.3
Group	131.8	116.2

NOTES

The quarterly financial statements were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS). The quarterly financial statements of the companies included are based on uniform accounting policies. The consolidation and currency translation methods remain unchanged from the consolidated financial statements for 2006 and are presented in the IVG Annual Report on pages 125 et seq. The quarterly financial statements were not reviewed by the auditor.

The following accounting policies changed compared with the previous year:

Measurement of investment properties using the fair value method

In accordance with IAS 40, properties held as financial investments are measured at cost upon acquisition. For subsequent measurement, a company must either choose the fair value method or the cost model and apply this method to all investment properties. Until 31 December 2006, investment properties in the IVG Group were measured using the cost model. In line with this, investment properties were measured at cost less depreciation and extraordinary write-downs.

As the fair value method has meanwhile established itself as the best practice on the capital market for measuring investment properties, IVG has applied the fair value method since 1 January 2007. According to this method, all investment properties are measured at their fair value on the balance sheet date. The changes in the market value of these properties are recognised in the Income Statement.

The retroactive application of the fair value method under IAS 8 had the following effects on the consolidated balance sheet: measured at their fair values, the value of the investment properties as at 31 December 2006 amounted to € 2,778.3 million (cost method: € 2,199.7 million). The recognition of deferred taxes from measurement differences between the tax values and the IFRS market values of the investment properties led to a decrease in deferred tax assets from € 55.6 million to € 48.7 million and an increase in deferred tax liabilities from € 167.0 million to € 371.8 million. The Group's retained earnings rose from € 415.6 million (using the cost method) to € 811.0 million (fair value method). Minority interests in the fair value balance sheet as at 31 December 2006 amounted to € 57.4 million (cost method: € -2.5 million).

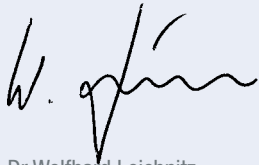
The retroactive application of the fair value method caused a change to the following items in the consolidated income statement for the period from 1 January – 31 March 2006: other operating income decreased from € 77.7 million (under the cost method) to € 2.3 million while depreciation/amortisation fell from € 10.4 million to € 1.2 million. Net income from changes in market value and the sale of investment properties amounts to € 73.6 million under the fair value method. Income taxes also rose from € -21.7 million to € -35.8 million.

Capitalisation of borrowing costs

Following the EPRA, IVG's Management Board decided to exercise the option granted by IAS 23 to capitalise borrowing costs that can be attributed directly to the acquisition or production of a qualified asset. If the construction phase of properties recognised as property, plant and equipment or inventories extends over a longer period, the borrowing costs incurred until completion will be capitalised from 1 January 2007 as part of the costs in line with the conditions of IAS 23 (Borrowing Costs). In the period under review, IVG capitalised borrowing costs of € 2.2 million. There was no retroactive application under IAS 8 as it was not possible to determine the information required for this.

As at 31 March 2007, IVG had no treasury shares. In the first quarter, 17,020 own shares were sold which were not required to serve the employee stock plan. This is equivalent to 0.015% of the share capital. See also page 156 et seq. and page 177 et seq. of IVG's 2006 Annual Report.

Bonn, 10 May 2007



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Financial calendar

24.05.2007	Annual General Meeting for for financial year 2006
25.05.2007	Dividend payment for for financial year 2006
09.08.2007	Publication of interim report 2nd quarter 2007
08.11.2007	Publication of interim report 3rd quarter 2007
21.05.2008	Annual General Meeting for financial year 2007

Note

This Interim Report is published in German and English. The German version is always the authoritative text. Further information on the company and the online Interim Report can be found on the website at www.ivg.de. Upon request we will also be pleased to send you written information. Contact us at: info@ivg.de.

Forward-looking statements

This present Interim Report for IVG Immobilien AG (IVG) contains statements on future developments. They reflect the current view of the management of IVG and are based on appropriate evaluation and expectation. These statements are not intended as guarantees that this expectation will be fulfilled.

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