Interim Report

1st Quarter

2008

IVG

Group key figures

in € m	1st quarter 2008	1st quarter 2007	Change in %
Revenues	171.5	104.4	64.3
Total income	229.7	206.8	11.1
Net financial income	-82.6	-30.5	> -100
EBIT	102.1	131.4	-22.3
EBIT as % of revenues	59.5	125.9	-52.7
EBIT adjusted	96.1	136.4	-29.5
EBIT adjusted as % of revenues	56.0	130.7	-57.1
Consolidated net profit	12.1	71.0	-83.0
Consolidated net profit as % of revenues	7.1	68.0	-89.6
Undiluted earnings per share in €	0.03	0.56	-94.6
Diluted earnings per share in €	0.05	0.53	-90.6

	31.03.2008	31.12.2007	Change in %
Total assets	9,264.5	8,241.0	12.4
Equity at carrying amounts	2,089.6	2,117.1	-1.3
Equity ratio at carrying amounts in %*	21.9	25.0	-12.5
Net asset value (equity at market values)	3,358.5	3,367.5	-0.3
Net asset value per share in €	28.95	29.03	-0.3
Equity ratio at market values in %*	31.4	34.9	-10.0
Financial liabilities	5,861.2	4,789.2	22.4
Employees	697	697	0.0

	31.03.2008	31.03.2007	Change in %
IVG Investment: fair value (net)	6,057.2	3,753.7	61.4
IVG Funds: assets under management	13,726.9	13,790.6	-0.5
IVG Development: project volume	2,512.5	1,651.2	52.2
IVG Caverns: fair value	1,470.0	1,179.0	24.7

* Adjusted for dividends

IVG Immobilien AG is one of Europe's leading listed property companies. We focus on office properties in selected large German and European cities. Via our local branch network we currently manage property assets of € 20 billion.

We carry out our commercial activities in four independent divisions: IVG Investment, IVG Funds, IVG Development and IVG Caverns. Each division operates autonomously and flexibly in its own markets.

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Foreword by the Management Board

Dr Wolfhard Leichnitz

Dear Shareholders,

In recent months the market value of your company has been hit hard by the international financial crisis. The IVG share price fell by nearly 25% in the first quarter of this year. The DAX and MDAX fell by 19% and 11% respectively in the same period. Property markets are particularly heavily dependent on international financial markets in the present stock market environment, and they have been very tense of late.

We do not want to attribute IVG's poor current valuation solely to market conditions; that would be making things too easy for ourselves as the management. You have told us in many conversations about your worries and misgivings about IVG's current standing in the capital market. We take them very seriously. It is quite clear that we not yet succeeded in convincing you of IVG's substantial strength and of our potential for the future.

We have made substantial progress in recent months in ensuring the transparency of our property business and financial figures. The adoption of profit centres, fair value accounting, assignment of capital costs and the introduction of value-oriented corporate management today enable you to gain a much deeper insight into our company than was the case only a short while ago. In this interim report we continue to do so. Today, for example, we are providing you with more detailed information about net operating income (NOI) and with the funds from operations (FFO) key figure we are explaining the net operational earning power of our Investment division for the first time.

At IVG the year 2007 was characterised by the new strategic alignment and by the implementation of new structures. In the current financial year our focus will be on improving operational performance. We know that our costs are high by international comparison, and that is why we are currently drawing up a cost reduction programme that will set detailed cost savings targets for all divisions of the company. Our aim is to reduce by the end of 2009 the costs that we can influence by at least 10%, these being in particular personnel costs, investment property expenses and other operating expenses.

Our level of indebtedness is being subjected to critical questioning by a number of analysts and investors. Even if our financing is assured sustainably, our aim is to further reduce our indebtedness. By selling properties, especially those that are not of strategic significance, and by the proposed sale of caverns we aim to reduce our level of indebtedness continuously this year and next year.

The forthcoming sale of caverns has highest priority for us. A large number of investors have already indicated interest to the investment bank we have entrusted with handling the sale. The transaction process is going ahead according to plan, and consideration is being given, in addition to a complete sale, to a partial sale or to contributing them toward a fund. We continue to anticipate a completion of the transaction in the second half of the year, and maximising IVG's enterprise value will be a key criterion in the decision that is taken.

For the full year 2008 we anticipate an EBIT adjusted of between € 365 million and € 400 million. Consolidated net profit as currently estimated will be in the region of between € 90 million and € 100 million. These figures do not take into account two effects. For one, we cannot make any reliable statements on future changes in the market value of our property portfolio. That is why we have not taken any possible changes in market value into account. For another, the proceeds of the proposed sale of caverns will depend to a large degree on the way in which they are sold. Therefore here we also did not take any value into account for our prognosis. As soon as we are able to make more reliable statements on risks and opportunities of changes in market value and the sale of caverns, we will do so.

Finally, I would like to thank you for the confidence you have shown in us in these turbulent times. In spite of the difficult situation on financial and property markets we at IVG share a positive view of the future. We are well positioned after our restructuring and we will continue to carry conviction by improving our operational performance in the months ahead.

Wolfhard Leichnitz

Interim Management Report

for the 1st Quarter 2008

Summary

In the first three months of the financial year, IVG was able to increase its total income by € 22.9 million on the previous year to € 229.7 million and its revenues by € 67.1 million to € 171.5 million.

This significant growth in revenues was due in particular to sales in the Development division and to increases in net rental income from investment property as a result of strong portfolio growth.

Changes in inventories and other own work capitalised rose by € 32.4 million to € 42.5 million. This was due mainly to progress in construction work in the Development and Funds divisions.

Unrealised changes in the market value of investment property fell from € 86.7 million last year to € 5.2 million and consisted in particular of € 45.1 million in negative changes in market value in the Investment division and € 47.4 million in positive changes in market value in the Development division as a result of the initial valuation of a completed project development in London.

Material expenses rose by € 46.7 million to € 66.1 million due mainly to progress in construction work on schedule and in budget in Development division projects.

Personnel expenses fell by € 4.2 million to € 15.6 million, due for one to lower expenses arising from stock option plans and for another to the reduction in personnel numbers in the course of concentrating on core business and to improvements in efficiency.

In total, EBIT decreased by 22% on the same quarter in previous year to € 102.1 million.

Financial result fell as a consequence of higher borrowing by € 52.1 million to € -82.6 million and the tax rate rose from 29.6% to 37.9%. Consolidated net profit fell accordingly by € 58.9 million to € 12.1 million.

Consolidated net profit included one-off effects totalling € -11.2 million. These consisted mainly of consulting services (€ 5.0 million) in connection with the proposed REIT stock market launch, the cavern sales process and the IT projects scheduled for completion during the financial year. In addition, the negative changes in market value related to the pre-REIT led to a € 6.2 million increase in tax expense due to non-capitalisation of deferred taxes.

Total assets as of 31 March 2008 rose by € 1,023.5 million to € 9,264.5 million. The increase in assets was due mainly to the € 1,037.5 million increase in investment property to € 6,399.3 million.

Financial liabilities rose by € 1,072.0 million to € 5,861.2 million due to borrowing to finance the numerous property acquisitions. As a consequence the equity ratio (adjusted for dividends) at carrying amounts fell from 25% to 22% and the equity ratio (adjusted for dividends) at market values from 35% to 31%.

IVG is well positioned where liquidity is concerned. The Group currently has unused credit lines totalling € 1.3 billion. The average interest rate for all financial liabilities, including interest hedging instruments, is 5.09% and therefore slightly lower than the previous year's figure. All covenants signed in credit agreements with banks were complied without difficulty in the first quarter 2008; IVG continues to have considerable leeway in this respect.

The **IVG Investment** division reported for the first quarter of 2008 a significant increase in net rental income of more than 50% to € 79.3 million. This was due mainly to property additions and to an increase in like for like rental income since 31 December 2007. The portfolio's NOI yield rose from 4.4% in the financial year 2007 to 4.5%. The market value of the properties rose in the first quarter as a result of property additions to € 6.1 billion from € 5.0 billion at the end of 2007. In addition, the Investment segment was able to report realised changes in market values totalling € 4.6 million (previous year: € 0 million) that were due in particular to the sale of sites that did not conform to our strategy. This was accompanied by unrealised changes in market value amounting to € -45.1 million (31 March 2007: € 74.9 million). EBIT adjusted fell accordingly from € 116.9 million to € 19.9 million.

The **IVG Funds** division earned a stable income from fund and property management of € 14.8 million. Assets under management as of 31 March 2008 totalled € 13.7 billion, of which private investors accounted for € 3.3 billion and institutional investors for € 10.4 billion. The Funds division earned € 8.9 million in rental income from the properties acquired toward the end of 2007 in Luxembourg and Italy that are intended to be placed via IVG funds by the end of 2008. Progress in the construction of a part of the Milan property accounted for a further € 8.6 million. The division also completed in the first quarter the extensive concept for the new Asia fund. Placement starts in the second quarter, so that in contrast to the previous year no private investment fund was at the same stage in the first quarter. There was no income from sales accordingly. In all, total income rose to € 36.6 million, while EBIT adjusted fell slightly to € 8.7 million.

In the **IVG Development** division the operating result improved significantly due in particular to the completion and initial valuation of a London project carried as an investment property (shown at € 47.4 million under unrealised changes in value) and to the sale of a Düsseldorf project invoiced in the first quarter. EBIT adjusted rose from € 15.3 million last year to € 65.6 million at the end of the first quarter. The current development pipeline volume is € 2.5 billion of which € 0.8 billion has already been invested. As of the end of the first quarter IVG had agreed substantial loans to the project companies – all on a non-recourse basis. As a result the financing of all projects under construction and projects for which construction work is due to start in the foreseeable future is assured.

At the beginning of the second quarter construction came to a temporary halt on the major AIRRAIL Center project at Frankfurt Airport, but this interruption was soon ended by switching to another building contractor, and as the project continues to be in budget, there will be no impairment of the operating result. Completion of the project was not threatened by the brief interruption either.

The **IVG Caverns** division improved its total income by nearly 60% on the previous year due to additional rental income from the converted caverns completed in mid-2007 and to changes in value as a result of rent increases. EBIT adjusted at € 12.3 million was up € 4.5 million on the first quarter of 2007 including one-off expense on organisational realignment. The process of a partial or total sale of the caverns business is going ahead according to plan, so we continue to anticipate a completion of the transaction in the second half of the year.

Overall economic development and property markets

In spite of the financial crisis, the high price of oil and the strong euro, the development of European economies in the first quarter of 2008 was fairly robust. The European Central Bank stated in its last monthly report that it expected economic growth in the Eurozone to have been similar in the first quarter to the fourth quarter of 2007, when growth was around 0.4%. The positive labour market trend has also continued in recent months. Indicators of market sentiment such as the Purchasing Managers' Index and the European Commission's business and consumer surveys suggest, however, that economic growth will slow down in the course of 2008 and may continue to do so in 2009. For Germany the leading economic research institutes for example forecast gross domestic product growth of 1.8% for this year and only 1.4% in 2009.

Inflation has risen sharply due to rising energy and food prices. In the Eurozone consumer prices were reported by Eurostat to have risen by 3.6% on the previous year in March 2008. For the full year 2008 the European Central Bank anticipates an inflation rate of 2.9%. Inflation in 2009 is expected to be 2.1%.

The deterioration in sentiment had little or no effect on European office rental markets in the first quarter of 2008. Average total space let in European office locations may have been down on the year, but take-up has only been higher, and then only slightly higher, in 2000 in the first quarter over the past ten years. German office rental markets on balance got off to an even better start to the New Year than in 2007. Rental volume in the European banking capital, Central London, also reached much the same high level as in 2007 in spite of financial market problems. In Greater Paris too, total space let was similarly robust at about 0.6 million m². Marked declines in rental volume were reported in Madrid (tenants preferring to wait and see ahead of the March 2008 general election, overcast economic outlook), Warsaw (absolute lack of space) and Stockholm.

As total space let was mainly a matter of relocation in most cities due to the uncertain economic outlook, vacancy rates were largely stable in all European locations in the first quarter. They were unchanged inter alia in Central London (3.0%), Greater Paris (4.9%) and in the principal German office locations (Berlin 8.8%, Düsseldorf 11.0%, Hamburg 6.7% and Munich 9.1%). The vacancy rate in Brussels, in contrast, was down slightly from 9.8% to 9.5%. The best progress in reducing vacancy rates was made in Frankfurt am Main (from 16.4% to 13.8%), Stockholm (from 11.7% to 10.5%) and Warsaw (2.4% after 3.1% at the end of the year). Vacancy rates have in contrast shown a marked increase since the end of 2007 in the southern European markets Barcelona (from 4.9% to 5.8%), Lisbon (from 8.1% to 8.7%) and Milan (from 9.9% to 10.5%).

Office rents largely stabilised in Europe in the first quarter. Increases worth mentioning on rents at the end of 2008 in the prime office segment were reported only in Warsaw (7.1%), Barcelona (1.9%) and Madrid (1.3%). The City of London was one of the few European office locations to report falling rents in the first quarter of 2008. While top rents in the City fell by 6.1%, they remained stable in the neighbouring West End (the most expensive location in Europe with top rents of £ 115/ft², or € 1,608/m²/year).

Events in the European investment market for commercial properties continue to be governed by in part more conservative lending terms and conditions: Banks are continuing in part to demand higher margins for property loans. This effect is thankfully compensated for by the five-year interest rate relevant for property financing. This interest rate fell by approximately 40 basis points in comparison to last year. Purely financial investors have however decreased in importance for the investment market, with the result that investors with a strong equity base are dominating the buying. The lower intensity of competition in the investment market in the first quarter was reflected in Central London, in Greater Paris and in the principal German office locations by a decline in transaction volumes. In Central London, investment sales at £ 2.45 billion were roughly a third down on the first quarter of 2007. In the five principal German office markets they were down by about 43% to € 2.8 billion and in the Île-de-France region by 66% to just € 2.3 billion. The Finnish commercial property investment market was an exception to the European trend. The volume of transactions in the first three months of 2008 was about € 2 billion or roughly 18% up on the year. The increase in net initial yields that began in autumn 2007 continued in the first quarter of 2008. In the 33 European office markets covered by Jones Lang LaSalle prime yields have on average increased by 22 basis points. In the five principal German locations the increase was more moderate at 15 basis points.

Development in the divisions

IVG Investment

On the basis of an active buying and selling strategy IVG Investment is concentrating on optimising the value of office properties in its own portfolio. The division focuses on office properties in the Top Six German markets Munich, Hamburg, Berlin, Frankfurt, Stuttgart and Düsseldorf and on European metropolitan regions such as Paris and London. In its portfolio structure the division puts stock in a balanced mix of properties with long-term lets at good locations and properties with value potentials boosted by our local asset management.

Business development in the 1st quarter of 2008

in € m	1st quarter 2008	1st quarter 2007	Change in %
Total income	52.0	139.8	-62.8
thereof net rental	79.3	51.3	54.6
thereof realised changes in market value of investment property	4.6	0.0	
thereof unrealised changes in market value of investment property	-45.1	74.9	>-100
EBIT	19.5	116.6	-83.3
EBIT adjusted	19.9	116.9	-83.0
Fair value	6,057.2	3,753.7	61.4

In the first quarter of 2008 the IVG Investment division's total income amounted to € 52.0 million, a 62.8% decline on the first quarter of the previous year (€ 139.8 million). This trend was due mainly to two opposite effects: rising rents and negative unrealised changes in value.

Net rental income rose by € 28.0 million on the first quarter of 2007 to € 79.3 million in the first quarter of 2008. This 54.6% increase was mainly due to newly acquired portfolios, including Allianz, Pegasus, Alster and Düsseldorf Plus, and to individual properties acquired in Germany and in Paris. These acquisitions increased the portfolio volume as of 31 March 2008 by € 2.304 million, or by 61.4%, to € 6,057.2 million.

Total letting in the first quarter was 59,539 m². The effective occupancy rate as of 31 March 2008 was 92.5% after 91.5% in the same quarter of 2007.

Like for like, rental income in the first quarter of 2008 (annualised rental volume to 31 March 2008: € 183.1 million) was 4.5% down on the previous year's € 191.7 million. This trend was mainly influenced by two properties. At North Gate in Brussels we succeeded last year in renewing the rental agreement on a long-term basis until April 2025. The property was let at market rates but significantly lower rents than were previously achieved (€ 17.5 million until May 2007 and € 10.0 million from May 2007). At the Place Vendôme property in Paris renovation work is currently in progress in connection with a change of tenant with the result that for a while no rental income is being earned for part of the space. Adjusted for these special effects, like-for-like rental income rose by 1.4%.

When rental income is compared like for like, it rose by 0.5% between the end of 2007 and the end of March 2008. This was due in particular to letting and rent increases in the Leopoldstraße, Munich, Spreespeicher, Berlin, Chocolaterie, Paris, and Dione Cassio, Milan, properties.

Negative unrealised changes in value totalled € 45.1 million in the first quarter of 2008 after € 74.9 million in positive unrealised changes in value the previous year. Regional focal points of changes in market value were:

Changes in market value of investment properties in the 1st quarter of 2008

in € m	1st quarter 2008
Germany	
Berlin	-3.6
Düsseldorf	0.3
Frankfurt	-17.9
Hamburg	-0.2
Stuttgart	-0.6
Munich	-2.8
	-24.8
International	
Brussels	2.0
Paris	-3.7
London	-20.5
Milan	1.7
Helsinki	0.2
	-20.3
Total	**-45.1**

These changes in market value are the result of different effects. In the first quarter of 2008 properties acquired last year were transferred. They include the second tranche of the Allianz portfolio consisting of properties let on a long-term basis to Allianz, and the Eduard-Schulte-Straße property in Düsseldorf. The € 32.0 million in acquisition costs for these properties were deducted in the first valuation. This burden was countervailed by increases in value of the properties acquired that partially offset the acquisition costs. The net valuation of the properties acquired in the first quarter was € -11.1 million. The negative effect of taking acquisition costs into account is especially apparent in Frankfurt, where over € 10 million in acquisition costs burdened the Allianz portfolio's Theodor-Stern-Kai property.

Other own properties in Germany declined in value by € 13.7 million in the first quarter, leading to a negative overall change in value of € 24.8 million in Germany. London properties account for a further € 20.5 million in reduction in valuation without changes in tenants or rental income. The negative change in value there was 7%. Values at the other locations remained largely stable.

The fair values of properties acquired since 1 January 2007 have developed as follows:

Portfolio/Property	Purchase price (net) in € m	Acquisition costs in € m	Fair value Q1 2008 in € m
Allegro	505.1	16.3	536.5
Alster (only transferred properties)	155.4	6.3	154.0
Channel	97.9	4.6	106.6
Channel 2	27.0	1.1	27.8
Allianz Portfolio (Core)	1,286.2	39.1	1,292.6
Düsseldorf Plus	75.3	2.9	81.9
Nautilus	188.5	7.7	203.0
Pegasus	493.0	19.7	464.7
SUN	121.8	4.8	130.7
Individual acquisitions	242.7	12.3	259.8
Total	**3,192.9**	**114.8**	**3,257.6**

The fair values of the properties acquired – € 3,257.6 million – are 2.0% higher than the net purchase prices. In other words, over half the acquisition costs totalling € 114.8 million has been recouped by increases in value.

In the first quarter of 2008 the IVG Investment division realised changes in market values totalling € 4.6 million. This was mainly influenced by the sale of a number of sites from the German non-REIT portfolio that did not conform to the Group's strategy.

In the first quarter of 2008 a segregated portfolio with a total volume of € 91.2 million was also sold to the private equity investor CIT. The sale price was slightly above the fair value and served to streamline the portfolio. All of the properties in this portfolio are in Germany and do not conform to the Group's strategy – because of either their small size, their location or their use (as a hotel, for example). The transfer of the ten properties will affect the balance sheet in the second quarter of 2008.

EBIT adjusted for the IVG Investment division fell significantly on the year in the first quarter from € 116.9 million to € 19.9 million. The increase in rental income failed to offset the substantial difference arising from unrealised changes in market value (Q1 2007: € 74.9 million; Q1 2008: € -45.1 million).

In the first quarter, funds from operations (FFO) came to € 11.8 million or 2.7% of the average restricted equity of € 1.8 billion. This is calculated as follows. To calculate the FFO, first, the unrecognised changes in value of € -45.1 million are subtracted from the EBIT of the first quarter (€ 19.5 million) and write-downs amounting to € 0.1 million are added. Next, the finance expenses mathematically allocable to the Investment division of € 49.1 million (4.8% of the € 4.1 billion in financial liabilities) and taxes on cash and cash equivalents of € 3.9 million (mathematical tax rate of 25%) are subtracted. The measures for decreasing costs and the reduction of indebtedness through the strategic sale of property will lead to an improvement in the FFO.

Net operating income (NOI) for the entire portfolio at the end of the first quarter of 2008 amounted to € 66.1 million, and the NOI yield rose on the yield at the end of 2007 (4.4%) to 4.5%. The reasons for this included the addition of the fully let Allianz portfolio in the first quarter of 2008.

NOI was calculated as follows:

Rental income (actual)
+ Income from running costs and service charges
+/- Leasehold charges
- Running cost and service charge expenses
- Maintenance expenses/Refurbishment costs
- Cost of letting (including marketing and agents' fees)
- External property management
- IVG Asset Management
- Other property-related expenses

The calculation includes all internal and external object-related operating expenses, such as one-off costs like value adjustments of receivables insofar as they bear a direct relationship to current operational property management.

The German portfolio breaks down into a part that conforms to the Group's strategy and a part that does not do so. The part that conforms consists of 81 properties worth € 3.487 billion that are to be placed on the stock market as a REIT (the REIT sub-portfolio). They are, without exception, office properties in the Top Six German metropolitan regions of Munich, Hamburg, Berlin, Frankfurt, Stuttgart and Düsseldorf in predominantly good locations and of above-average quality. Over half of the properties are let to tenants of high financial standing such as Allianz, Siemens, Daimler, Shell and KPMG. Due to the high quality of the properties and their size (average volume per property: € 43.0 million) property-related costs are relatively low. This is reflected by the slight difference between actual rental income and net operating income (NOI).

The German property portfolio that does not conform to the Group's strategy (the non-REIT portfolio) consists of four areas that generate very different yields. The aim is to reduce this sub-portfolio significantly in the medium term.

The German non-REIT portfolio contains "income properties" that are either not in Germany's Top Six locations or are not used in accordance with the Group's strategy (for logistics or as a hotel, for example) or are too small in size for the IVG portfolio. The current volume of these income properties amounts to € 578 million. Their effective occupancy rate is about 85%. The income properties sub-portfolio is scheduled to be reduced significantly by the end of 2008 and to be sold off for the most part in the medium term. The sale of the Taurus portfolio worth € 91.2 million will affect the balance sheet in the course of the second quarter.

Yield by regions

Countries	Net capital value as of 31.03.2008 in € m	Average capital tie-up in € m	Return on rent in %	NOI-yield in %	Return on change in value in %	Total Return in %
Germany	4,477	4,276	5.3	4.5	-0.5	4.0
REIT	3,487	3,286	5.2	4.6	-0.7	3.9
Non-REIT	990	990	5.4	4.1	0.3	4.4
Income properties	578	578	6.2	4.8	-0.3	4.5
Consolidated third-party properties	220	219	6.0	4.9	-0.1	4.8
Sites	144	145	2.7	1.3	3.5	4.8
Woodland	48	48	1.4	-0.5	-0.6	-1.1
France	608	609	4.9	4.5	-0.6	3.9
Benelux	416	414	5.2	3.9	0.5	4.4
UK	265	287	5.4	4.7	-7.2	-2.5
Finland	265	265	9.9	6.0	0.1	6.1
Others*	26	25	6.2	3.1	6.6	9.7
Total	**6,057**	**5,876**	**5.4**	**4.5**	**-0.7**	**3.8**

* Italy and Spain

The German non-REIT portfolio also includes consolidated properties of which the legal owners are not IVG but subscribers to property funds (net capital value of consolidated third-party properties to 31 March 2008: € 220 million). On the basis of performance or management agreements between IVG and the fund in question, these properties are financially allocated entirely to the IVG Group in accordance with IFRS.

A further part of the non-REIT portfolio consists of sites mainly with planning permission (net capital value as of 31 March 2008: € 144 million). They are mainly sites held in reserve that will be converted step by step into profitable properties by means of project developments. Various developments at the above-mentioned locations have been brought to a successful conclusion in recent years. Further project developments at these locations are either under way or in preparation. In the medium term we will also be thinning out this portfolio significantly by selling sites. This portfolio's NOI yield is 1.3% because some buildings on the site earn only sporadic rental income.

A final € 48 million worth of property of the non-REIT portfolio consists of woodland. Roughly half of it is cultivated as woodland and the remainder consists of former military properties. These sites formed part of the portfolio before IVG first went public. The woodland sites are being sold off step by step. Income (1.4% return on rent) is lower than the running costs and therefore leads to a negative NOI yield.

The increase in the French portfolio's NOI yield from 3.8% at the end of 2007 to 4.5% in the first quarter of 2008 was mainly due to the € 92 million Parc Avenue property, which was under development in the previous year, becoming involved in capital tie-up last year without earning rental income. It was sold in July 2007 at a profit of € 57 million.

In Benelux the current return on rent is well below the figure for 2007 (31 December 2007: 6.0%) at 5.2%. This is due to a new rental agreement for the North Gate property since May 2007.

The London portfolio is now earning a 5.4% return on rent (31 December 2007: 5.2%) and an NOI yield of 4.7% (31 December 2007: 5.0%). The slight decline in NOI yield in the UK on 2007 is due primarily to refurbishment of the St. James's Street property. With an average rental agreement term of nearly seven years there is no direct threat to operational performance in London even if rental markets deteriorate from time to time. Quite the opposite is the case. Rent reviews over the next two years due to the current situation of our portfolio are likely to lead to an increase in rent, which would lead to higher NOI yields given stable fair values.

Further developments in 2008

To optimise our portfolio we aim to sell properties worth over € 500 million in 2008. The properties are to be placed on the market or in IVG funds. Our aim is to reduce the core share of the portfolio in order to bring about an increase in yield from the remaining portfolio. The sale of properties that do not conform to the Group's strategy also continues to be taken forward intensively. In all we will reduce the Group's capital tie-up and with it the borrowing ratio.

The proposed REIT portfolio currently has a volume of about € 3.5 billion. Due to the tense situation on the capital market we do not expect to be able to place the REIT on the stock market at suitable conditions this year.

Outlook for 2008

For the full year 2008 we anticipate rental income of between € 310 million and € 325 million in the Investment division, depending on how sales progress. The portfolio's occupancy rate is likely to increase from 92.5% to at least 93,0% in spite of sales of fully let properties. Like for like we aim to achieve a 1.5% increase. The year-on-year increase in rental income will then be due primarily to portfolio expansion, but also to an improvement in occupancy rate and in like-for-like rents.

We also aim to increase our NOI yield to 4.75% by the year's end by selling properties that make no positive contribution to NOI, by reducing the core proportion in the portfolio and by means of effects of the cost reduction programme.

Including the previously stated € 45.1 million in negative unrealised changes in value, we anticipate total income of between € 300 million and € 320 million and an EBIT adjusted of between € 185 million and € 205 million for the Investment division in 2008. In view of the current market trend we are unable to forecast changes in value by the end of 2008. Possible further changes in market value are therefore not included in our earnings estimate.

IVG Funds

The IVG Funds division develops, sells and manages property funds and comparable investments for private and institutional investors. Its investment focus is on quality office properties in European, Asian and North American cities.

IVG Funds enables private investors to invest via the EuroSelect funds in properties for which it handles the asset management on a long-term basis. In addition, IVG develops, sells and manages IVG funds and other fund constructions that invest in other property funds. Comparable products are set up, incidentally, for non-profit foundations and organisations. In the institutional sector IVG Institutional Funds continues to be the market leader in special funds. It also manages several direct mandates for institutional investors.

Business development in the 1st quarter of 2008

in € m	1st quarter 2008	1st quarter 2007	Change in %
Total income	36.6	29.7	23.2
thereof development, sale and acquisition	1.8	12.8	-85.9
thereof fund and property management	14.8	14.7	0.7
thereof rental income	8.9	2.0	>100
thereof changes in inventories	8.6	0.0	
EBIT	18.3	11.3	61.9
EBIT adjusted	8.7	9.9	-12.1
Assets under management	13,726.9	13,790.6	-0.5

In the first quarter the division's total income rose by 23% to € 36.6 million. The main reason for this increase was the net rental income from properties in Luxembourg and Milan that were acquired at the end of 2007 for private investment funds that are scheduled to go on sale in the course of the year. Another factor is changes in inventories at part of the Milan property that is under construction (€ 8.6 million). The concept for the latest fund, IVG Balanced Portfolio Asia, has now been completed and the German regulatory authority BaFin has approved it. Selling began at the end of March. Income from fund and property management remained stable compared with the previous year's first quarter.

Adjusted first-quarter EBIT was down slightly on the previous year from € 9.9 million to € 8.7 million. Changes in inventories and rental income from the properties acquired in Milan and Luxembourg for private investment funds are not included in EBIT adjusted because it will be eliminated via deconsolidation effects once the funds are fully placed. It did, however, lead to an increase in EBIT to € 18.3 million (previous year: € 11.3 million).

Assets under management fell slightly in the first three months of this year and amounted to € 13.7 billion at the end of the first quarter. Institutional investment accounted for € 10.4 billion of this total compared with € 10.3 billion as at 31 December 2007, and private investment funds accounted for € 3.3 billion (31 December 2007: € 3.7 billion). This decline is due to the winding-up or transfer of low-margin old funds and has no effect on results.

The unabated demand by institutional investors for indirect investment in property continued in the first quarter. For funds managed by IVG four properties worth a total € 141 million were acquired in Finland, the Netherlands, Eastern Europe and Canada.

In addition to the above-mentioned acquisitions, purchase options are already held for property acquisitions worth over € 300 million. Properties costing € 75 million were sold in Germany and the Netherlands in the first quarter.

Country	Purchase				Sale			
	1st quarter 2008		1st quarter 2007		1st quarter 2008		1st quarter 2007	
	No. of properties	in € m	No. of properties	in € m	No. of properties	in € m	No. of properties	in € m
Germany					2	17	1	12
UK			3	110			1	39
France							2	74
Poland			1	19				
Czech Republic			1	28				
Netherlands	1	23			3	58		
USA/Canada	1	25						
Central and Eastern Europe	1	21						
Finland	1	72						
Total	**4**	**141**	**5**	**157**	**5**	**75**	**4**	**125**

The funds continued in the first quarter of 2008 to benefit from the positive situation in lettings markets. In the 2008 first quarter new rental agreements were signed or existing agreements renewed for 88,000 m², and this trend is likely to continue in the course of the year.

Further developments in 2008

At the end of March, selling of the first Asia fund, IVG Balanced Portfolio Asia, began. The fund participates via an index certificate in selected institutional property funds that are invested in the Asian market using individual investment strategies. The fund's volume is variable, amounting to at least US$ 240 million. In the remaining nine months of the year we intend to place the Asia fund's equity with both private and institutional investors. The fund's calculated contribution margin for IVG is in the region of US$ 12 million.

In summer placement of the EuroSelect 16 fund, The Square, will begin. It consists of four Luxembourg properties acquired at the end of 2007 as part of a share deal with a total investment volume of about € 400 million and around € 240 million of equity to place. The properties are let on a long-term basis to tenants of strong financial standing. For German private investors the 5.25% profit distribution is almost tax-free. The fund's calculated contribution margin for IVG is € 15 million.

In the last quarter of this year we are planning to market another EuroSelect fund for private investors with a property in Milan. Over the full year 2008 a further increase in last year's record equity placement of € 427.4 million will therefore be possible.

In the institutional segment an increase in assets under management is anticipated by the end of the year. In contrast to the past two years, when funds made use of the favourable market position to sell properties, we anticipate no major portfolio disposals worth mentioning in 2008. Quite the opposite is true. Most special funds will make use of the current situation in property markets to embark on acquisitions and to further increase fund volume by the end of the year. For the full year IVG anticipates institutional funds for institutional investors with acquisitions in excess of € 1 billion.

Until the end of 2007 the Funds division also included properties with equity to which private investors had subscribed in the years 1999 to 2004 but had to be consolidated with IVG as a special purpose entity in accordance with IFRS SIC 12 in connection with rent guarantees or buyback options. Since January 2008 these properties with a total market value of € 86 million have been held by the Investment division and listed under consolidated third-party properties. Rental income from these properties (€ 1.4 million in the first quarter of 2007 or € 8.3 million in the full year 2007) have no longer been included in the Funds division's total income or EBIT adjusted neither in the first quarter nor in the full year 2008. This must be borne in mind when comparing these figures with the figures for the previous year.

Outlook for 2008

For the full year 2008 we expect the Funds division to earn between € 175 million and € 185 million in total income. EBIT adjusted is expected to be between € 45 million and € 50 million.

In terms of EBIT adjusted, income from fund development, sales and acquisition should amount to about 44% of this year's total, with fund management and asset management accounting for a further 47% or so. Within the framework of the fee structures that are customary in the market, the share of income components that can be classified as recurring should continue to increase in the future.

IVG Development

The Development division develops office property projects in Germany and selected European cities. Development business is run on the basis of lean and transparent project development management and a sound capital base.

Business development in the 1st quarter of 2008

in € m	1st quarter 2008	1st quarter 2007	Change in %
Total income	125.2	24.2	>100
thereof project sales	37.8	1.3	>100
thereof changes in inventories	33.9	10.1	>100
thereof unrealised changes in value of investment property	47.4	11.8	>100
EBIT	62.9	10.2	>100
EBIT adjusted	65.6	15.3	>100
Project volume (IVG share)	2,512.5	1,651.2	52.2

The division's total income in the first quarter rose substantially year on year from € 24.2 million to € 125.2 million. All three major total income components are up on the previous year's figures. Income from project sales is characterised mainly by the sale of the Düsseldorf Global Gate project that was invoiced in the first quarter (trading profit 39%, yield on cost 7.7%, exit yield 5.8%).

The project pipeline has a volume of € 2.5 billion. In keeping with our strategy of taking mainly new projects into the pipeline, we currently have projects with an average volume of € 48 million under way (excluding the AIRRAIL Center), including average volumes of € 55 million in Paris and € 84 million in London. € 34 million in Germany (apart from the AIRRAIL Center) and € 37 million in the three Eastern European cities. Construction progress in implementing the project pipeline is expressed by a significant increase in inventory changes from € 10.1 million in the first quarter of 2007 to € 33.9 million in the first quarter of 2008. Of the € 2.5 billion development pipeline, € 0.8 billion (previous year: € 0.6 billion) had been invested by the end of the first quarter. This growth is due mainly to taking up new projects into the pipeline. Since the end of 2007 the capital tie-up has barely changed in amount because new investments in current projects were offset by the handover of the Düsseldorf project and the fall in the exchange rate of sterling.

The increase in changes in unrealised market value was due in particular to the completion and initial valuation of a project in the City of London shown in the balance sheet as an investment property. The project was completed at the beginning of March and is at present 67% let. The profit from initial valuation amounts to € 47.4 million.

As a result of the higher total income the division's operating result (EBIT) rose sharply from € 10.2 million to € 62.9 million compared with the first quarter of 2007. Even without the increase in value of the London project the division's operating result would have been € 16 million and still higher than in the previous year's first quarter. The adjustment of EBIT to € 65.6 million is a result of payments for profit-linked IVG partner loans to two joint ventures. For reasons of tax optimisation the pro rata results from these project developments largely take the form of interest payments to IVG, but they are attributable to the division's operating performance.

The division's lettings performance developed very positively in the first quarter of 2008. It rose to 29,830 m² from 11,200 m² in the first quarter of the previous year. As a consequence the volume of rental agreements signed also increased strongly. Net annual rental income from new agreements signed in the first quarter of 2008 was € 7.4 million compared with € 4.2 million last year.

The development of the commercial occupancy rate for the development pipeline shows a correspondingly positive trend. For the entire pipeline the rate at the end of March was 45.1% (end of 2007: 42.5%) and for projects completed but not yet handed over 90.5%. The occupancy rate for projects scheduled for invoicing in 2008 has also improved – to 83.4% (end of 2007: 74.9%).

In addition to the Düsseldorf project, which has already been handed over to the buyer, a project in Issy-les-Moulineaux (IVG holds a stake of 30%) south-west of Paris was invoiced in the first quarter of 2008 (trading profit 84%, yield on cost 8.5%, exit yield 4.6%). The results of the joint venture are not reflected in the IVG Development division's total income; they are mainly paid out to IVG as profit-linked interest payment on IVG partner loans and shown in the EBIT adjusted. In addition, a project in Montrouge south of Paris (trading profit 48%, yield on cost 7.9%, exit yield 5.3%) was notarised. It will probably be handed over to the buyer in the second quarter of 2008 and will then affect net income.

Events since the end of the reporting period

The AIRRAIL Center at Frankfurt Airport is a joint venture by IVG (80%) and Fraport AG (20%). By the end of 2009 a multi-storey building 660 metres long is to be built on the roof of the ICE railway station with 140,000 m² of office, retail, restaurant and hotel letting area. Rental agreements have been signed inter alia with the Hilton hotel group and with auditing and management consultancy firm KPMG. As of the end of the first quarter of 2008 a 50.9% effective occupancy rate had been achieved. In April, AIRRAIL Center Frankfurt GmbH terminated the shell construction contract for this major project due to repeated breach of contract by Alpine Bau Deutschland GmbH. The termination became necessary to ensure economic success and scheduled handover to future tenants. The capacities required to continue with completion of structural works are assured, a new construction contract was signed last week and construction work has been resumed. Further contracts with main building trades such as fitting out, technical equipment and facade works are not affected by the termination. The project's financing is not affected by the measure either. Anticipated cost increases are covered by the existing budget framework.

The first anchor rental agreement was signed in April for the Horizon Plaza project in Warsaw when Nokia Siemens Networks Poland rented 9,600 m² of office space. The company will move in when the project is completed at the end of 2008. The effective occupancy rate in the Horizon Plaza now amounts to 27%.

In April the sale of a project that forms part of a joint venture (IVG holds a stake of 21%) was notarised in Colombes south-west of Paris (trading profit 59%, yield on cost 9.2%, exit yield 5.5%). Project earnings will probably accrue to the joint venture in the second quarter of 2008. They will then be paid out to IVG mainly in the form of profit-linked interest payment on IVG partner loans and be shown in the EBIT adjusted.

Further development in 2008

The project pipeline will stay at around € 2.5 billion until the end of 2008. Further individual acquisitions are planned, but their volume will be nowhere near the 2007 level. The plan is at most to take on new projects that replace the volume that will be completed in 2008. In principle, new projects will no longer be commenced on a speculative basis but only when definite rental agreements are assured or an investor is already involved.

At present, funds committed in the pipeline total € 0.8 billion. Subsequent investment to develop the current project volume (cost to complete) continues to be nearly € 1.7 billion.

Time scale of cost to complete in € m

2008 (Q2 – Q4)	2009	2010	2011	2012	Total
634	598	270	163	8	1,673

The above-average cost increases observed in 2007 (the Federal Statistics Office reported a figure of 4.5% for Germany) are already included in the costing of our projects. With construction costs accounting for a share of about 50% of overall investment costs, our costing regularly includes a buffer of at least 5%.

Since 2007 we have financed our project development on a non-recourse basis as a rule. In the meantime we have agreed attractive funding packages for all projects that are currently under construction or due to start construction soon.

For 2008 sales are planned with a pro rata IVG volume of about € 440 million to € 450 million. Of this total, four projects or 43% have already been sold, although only the sale of the Düsseldorf project affected net income in the first quarter. Sales planned for 2008 already have a lettings ratio of 83.4%.

The sales process for all IVG-led projects scheduled for sale and invoicing in the course of this year is going ahead according to plan. Feedback received so far from market partners would as a rule seem to suggest that project income will be at least in line with plan. We anticipate a pro rata IVG invoice volume share of about € 440 million to € 450 million from 11 projects. This includes the delay of a project in Nuremberg that will now be invoiced in the first quarter of 2009 instead of the fourth quarter of 2008.

Further projects scheduled for sale or invoicing in 2008 are in Bydgoszcz, Helsinki, Krefeld, the City of London, Munich and a project each in Paris and near Düsseldorf.

Yield on cost, or planned net rental income in relation to total investment, at the end of the first quarter of 2008 was 6.8% for the entire project portfolio, and the exit yield or return on investment (planned or sustainably achievable net rental income in relation to the purchase price) was 5.6%. The spread between the two yields is therefore 1.2%, which corresponds to an anticipated trading profit of around € 450 million or 18% of total investment costs for the entire project portfolio. These planning figures all include provisions for extra costs, letting and selling budgets.

Outlook for 2008

Pro rata for IVG we anticipate an invoicing volume of € 440 million to € 450 million from 11 projects in the Development division. Total income for the year 2008 is therefore likely to be between € 720 million and € 750 million. IVG can thereby expect, after the good start to the year, to exceed in 2008 the previous year's EBIT of € 89.7 million. We anticipate an adjusted EBIT of between € 90 million and € 95 million.

IVG Caverns

The IVG Caverns division's core business is the construction of oil and natural gas storage facilities in large subterranean salt domes (caverns) and letting them to energy industry companies of strong financial standing and to state-run petroleum stockholding agencies.

Business development in the 1st quarter of 2008

in € m	1st quarter 2008	1st quarter 2007	Change in %
Total income	16.1	10.2	57.8
thereof rental income	11.5	9.2	25.0
thereof unrealised changes in value of investment property	2.9	0.0	
EBIT	11.8	6.7	76.1
EBIT adjusted	12.3	7.8	57.7

The 58% year-on-year increase in total income in the first quarter of 2008 was due mainly to the € 2.3 million in additional rental income from the six caverns converted to store gas in place of oil that were completed in mid-2007 and the € 2.9 million increase in fair value of the existing caverns due to unrealised changes in the market value. The main driving force behind the higher valuation of the existing caverns were the 8% rent increases realised as a result of price escalation clauses in a rental agreement. This led to a 2% rise in average rents.

EBIT rose by € 5.1 million to € 11.8 million and adjusted EBIT rose by € 4.5 million to € 12.3 million. Adjusted EBIT includes income earned as interest income from financial lease accounting but actually attributable to operational business.

Further development in 2008

Cavern building activities in Etzel are in full swing. At present, 15 caverns are undergoing leaching. By the year's end a total of 18 caverns will be undergoing this process at the same time. Next year, leaching will lead to the full utilisation of storage capacity in 20 caverns simultaneously. This capacity utilisation is then to be maintained continuously. Investment this year will amount between € 100 million and € 110 million.

In 2008 a further three converted caverns will be completed and handed over to the customer. In the second quarter a rental agreement with a large European utility for four gas caverns and two optional caverns is likely to come in force. These caverns are to be handed over to the customer from 2012. We are currently holding talks with several interested parties about letting more caverns.

Outlook for 2008

For the year 2008 we anticipate between € 100 million and € 105 million in total income. We expect adjusted EBIT to amount to between € 85 million and € 90 million. The main reason for this positive results trend is the completion of three converted caverns. Rental income will increase by around € 5 million as a result of their completion. The accompanying changes in market value will amount to about € 50 million.

Status of caverns sale process

At the end of last year IVG decided to consider selling the 40 existing caverns. That would realise development profits and open up the possibility of establishing a market value for the existing caverns. It would also provide an opportunity of determining a market value for caverns still under construction and yet to be let.

The transaction process was launched in February 2008. In this connection it was decided to look primarily into a total or partial sale of the caverns business. The sale of the completed caverns to a fund developed by IVG was another exit option.

A large number of investors have submitted an interest to the investment bank that we have mandated. The memorandum of information is currently being mailed to potential investors. We anticipate non-binding offers from interested investors at the beginning of June. The further course of the process will then depend on the results of the initial process phase. The whole or partial sale of the caverns business is our highest priority. We expect a transaction to be completed in the second half of the year.

Value-oriented management

Adjusting EBIT

The € 102.1 million in EBIT according to IFRS calculated for the first quarter of 2008 does not reflect all effects on results that must be taken into account in managing divisions. To assess operational success better, a handful of clearly defined adjustments are used to make up an adjusted EBIT. These adjustments amounted to € -6.0 million for the first quarter, and adjusted EBIT for the quarter was € 96.1 million.

Group EBIT (adjusted) 1st quarter of 2008

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core	Corporate Functions	Group
EBIT	19.5	18.3	62.9	11.8	0.0	-10.4	102.1
Adjustments	0.4	-9.6	2.7	0.5	0.0	0.0	-6.0
EBIT adjusted	19.9	8.7	65.6	12.3	0.0	-10.4	96.1

Group EBIT (adjusted) 1st quarter of 2007

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core	Corporate Functions	Group
EBIT	116.6	11.3	10.2	6.7	1.2	-14.6	131.4
Adjustments	0.3	-1.4	5.1	1.1	0.0	0.0	5.1
EBIT adjusted	116.9	9.9	15.3	7.8	1.2	-14.6	136.5

In the Investment division, adjustments totalling € 0.4 million reflect income from financial leasing properties.

In the Funds division, rental income from properties in Italy (Macciachini) and Luxembourg (The Square) that will later be incorporated in funds accounts for adjustments totalling € -9.6 million.

In the Development division, adjustments amount to € 2.7 million and relate mainly to profit-linked interest earned from loans to partners in connection with joint ventures.

Adjustments totalling € 0.5 million in the Caverns division map financial leasing components.

Net asset value

Compared with 31 December 2007, NAV fell by € 0.08 per share in the first quarter and amounted to € 28.95 per share as of 31 March 2008.

The main effects compared with 31 December 2007 were as follows:

- Realised and unrealised changes in market value in the Investment division totalling € -41 million,
- The € 35 million increase in cavern values, including € 27 million for potential caverns,
- The € 47 million step-up to be booked after completion of a project in London and the € 11 million operating result from the sale of the Global Gate project in Düsseldorf. Realisation of profits leads to a reduction in discounted contribution margins in the Development division.

The lion's share of IVG's existing properties is stated as investment property at market value in accordance with IAS 40. The market valuation of properties held by the **Investment division** is undertaken by external appraisers on the basis of the discounted cash flow method. Along the lines of the approach adopted in financial year 2007, NAV is calculated on the basis of gross market values before deducting transaction costs instead of the balance sheet net market values.

The increase in the first quarter of 2008 was characterised by further property acquisitions and by realised and unrealised changes in market values.

Non-current assets in the Investment division rose by € 76 million to € 91 million compared with 31 December 2007. Of this total, € 30 million was the equity investment carrying amount from the initial consolidation of the Greater London Funds that were still allocated to the Development division as of 31 December 2007. A further € 45 million was securities held as non-current assets that were transferred from the fund segment at the beginning of the year. The € 22 million increase in current assets on 31 December 2007 to € 110 million was due to a variety of individual effects under receivables and other asset items and cash with bank and in hand.

NAV derivation

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Corporate Functions	March 2008	Dec 2007	Change absolute
Properties	6,185					6,185	5,300	885
Enterprise values		459				459	459	
Discounted contribution margins			263			263	303	-40
Caverns				1,470		1,470	1,435	35
Non-current assets	91	183	280	3	5	562	477	85
Current assets	110	675	623	31	92	1,531	1,473	57
Total assets	**6,386**	**1,317**	**1,166**	**1,504**	**97**	**10,470**	**9,447**	**1,023**
Total borrowing						7,111	6,079	1,032
Net asset value						3,358	3,368	-9
NAV per share in €						28.95	29.03	-0.08

Properties in the **Funds division** that are not intended for funds were transferred entirely to the Investment division in the first quarter of 2008. The NAV-relevant enterprise values in the Funds division were included unchanged in the calculations:

- Business with institutional investors at 94% of the appraisal value (€ 292 million),
- Private funds business at an EBIT multiple of nine in relation to the 2007 EBIT (€ 163 million),
- Direct mandates at € 4 million.

Non-current assets totalling € 183 million were down € 12 million on the end of the previous year due to various individual balance sheet effects relating to financial investments. Current assets in the Funds segment rose by € 11 million and consist primarily of properties acquired in Italy and Luxembourg that are to be marketed via funds.

Discounted contribution margins in the **Development division** were on balance € 40 million lower than the 31 December 2007 projection. Completion of a project in London and the sale of the Global Gate project with their positive effects on results led to € 48 million reduction in this item. Non-current assets rose by € 23 million on balance. The largest individual effect is the valuation gain as a result of the completion of project development in London. The transfer of the Greater London Funds equity investment to the Investment division had the opposite effect. Current assets totalling € 623 million in the Development division continue to be over 91% project development inventories.

The **Caverns division** was found in a BDO Deutsche Treuhand AG survey to have appreciated in value by € 35 million in the first quarter. The 90 potential caverns accounted for € 27 million of this total. Other balance sheet assets are almost unchanged on the position at the end of 2007.

Along the lines of the calculation method used in the last financial year, the NAV was calculated by deducting borrowing from the total assets. Hybrid capital and minority interests were allocated to borrowing because they are not claims to which Group shareholders are entitled. In addition, the previous approach was retained but derivative financial instruments and tax liabilities were eliminated in accordance with EPRA recommendations.

Results of operations, assets and financial positions of the Group

Development of key income statement items

Total income rose in the first quarter of 2008 by € 22.9 million on the year to € 229.7 million. A major contributor was revenues, which increased by € 67.1 million to € 171.5 million, of which € 35.4 million was generated by sales in the Development division and € 30.0 million was due to investment-related increases in net rental income from investment property. In addition, changes in inventories and other own work capitalised rose by € 32.4 million to € 42.5 million. This was due mainly to progress in construction work in the Development and Funds divisions.

On the other hand, unrealised changes in the market value of investment properties fell by € 81.5 million to € 5.2 million. While negative market value changes amounted to € 45.1 million in the Investment division, the Development division contributed a positive market value change of € 47.4 million due to the first-time valuation of a completed project in London. Including a positive market value change in the Caverns division, the overall result was a positive market value change of € 5.2 million, as mentioned above. The realised market value changes of € 4.8 million were primarily due to the sale of properties that did not fit the Group’s strategy.

Material expenses increased by € 46.7 million to € 66.1 million, due in particular to construction progress on schedule and in budget on the AIRRAIL Center (€ 22.1 million), Cap Sud (€ 8.3 million), Asnières (€ 6.0 million) and Broadway (€ 5.3 million) project developments.

Personnel expenses fell by € 4.2 million to € 15.6 million, due to lower expenses arising from the stock option plans and to the reduction of workforce as a result of the Group’s focus on its core business and efficiency improvements.

Expenses for investment property rose by € 4.4 million to € 18.0 million. This item includes mainly maintenance, land taxes, property management costs as well as fees and charges directly attributable to investment property.

EBIT fell, due to the major effects mentioned above, by 22% to € 102.1 million.

Financial result fell by € 52.1 million to € -82.6 million. This was mainly due to higher borrowing as a result of the portfolio acquisitions made. The refinancing interest rate, including the margin, was slightly lower than in 2007.

The tax rate deteriorated from 29.6% to 37.9% because negative changes in market value, especially for the REIT portfolio, could not be offset by capitalising deferred taxes.

Consolidated net profit fell by € 58.9 million to € 12.1 million.

Development of key balance sheet items

Total assets as of 31 March 2008 rose by € 1,023.5 million on 31 December 2007 to € 9,264.5 million. The increase in assets was due mainly to additions in investment properties worth € 1,037.5 million to € 6,399.3 million, of which the properties of the Allianz portfolio acquired in 2008 accounted for € 906.8 million.

Due to the completion of a development project in London and the associated reclassification as an investment property, other fixed assets decreased by € 120.6 million to € 291.8 million.

Of the increase in financial assets, € 30.2 million was due to the purchase of participation certificates in selected Asian real estate funds that are to be placed via a EuroSelect fund.

The € 37.7 million increase in non-current assets held for sale to € 423.3 million was due for the most part to the reclassification of investment property that are likely to be sold as of 30 June 2008.

Financial liabilities rose by € 1,072.0 million, including € 151.3 million in short-term liabilities, to € 5,861.2 million. These funds were primarily borrowed to finance property acquisitions. Consequently, the balance sheet equity ratio (adjusted for dividends) fell from 25% to 22%, and the equity ratio at market values (adjusted for dividends) fell from 35% to 31%.

Financing

At present, IVG has unused credit lines totalling € 1.3 billion. In 2008 IVG has been able to prolong all the credit lines that were due for renewal and to negotiate an additional volume of € 0.4 billion in new credit lines. The borrowing includes the € 119 million forfaiting agreement concluded at the beginning of January with a 15-year term. The company sold the first 15 years of the rental cash flow from six gas caverns for each of which the term of the rental agreement extends over a period of 35 years.

The use made of the commercial paper programme was increased from € 269 million at year-end to € 298 million as of 31 March 2008.

The average interest rate for all financial liabilities (including interest hedging instruments) was 5.09% as of 31 March 2008 and thus slightly down on the year. The financing terms and conditions for new business increased moderately, if at all. IVG complied with all the covenants agreed in credit contracts with banks in the quarter under review. These covenants continue to provide a high degree of flexibility for IVG in its future business activities, even in the current economic environment, and will allow the company to continue to grow. We expect that we will continue to comply with all the terms of the covenants agreed throughout 2008.

Employees

Compared with the end of 2007, the number of employees as of 31 March 2008 was unchanged at 697.

Number of employees

	31 March 2008	31 March 2007	31 Dec. 2007
Total	**697**	**818**	**697**
IVG Investment	7		6
IVG Funds	89	100	80
IVG Development	78	56	72
IVG Caverns	58	156	51
Asset management	193	235	220
Transaction	34	22	30
Corporate functions	210	216	210
Trainees	28	33	28

The IVG share

Key data

SIN/ISIN	620570/DE0006205701
Code	IVG
Stock exchanges	Xetra, Frankfurt, Düsseldorf, Stuttgart, Munich, Berlin, Hamburg, Hanover
Market segment	Prime Standard/Official Trading
Index membership (selection)	MDAX, EPRA/NAREIT Index, DJ Euro Stoxx, DJ Stoxx 600, MSCI Europe, MSCI Germany, GPR 15
Designated sponsors	Dresdner Kleinwort, Sal. Oppenheim jr. & Cie. KGaA
Market capitalisation (31 March 2008)	€ 2.1 billion
Free float market capitalisation (31 March 2008)	€ 1.6 billion
Number of shares (31 March 2008)	116 million
Share price (31 March 2008)	€ 17.72
First listed	01.10.1986
Last capital increase	2000

The downward trend in property share prices in Germany and Europe in 2007 continued in the first quarter of this year. This was due to the escalating financial market crisis, additional burdens arising from sub-prime loans and resulting fears of a decline in economic growth in the United States. Substantial interest rate cuts by the US Federal Reserve Bank reduced the uncertainty in the equity markets only for a short period of time. It was not until after the end of the first quarter that there was a slight improvement of the sentiment in the markets and in respect of property shares.

In the first three months of the financial year, the EPRA Europe Index was down slightly by 2%, whereas the EPRA Germany Index fell more significantly by 9%. The DAX and MDAX indices followed the same trend, with losses of 19% and 11%, respectively. The IVG share price fell by 25% from € 23.58 to € 17.72. In the first three months of 2008, the average daily trading volume of IVG shares on the stock market was 1,070,900 (2007: 671,200) shares.

The Board of Management and the Supervisory Board will propose to the Annual General Meeting on 21 May 2008 that the dividend should be increased by € 0.50 to € 0.70 per share, which will lead to a payout volume of € 81.2 million.

Significant events after the end of the reporting period

From the Group's perspective, no events of particular significance have occurred since the end of the reporting period.

Outlook

For the full year 2008, we anticipate a total income of between € 1.3 billion and € 1.4 billion and an EBIT adjusted of between € 365 million and € 400 million. From today's perspective, the consolidated net profit, will range between € 90 million and € 100 million. These figures do not take into account two opposite effects: first of all, additional changes in the value of our property portfolio, for which reliable market forecasts are not available; secondly, the income from the envisaged sale of caverns. As soon as more reliable data are available, we will provide information on the resulting opportunities and risks in the two areas.

The Company's various divisions will make the following contributions to this forecast: The Investment division's total income in the financial year 2008 will probably amount to between € 300 million and € 320 million, and its EBIT adjusted will range between € 185 million and € 205 million. In the Funds division, we expect between € 175 million and € 185 million in total income in 2008 and an EBIT adjusted of between € 45 million and € 50 million. In the Development division, total income in 2008 is expected to be between € 720 million and € 750 million, while we anticipate an EBIT adjusted of between € 90 million and € 95 million in this division. In the Caverns division, we expect total income to range between € 100 million and € 105 million and the EBIT adjusted to amount to be between € 85 million and € 90 million.

For the financial year 2008, our goal is to pay a dividend of at least € 0.70 per share.

Interim Financial Statements

at 31 March 2008

Consolidated income statement

in € m	01.01.- 31.03.2008	01.01.- 31.03.2007
Revenues	171.5	104.4
Changes in inventories and other own work capitalised	42.5	10.1
Unrealised changes in market value of investment property	5.2	86.7
Realised changes in market value of investment property	4.8	0.0
Other operating profit	5.7	5.6
Total income	**229.7**	**206.8**
Material expenses	-66.1	-19.4
Personnel expenses	-15.6	-19.8
Depreciation and amortisation of intangible assets, property, plant and equipment	-1.2	-1.4
Expenses from investment property	-18.0	-13.6
Other operating expenses	-30.6	-26.2
Profit/loss from equity-accounted associates	3.6	4.1
Income from participating interests	0.3	0.9
EBIT	**102.1**	**131.4**
Financial result	-82.6	-30.5
Net profit before tax	**19.5**	**100.9**
Income taxes	-7.4	-29.9
Consolidated net profit	**12.1**	**71.0**
Share of net profit attributable to Group shareholders	4.0	65.2
Share of net profit attributable to providers of hybrid capital	8.0	6.3
Share of net profit attributable to minority interests	0.1	-0.5
Basic earnings per share (in €)	0.03	0.56
Diluted earnings per share (in €)	0.05	0.53

Consolidated balance sheet

in € m	31.03.2008	31.12.2007
ASSETS		
Non-current assets		
Intangible assets	258.5	258.7
Investment properties	6,399.3	5,361.8
Property, plant and equipment	291.8	412.4
Financial assets	272.4	238.9
Shares in equity-accounted associates	69.1	71.7
Derivative financial instruments	33.9	41.2
Deferred tax assets	92.0	73.9
Receivables and other assets	67.0	73.1
Total non-current assets	**7,484.0**	**6,531.7**
Current assets		
Inventories	982.1	966.0
Receivables and other assets	216.7	220.2
Income tax receivables	17.4	17.4
Derivative financial instruments	5.4	3.0
Securities	7.4	11.4
Cash and cash equivalents	128.2	105.7
	1,357.2	**1,323.7**
Non-current assets held for sale	423.3	385.6
Total current assets	**1,780.5**	**1,709.3**
Total assets	**9,264.5**	**8,241.0**

in € m	31.03.2008	31.12.2007
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	116.0	116.0
Capital reserve	561.0	561.1
Own shares	-0.2	-0.3
Other reserves	-24.4	5.8
Retained earnings	1,035.0	1,030.9
Equity attributable to Group shareholders	**1,687.4**	**1,713.5**
Hybrid capital	400.9	400.9
Minority interests	1.3	2.7
Total equity	**2,089.6**	**2,117.1**
Liabilities		
Non-current liabilities		
Financial liabilities	4,417.4	3,496.7
Deferred tax liabilities	422.7	419.4
Pension provisions	9.0	9.6
Other provisions	48.8	48.8
Liabilities	40.0	58.0
Total non-current liabilities	**4,937.9**	**4,032.5**
Current liabilities		
Financial liabilities	1,443.8	1,292.5
Derivative financial instruments	2.9	1.8
Other provisions	128.9	132.0
Liabilities	257.4	261.1
Income tax liabilities	50.0	43.4
	1,883.0	**1,730.8**
Liabilities associated with non-current assets held for sale	354.0	360.6
Total current liabilities	**2,237.0**	**2,091.4**
Total equity and liabilities	**9,264.5**	**8,241.0**

Consolidated cash flow statement

In € m	01.01.- 31.03.2008	01.01.- 31.03.2007
Consolidated net profit	12.1	71.0
Write-downs/write-ups	1.2	1.4
Changes in market value of investment property	-5.2	-86.7
Other non-cash expenses/income	-11.1	15.7
Gains from asset disposals	-4.2	0.0
Changes in current asset items and receivables and other assets	4.1	-19.8
Trade liabilities/other liabilities	-16.3	-37.2
Cash flow from operating activity	**-19.4**	**-55.6**
Increase in inventories in Development division	-31.1	-56.8
Increase in inventories in Funds division	-28.6	0.0
Cash flow from short/mid-term investment activity of the divisions	**-59.7**	**-56.8**
Cash flow from business activity	**-79.1**	**-112.4**
Cash flow from investment activity	**-997.5**	**-1,422.6**
Cash flow from financing activity	**1,100.8**	**1,079.9**
Net change in cash and cash equivalents	24.2	-455.1
Currency impacts	-0.7	0.0
Cash and cash equivalents at the beginning of the period	106.2	551.2
Cash and cash equivalents at the end of the period	**129.7**	**96.1**
Thereof cash and cash equivalents held by disposal groups	1.5	0.0
Cash and cash equivalents reported on balance sheet	128.2	96.1

A total of € 59.7 million of the cash flow from operations was due mainly to investments in the inventories of the Development and Funds divisions as a result of progress made in construction work for projects. In addition, continuing operations led to a cash outflow of € 19.4 million, which was a significant improvement on the previous year's € 55.6 million. Non-cash expenses and income mainly include currency translation effects of financial liabilities.

The cash flow from investing activities is largely due to new portfolios acquired by the Investment division in the first quarter.

The first-quarter cash flow from financing activity was used mainly to finance the acquisition of these portfolios (€ 907.4 million).

Statement of income and expense

in € m	01.01.- 31.03.2008	01.01.- 31.03.2007
Market valuation of available for sale securities		
- Changes to other cumulative net profit recognised as income	0.0	0.8
Market valuation of hedging instruments		
- Changes to other cumulative net profit recognised directly in equity	-27.4	4.4
Adjustment for currency translation of foreign subsidiaries	-8.7	4.6
Changes due to gradual sales and acquisitions and changes in group of consolidated companies	-1.4	1.1
Deferred taxes on value adjustments set off directly against equity	5.9	-1.1
Income and expenses recognised directly in equity	**-31.6**	**9.8**
Net profit for the Group	**12.1**	**71.0**
Recognised income and expenses	**-19.5**	**80.8**
Share of Group shareholders	-26.2	73.9
Share of providers of hybrid capital	8.0	6.3
Share of minority interests	-1.3	0.6

Segment reporting

01.01.2008 - 31.03.2008 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Corporate functions	Consolidation	Total
Revenues	91.9	25.5	41.9	12.7	0.6	-1.1	171.5
thereof external	91.3	25.1	41.9	12.7	0.5	0.0	171.5
thereof internal	0.6	0.4	0.0	0.0	0.1	-1.1	0.0
Changes in inventories and other own work capitalised	0.0	8.6	33.9	0.0	0.0	0.0	42.5
Unrealised changes in market value of investment property	-45.1	0.0	47.4	2.9	0.0	0.0	5.2
Realised changes in market value of investment property	4.6	0.0	0.2	0.0	0.0	0.0	4.8
Other operating profit	0.6	2.5	1.8	0.5	16.8	-16.5	5.7
Total income	**52.0**	**36.6**	**125.2**	**16.1**	**17.4**	**-17.6**	**229.7**
Material expenses	-0.8	-8.4	-56.9	-0.1	-0.4	0.5	-66.1
Personnel expenses	-0.3	-2.7	-2.1	-1.0	-9.5	0.0	-15.6
Depreciation and amortisation of intangible assets, property, plant and equipment	-0.1	-0.2	-0.3	-0.4	-0.2	0.0	-1.2
Expenses from investment properties	-16.7	-0.6	-0.2	-0.6	0.0	0.1	-18.0
Other operating expenses	-11.1	-13.3	-3.3	-2.2	-17.7	17.0	-30.6
Profit/loss from equity-accounted associates	-3.5	6.6	0.5				3.6
Income from participating interests	0.0	0.3	0.0	0.0	0.0	0.0	0.3
EBIT	**19.5**	**18.3**	**62.9**	**11.8**	**-10.4**	**0.0**	**102.1**
Financial result							-82.6
Net profit before income taxes							**19.5**
Income taxes							-7.4
Consolidated result							**12.1**
Segment assets	6,120.5	1,002.1	813.2	697.3	59.6		8,692.7
thereof shares in associated companies	26.7	29.0	13.4				69.1
Segment liabilities	113.1	404.7	38.9	49.2	157.3		763.2
Investments	905.1	0.1	9.7	27.9	1.7		944.5
Additional voluntary disclosures							
EBIT	19.5	18.3	62.9	11.8	-10.4		102.1
Adjustments	0.4	-9.6	2.7	0.5	0.0		-6.0
EBIT adjusted	19.9	8.7	65.6	12.3	-10.4		96.1

The quarterly results of the various divisions are not comparable because the Investment and Funds divisions as well as the corporate functions were reorganised in the course of 2007 as a result of the full integration of the company for institutional funds, previously trading under the name of Oppenheim Immobilien Kapitalanlagegesellschaft mbH. The Development division was strategically realigned at the beginning of 2007 and restructured in the course of the year. As of 2008, the divisions are charged for their use of the services provided by the reorganised corporate functions. This means that the divisions' EBIT reflects the expenses incurred by each division. The same applies to the centrally organised operational function Asset Management, which also charges the divisions for the services they use. In the previous year, the divisions were not charged for internal services provided within the Group.

01.01.2007 - 31.03.2007 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	Corporate functions	Consolidation	Total
Revenues	60.1	28.8	2.2	10.1	3.9	0.2	-0.9	104.4
thereof external	60.0	27.9	2.2	10.1	3.9	0.3	0.0	104.4
thereof internal	0.1	0.9	0.0	0.0	0.0	0.0	-1.0	0.0
Changes in inventories and other own work capitalised	0.0	0.0	10.1	0.0	0.0	0.0	0.0	10.1
Unrealised changes in market value of investment property	74.9	0.0	11.8	0.0	0.0	0.0	0.0	86.7
Realised changes in market value of investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating profit	4.8	0.9	0.1	0.1	0.0	0.9	-1.2	5.6
Total income	**139.8**	**29.7**	**24.2**	**10.2**	**3.9**	**1.1**	**-2.1**	**206.8**
Material expenses	-0.3	-7.5	-11.4	-0.1	-0.2	0.0	0.1	-19.4
Personnel expenses	-3.4	-7.0	-1.3	-1.1	-1.2	-5.8	0.0	-19.8
Depreciation and amortisation of intangible assets, property, plant and equipment	-0.1	-0.3	-0.2	-0.2	-0.5	-0.1	0.0	-1.4
Expenses from investment properties	-11.7	-0.1	-1.0	-0.8	0.0	0.0	0.0	-13.6
Other operating expenses	-8.1	-4.7	-4.3	-1.3	-0.8	-9.0	2.0	-26.2
Profit/loss from equity-accounted associates	0.0	0.0	4.1	0.0	0.0	0.0	0.0	4.1
Income from participating interests	0.4	1.2	0.1	0.0	0.0	-0.8	0.0	0.9
EBIT	**116.6**	**11.3**	**10.2**	**6.7**	**1.2**	**-14.6**	**0.0**	**131.4**
Financial result								-30.5
Net profit before income taxes								**100.9**
Income taxes								-29.9
Consolidated result								**71.0**
Segment assets	3,842.5	653.6	539.4	428.6	37.9	58.0	0.0	5,560.0
thereof shares in associated companies	36.9	2.0	11.6	0.0	0.0	0.0	0.0	50.5
Segment liabilities	109.2	30.2	30.4	35.9	3.7	171.8	0.0	381.2
Investments	1,062.8	59.6	8.1	16.0	0.0	1.5	0.0	1,148.0
Additional voluntary disclosures								
EBIT	116.6	11.3	10.2	6.7	1.2	-14.6		131.4
Adjustments	0.3	-1.4	5.1	1.1	0.0	0.0		5.1
EBIT adjusted	116.9	9.9	15.3	7.8	1.2	-14.6		136.5

Notes

The quarterly financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The quarterly financial statements of the consolidated companies are based on uniform accounting and valuation principles. The consolidation and currency translation methods used are the same methods that were used to prepare the consolidated financial statements for 2007; they are described in the IVG Annual Report for 2007 on pages 110 et seq. The quarterly financial statements have not been audited.

Due to the presentation of the quarterly report in € million certain deviations may occur as a result of rounding in the formation of totals as the calculations of the individual items are based on euro.

Own shares/Convertible bond

As of 31 March 2008, IVG held no own shares. In the first quarter, 6,280 own shares were sold that were not needed for the employee share ownership scheme. These shares represented 0.0054% of the share capital. Cf. page 149 et seq. of the IVG Annual Report 2007.

On 31 March 2008, IVG bought back a nominal € 2.0 million tranche of the convertible bond issued in 2007. The purchase price was € 1.4 million, as a result of which the convertible bond's equity share shown in the capital reserve was reduced by € 0.1 million.

Major transactions with related parties

As stated in Note 12.9 to the consolidated financial statements for 2007, business dealings with unconsolidated subsidiaries and equity-accounted subsidiaries are conducted on arm's-length market terms. IVG has a conditional financial commitment to Sal. Oppenheim International S.A., Luxembourg, in connection with the remaining shares in IVG Institutional Funds GmbH.

Responsibility Statement

Statement required under Section 37y in conjunction with Section 37w Para. 3 of the German Securities Trading Act (WpHG)

"To the best of our knowledge, and in accordance with the accounting principles applicable to interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's assets, financial and earnings position, and the Group's interim management report includes a fair review of the development and performance of the Group's business and position, together with a description of the major opportunities and risks associated with the probable development of the Group for the remaining months of the financial year."

Bonn, 8 May 2008

Dr Wolfhard Leichnitz   Dr Bernd Kottmann   Andreas Barth   Dr Georg Reul

Contact and Financial Calendar

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IVG Financial Calendar

8 May 2008	Publication of the interim report for the 1st quarter of 2008
21 May 2008	Annual General Meeting for the financial year 2007
23 May 2008	Dividend payment for the financial year 2007
14 August 2008	Publication of the interim report for the 2nd quarter of 2008
6 November 2008	Publication of the interim report for the 3rd quarter of 2008
14 May 2009	Annual General Meeting for the financial year 2008

Note
The quarterly report is published in German and in English. The German report is always considered to be the authoritative version.

Forward-looking statements involve risks
This document contains forward-looking statements on future developments that are based on current assessments by the management. Forward-looking statements are characterised by words such as “anticipate”, “assume”, “believe”, “estimate”, “expect”, “intend”, “can/could”, “plan”, “project”, “should” and similar terms. Such statements are subject to certain risks and uncertainties. Should one of these factors of uncertainty or other imponderability materialise or any of the assumptions underlying the statements prove to be incorrect, actual results might differ materially from the results specified in these statements or implied therein. We neither intend nor undertake to update forward-looking statements continuously because they are based solely on the circumstances that apply on the day they are published.

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