IVG Immobilien AG
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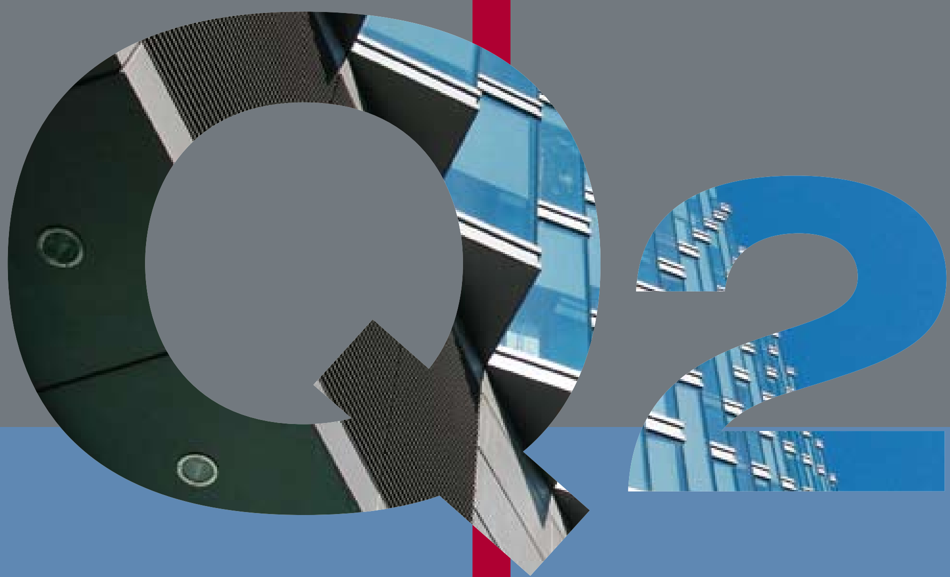
Interim Report

First-Half Report 2007



IVG IMMOBILIEN

moving forward

IVG Group key figures

		H1 2007	H1 2006	Q2 2007	Q2 2006
Turnover	in € mn	237.4	223.2	133.0	96.1
Total operating performance	in € mn	525.2	337.7	405.1	159.5
EBITDA	in € mn	325.9	211.7	192.7	87.4
EBIT	in € mn	323.1	209.2	191.3	76.0
Consolidated net profit	in € mn	188.5	116.8	118.8	36.0
Earnings per share	in €	1.44	0.94	0.89	0.27
Capex	in € mn	1,335.8	298.8	187.8	256.7

		30.06.2007	31.12.2006
Total equity and liabilities	in € mn	6,318.9	5,056.6
Balance sheet equity	in € mn	2,067.8	1,642.9
Reported equity ratio	in %	33.0	31.7
Equity ratio at market values	in %	43.1	43.9
Investment: fair value	in € bn	4.1	2.6
Fonds: Assets under Management	in € bn	13.8	13.1
Development: total investment volume (IVG share)	in € bn	1.7	1.4
Storage caverns: fair value	in € bn	1.4	1.2
Number of employees		803	835

- **Consolidated net profit up 61% to €188.5 million**
- **Net asset value up 16% since start of year to €27.43 per share**
- **Positive development in all four business disvisons**
- **Forecast for 2007: consolidated net profit to rise to at least €250 million**

Contents

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. Through our network of local branch offices, we currently manage property assets valued at over €19 billion.

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

IVG – moving forward

Interim Management Report

First-Half Report 2007

Executive Summary

In the first half of the year, IVG significantly increased its consolidated net profit after taxes and before minorities from €116.8 million to €188.5 million, thereby surpassing the good results for the previous year as a whole. All four divisions contributed to the rise in earnings. In particular, the positive development on the office real estate markets and the assurance of further cavern excavation rights also increased the net asset value (NAV) to €27.43 per share.

In the Investment division, the significant rise in operating profit (EBIT) was primarily due to revaluation gains of €142.8 million. The gains on revaluation were mainly incurred in France (€75.0 million) and Germany (€69.4 million). Overall, IVG acquired real estate for more than €1.2 billion exclusively in Germany in the first half of the year with the Nautilus, Allegro and Channel portfolios. These purchases were alraedy initiated last year. As a result, the German exposure in the Investment division increased to 58% as at the end of the first half of the year. Given the good economic development and rising demand, we are still optimistic about the German office property market.

IVG also continued its growth in Germany after the end of the reporting period with the acquisition of the Pegasus and Alster portfolios. Following these acquisitions, Germany accounts for a share of 65%. In 2008, IVG's German office real estate portfolio is to be transfered to a REIT subsidiary in which IVG will hold the majority. The IPO will only be implemented on a receptive capital market. Pre-REIT status was conferred in August.

In the Funds division, the operating profit increased primarily as a result of the positive development in private investor business. At €175 million, the division has already placed significantly more equity than in the same period of the previous year (€113 million), thereby further continuing its growth. The main event was the acquisition of 50% of London's landmark building "The Gherkin". "The Gherkin" will be marketed as EuroSelect 14 fund from September.

In the Development division, operating profit improved significantly as a result of the sale of the Caxton Hall project (€ 57 million profit) in London. In spring, the AIRRAIL-Center Frankfurt entered the construction phase having already achieved a pre-letting rate of 50%. As part of this project, one of the largest in Europe, a 660-meter long office building will be erected on the roof of the ICE main-line station at Frankfurt Airport by the end of 2009.

The Caverns division significantly improved its operating result as well. In particular, this was thanks to the initial letting of two converted gas caverns, which resulted in revaluation gains of €30 million. The Caverns division is continuing to grow in line with planning. In the second quarter, the rights to construct 25 more caverns were secured. In addition to the 40 existing caverns, IVG can therefore build a further 90 in total, more than quadrupling the facility's capacity.

The price of IVG's shares did not reflect these positive developments in the first half of the year. Rising interest rates and the problems of US mortgage financiers took their toll on nearly all real estate shares regardless of the positive fundamental data on Germany's real estate markets.

For the year as a whole, given the encouraging business development and the positive conditions in our core markets, we are forecasting a significant increase in consolidated net profit after taxes and before minorities to at least €250 million and a NAV of €29 per share. We are assuming that the US mortgage crisis will not have any further negative impact on our relevant markets.

Macroeconomic Development and Property Markets

The positive economic development continued in Europe in the second quarter of 2007. As before, the broad economic recovery is being driven by growth in exports and strong investor activity. In addition, private consumer spending is gradually starting to play a supporting role for the economy as disposable income is increasing tangibly as a result of the decline in unemployment and wage increases.

In recent months, most research institutes have gradually raised their growth forecasts for the Euro zone. By our estimate, gross domestic product in the euro zone will increase by 2.7% this year and by 2.3% in 2008. Growth in Germany will be slightly above average.

The rate of inflation in the euro zone has remained below 2% to date. However, there is the risk of accelerating rises in prices, perhaps as a result of second-round effects following wage increases. The European Central Bank is therefore expected to withdraw further from its expansive fiscal policy and raise its key interest rate again in autumn 2007, presumably from 4.0% to 4.25%. Since the end of March 2007, interest for ten-year fixed-income euro government bonds has risen from 4.06% to currently 4.37%, and will increase to 4.5% - 4.7% over a twelve-month period.

In view of the positive macroeconomic conditions, the high demand for space on Europe‘s office letting markets continued in the second quarter: Take up of floor space in the Western European markets were around 5% higher than in the previous quarter and 21.5% higher than in the same period of the previous year. In contrast, letting volumes were down year-on-year in Warsaw, Budapest and Prague.

Given the high space requirements of companies, the vacancy rate on European office markets declined from 6.8% to 6.6% over the course of the second quarter. In our opinion, this declining trend will continue over the next two years. With the exception of the two largest European office markets of London and Paris, where 5.3% and 6.0% of space is vacant respectively, offices in Prague (vacancy rate: 5.6%) and Warsaw (4.0%) are in particularly short supply. Of the 22 European locations analysed, Frankfurt still has the highest level of vacancies at 14.9%, thereof only a third of its rentable space is considered modern. The supply of office space in Hamburg is relatively short, where currently 7.1% of the portfolio is unlet. In Berlin, Düsseldorf and Munich, the share of vacancies is around 10%.

Office rents in Europe are tending upwards again on account of the continued shortage of space: as at the end of June 2007, average prime rents on the 22 markets being analysed were up 5.1% as against the end of March 2007 and up 18.3% as against the previous year. The rise in peak rents was most pronounced in Warsaw (+8.0% as against March 2007 and +58.8% year-on-year), in London (+7.2% and 26.5%) and Madrid (+5.6% and +26.7% respectively). Within Germany, Hamburg is currently experiencing the most dynamic rents with a rise in peak prices of 10% as against mid-2006. In contrast, Berlin is the only one of Germany‘s real estate strongholds not to have seen rents rise again.

Developments on the European investment market for commercial real estate are still lively: According to Jones Lang LaSalle, around €116 billion was invested directly in commercial real estate in the first half of the year, 4% more than in the first half of 2006. Around two-thirds of this transaction volume related to the three major markets of the UK, Germany and France. In some European markets, initial yields on office real estate fell again in the second quarter despite rising interest rates. The most expensive prime office properties are still to be found in London‘s west end (initial yield: 3.5%), Paris and Madrid (3.8% and 3.75% respectively). In Germany‘s five office locations of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich, the best office buildings are generating an average of 4.75%. It is possible that initial office yields will start to rise again in some locations from 2008 as interest rates for loans (rise in price of real estate finance) and bonds (higher opportunity costs) are expected to continue rising. Therefore, over the next few years, the value development of office real estate will be largely dependent on the possible growth in rents and the reduction of vacancies.

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. The expansion of business in Germany and the concentration of office real estate were also continued in the first half of the year. This enables IVG to benefit strongly from the accelerating economy and the upturn on the German office markets.

The following portfolio acquisitions that were initiated last year were recognised in the accounts in the first six months:

Allegro portfolio: This comprises 25 properties in Germany. 80% of the properties are located in the office strongholds of Hamburg, Munich, Düsseldorf and Frankfurt. Office space accounts for 86% of the portfolio. The purchase price for the 215,000 m² portfolio was €505.1 million plus €20.2 million in incidental costs. The seller was an open-ended property fund run by WestInvest. When acquiring the portfolio at an occupancy rate of 91%, net initial yield was 5.7% after incidental costs. The portfolio‘s yield will increase as a result of the rise in effective occupancy, aided by the IVG branch network and index adjustments as well as improving letting markets and the resulting higher letting rates. At full letting, the yield will be 6.25%. The properties at secondary locations are being sold.

Nautilus portfolio: This consists of four properties in Düsseldorf, Munich and Stuttgart. The share of office space is 97%. The purchase price was €197 million including incidental costs. The seller was an open-ended property fund of Union Investment Real Estate. With a letting rate of 88%, the initial yield was 5.2% on acquisitions after incidental costs, set to rise to 5.9% after incidental costs at full letting. The portfolio has total rentable 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 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 and are index-linked.

Channel portfolio: This contains office properties in Hamburg and was acquired at a price of €98 million plus €4.9 million incidental costs. The initial yield is 6.1% after incidental 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 rentable 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. The properties have capital appreciation potential, as some of them are under-rented. The tenants include well-known technology and industrial companies. The portfolio has an average remaining letting period of 2.9 years. Thus, IVG can benefit from the ongoing high demand for rentable space in the Hanseatic city.

In the first half of the year, IVG sold properties that were not in line with its strategy in Amsterdam, Hamburg and Paris for a total of €77 million.

In the Investment division, IVG achieved new rentals of 104,500 m² in the first half of the year. As at 30 June 2007, despite the sale of fully rented property and the selected acquisition of properties with vacancies, the economic letting rate rose to 92%.

To increase transparency, IVG has been carrying its investment property in line with the fair value method since the start of the year. The change in market values arising from the quarterly revaluation of properties by third-party appraisers will therefore become part of the earnings figures.

The division‘s turnover and the gross rental income included in revenues (€103.4 million, previous year: €88.7 million) increased in the first six months as a result of the acquisitions of real estate portfolios. A key factor contributing to the rise in the operating profit was revaluation gains, which increased from €37.9 million in the previous year to €142.8 million. In particular, €60.8 million of this resulted from the Paris Park Avenue real estate – 80% of which is reported in the Investment division and 20% in the Development division – and €69.4 million of this was due to the positive development of the German portfolio. This also underlines the attractiveness of the acquired portfolios and the positive development of the German office real estate market.

The following real estate transactions have been recognised in the accounts since the end of the reporting period:

Purchases:

Pegasus portfolio: This portfolio, the acquisition of which was initiated in the first half of the year, consists of 25 office properties in Germany. The purchase price for the 210,000 m² portfolio is €495 million plus €19.5 million in incidental costs. The regional focus (85%) is on Berlin, Düsseldorf, Frankfurt and Hamburg. The properties that are located outside IVG's core markets or that are not intended for its core types of use will be resold quickly. The majority of the buildings were erected in the 1990s or later and are in excellent condition. They are sold by two open-ended property funds run by Union Investment Real Estate AG. At the current letting rate of 71%, the initial yield is 4.2% after incidental costs. This will rise to 5.8% after incidental costs on full letting. In light of the positive economic development in Germany, IVG is confident that it will be able to increase the letting rate significantly. The average term of lease agreements of only 2.5 years also offers considerable potential for value increases in Germany's growing markets.

Alster portfolio: The portfolio consists of eleven office properties in the promising core markets of Hamburg (ten properties) and Munich (one property). The 62,200 m² portfolio was acquired for a purchase price of €209.1 million plus €8.8 million in incidental costs. The tenants include well-known companies of high credit standing such as SPIEGEL-Verlag, DeTe Immobilien, Verlagsgruppe Milchstraße and Papier Union. The initial yield is 5.0%, set to rise to 5.2% when the buildings are fully let. The properties have been leased at market conditions and the average term of the tenancy agreements is 3.5 years, which will allow IVG to profit additionally from the positive economic development in Germany and thereby from increasing demand for space and rising rent levels. Further upside potential also comes from what is known as the Hamburger Spiegel Island, which is included in the portfolio. After SPIEGEL-Verlag vacates these premises in 2010, the two distinct buildings that currently house Spiegel's head office can be renovated and then let at higher rents. In addition, IVG can also implement further project developments in a prime location directly in the centre of Hamburg by creating additional building rights and therefore enjoys considerable potential for value enhancement.

Galilee Velizy: IVG acquired the fully let office complex in Paris with rental space of 32,000 m² in the south of Paris for €116 million plus incidental costs of €6.9 million from a subsidiary of the Royal Bank of Scotland. The office ensemble consists of four buildings (96% of the space) and an annexe used as staff canteen (4% of space). It is located in direct proximity to Orly airport. The buildings were constructed in 1991 and are of good quality. Its annual rent is €6.05 million. The tenant is the renowned French corporation Thales. The rental agreement has a term until 2016 with no special right of termination and is index-linked. Additional potential to increase the property's value is being generated by its development away form being purely a high-tech location and towards becoming a diversified business location.

La Chocolaterie: As part of a share deal, IVG acquired this fully let, 6,000 m² office building in the north-west of Paris for €41.9 million plus €0.65 million in incidental costs. Having been built in 1907 as a chocolate factory and renovated in 1999 as an office building, the property was sold by a fund managed by IXIS AEW Luxembourg. The property is located in the direct vicinity of the Parisian "La Défense" business centre and is distinguished by its proximity to the inner city. The average term of the rental agreements is 6.2 years, all the lease agreements are fully index-linked.

Disposals:

In July, IVG sold its **Park Avenue** property located in the "Rive Gauche" district of Paris for €165 million as part of a share deal. The property has 15,500 m² of modern office and commercial space and was completed in the beginning of 2007.

The revaluation gain of this property reported in the first half of the year amounted to €60.8 million before deferred tax and therefore contributed to the record profit in the first six months. The disposal price was € 7.2 million above fair market value of € 157.3 reported in the interim report as of 30 June 2007. Because of the tax efficient disposal structure as share deal IVG will realise a total of € 56 million after deferred tax in the full year net profit.

IVG Funds

The division designs, markets 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 funds, IVG enables private investors to invest in properties for which IVG takes over the long-term asset management.

The outstanding event in the first half of the year in the Funds division was the acquisition of the London office property 30, St Mary Axe ("The Gherkin"). IVG acquired a 50% interest in "The Gherkin" from Swiss Re through a joint venture. The purchase price for 100% was GBP 630 million (€950 million). The asset management of the property will be performed by IVG's London office. The property is let on long-term leases to tenants of good credit standing. Swiss Re will remain the core tenant until at least 2031, with 50% of the rentable space. IVG and Swiss Re agreed that the latter will pay the rent in Swiss francs, which enables favourable financing in that currency. The marketing of EuroSelect 14, "The Gherkin", is scheduled to begin in September.

In the second quarter, IVG successfully concluded its placement of the EuroSelect Balanced Portfolio UK. IVG began placing the fund in the fourth quarter of 2006. This fund of funds enabled private investors to access property funds which were otherwise only available to institutional investors. The three selected target funds by AXA/IVG, ING and UBS invest in real estate in the UK's growth centres, focusing on the Greater London area. The fund of funds volume was around GBP 117 million and was fully financed by equity.

The great success and ongoing interest in real estate fund of funds products prompted IVG's launch of a further fund of funds, the IVG Balanced Portfolio Asia. Four to five target Asian funds have already been identified. The planned fund volume is around USD 300 million. Placement is are scheduled to start at the end of October.

IVG is also expanding its range of structured funds for non-profit foundations and organisations. The sale of the IVG Italy Office Fund is currently underway. This fund enables investors to invest in a portfolio consisting of 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 will receive ongoing distributions throughout the fund's seven-year term.

In the first half of the year, IVG placed a total of €175 million (previous year: €113 million) of equity with private investors. In 2007 as a whole, the amount of equity placed is expected to rise from €252 million in 2006 to more than €300 million in 2008.

Funds for institutional investors

The IVG subsidiary Oppenheim Immobilien Kapital-Anlagegesellschaft mbH (OIK), the market leader for special property property funds, manages fund assets currently worth €10.2 billion.

OIK is the IVG Group's platform for its institutional fund business. By integrating it into the IVG Group, synergies will be leveraged and expertise will be bundled in the operational interface functions, such as asset management and transactions. With 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 Europe and abroad.

The FarEastFund OIK is a property fund structured as an FCP (fonds commun de placement), investing in Asia and the Pacific region and is expected to be launched within the next few weeks. 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 built up over the next three years with a local partner.

In addition to special-purpose funds, IVG also launched 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 start 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. Additional mandates have been gained in 2007.

The division's revenues and earnings were up primarily as a result of the successful placement of the EuroSelect Balanced portfolio UK fund of funds and the Italy Office Fund.

IVG Development

This business segment develops office property projects in selected major European cities. It focuses on projects in Germany and selected European growth centres. Its aim is to invoice an annual project development volume of €500-600 million in the eleven German and European branches in the medium term and structure its earnings stably and sustainably. The branches have lean management structures and are managed on the basis of value-oriented controlling instruments. Given its significance, the development business is represented within the Management Board of IVG since the start of the year.

In 2007, IVG completed and fully let the Caxton Hall project development (5,300 m²) in London's West End, in the Victoria sub-market. This project was successfully concluded in the first half of the year with the sale of the property. Caxton Hall, also known as the Asticus building, was sold to a Scottish Widows Investment Partnership fund for €109 million. Profit amounted to €57 million.

The AIRRAIL-Center Frankfurt at Frankfurt Airport, one of Europe's largest commercial property projects, entered the construction phase in March. This major project, developed jointly by IVG and Fraport AG, is directly connected to the terminal, and will be completed by the end of 2009. A 660-metre long, multi-storey building is being built on the roof of the ICE mainline station, with around 140,000 m² of rentable 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. Thus, 50% of the space was let before the start of construction. Tenants will start to occupy the premises at the beginning of 2009.

In the Infopark D building project in Budapest, IVG has concluded rental agreements for more than 10,000 m² of office space and sold the office building to a special-purpose real estate fund in a forward sale. The project will be completed and handed over in autumn 2007.

In terms of project developments, IVG let around 17,000 m² in the first six months of the year.

As at 30 June 2007, IVG's development pipeline amounted to €1.7 billion. Thereof €629 million was invested.

The division's operating profit increased significantly from €37.2 million to €70.4 million. In particular, this is due to the sale of the Caxton Hall project. This is not reported in revenues and is instead included in the income statement in the form of income from changes in market values as the project has been recognised under investment property. This explains the division's drop in revenues with its rise in operating profit.

IVG Caverns

As an independent provider, the Caverns division lets underground oil and natural gas storage sites (caverns), which provide environmentally friendly and safe storage for large quantities of natural gas and oil. It generates sustainable, 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. In June, IVG secured the rights to build a further 25 caverns at its Etzel location in the north of Germany, in addition to the 65 caverns it had already secured. Thus, in addition to the 40 existing caverns, a total of 90 additional caverns can be built.

In the first half of the year, six more caverns of the expansion potential were leased to a syndicate of international power companies on a long-term agreement. This means that eleven caverns in the expansion potential have already been rented. For further 31 caverns options have been agreed on. Additional leases for high volumes are currently under negotiation.

Of the 90 caverns in the expansion reserve, 14 are already under construction. The construction time for caverns is two to three years.

The operating profit for the Caverns division, which does not include finance lease interest income, increased significantly from €12.8 million to €45.2 million. This is due to higher rental income and in particular to the initial letting of two former oil caverns that have been converted into gas caverns. This created a gain on revaluation of investment property of €30 million.

Financial Position and Assets

Changes in key income statement items

The total operating performance increased primarily as a result of the higher revaluation gains and the profit on the sale of the Caxton Hall project development. The rise in revenues was primarily due to higher net rents as a result of the acquisition of real estate portfolios and the increase in placed equity sold by the EuroSelect funds.

The rise in changes in inventories and the cost of materials primarily reflect the construction progress of project developments, particularly in the Infopark D project in Budapest and the AIRRAIL-Center Frankfurt. The cost of materials also rose as a result of sales commissions related to the EuroSelect funds. The expenses of investment property rose as a result of the real estate portfolios acquired and are in line with the increase in gross rental income. Other expenses increased primarily as a result of non-recurring effects and higher consultancy, legal and auditing fees.

The decrease in net financial income is primarily due to higher debt incurred in portfolio acquisitions 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 property is primarily due to acquisitions of the Allegro, Nautilus and Channel portfolios, which were recognised in the balance sheet in the first quarter, and revaluation gains. Financial liabilities also increased as a result of the acquisitions.

In addition to the Park Avenue property in Paris that was sold after the end of the quarter, the item non-current assets held for sale includes the investment in “The Gherkin” in London. It is being sold to private investors as a closed-end fund.

The higher consolidated equity (+€462 million) is especially due to the increase in the hybrid bond (€204 million), the equity portion of the convertible bond (€102 million) and the current net profit.

Investments

in € mn	Investments 1st Half Year		Investments 2nd Quarter	
	2007	2006	2007	2006
Investment	1,167.7	230.9	104.9	205.9
Funds	59.6	0.7	0.0	0.1
Development	32.1	61.2	24.0	46.9
Storage caverns	73.3	4.0	57.3	3.1
Non-core business	3.0	1.1	3.0	0.7
Corporate functions/ consolidation	0.1	0.9	-1.4	0.0
Group	**1,335.8**	**298.8**	**187.8**	**256.7**

Investments in the first six months rose year-on-year, mainly due to the acquisitions of German property portfolios in the Investment division, the increase in the interest in OIK and the construction of caverns.

Financing

In February 2007, IVG increased its subordinate hybrid bond of €200 million issued in 2006 by a further €200 million using the same parameters (coupon of 8%, cannot be called until 2013), thereby boosting the Group's equity base. The issue price was 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 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 stake was financed by two tranches from a 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 was be fully hedged until 31 March 2017 and thereafter in diminishing instalments. The interests stake by EuroSelect in the company holding the properties are reported at equity. Therefore, essentially 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. The contract was for traditional development finance with a term until 2010 including an extension option and limited enforcement of liability against IVG (non-recourse).

Net asset value

NAV per share increased by 16% to €27.43 per share as at 30 June 2007. This increase resulted primarily (€1.40 per share) from securing the rights to build a further 25 caverns, the equity from the convertible bond (€0.86), the like-for-like rise in market values (€1.00 per share) and the value appreciation of real estate acquired in the first half of the year (€0.34 per share).

Given the good prospects, particularly on the German property markets in the Investment division, and the encouraging development in the Funds, Development and Caverns divisions, we are forecasting further rises in NAV. For the end of 2007, we are already anticipating NAV of €29 per share.

In the years to come, cavern expansion potential will be a key NAV driver. Based on the current premises, the 90 potential caverns will be worth €3 billion after completion. With a necessary capex of around €1.1 billion, there will therefore be a total net increase in NAV of around €1.9 billion or €16.37 per share. As at 30 June 2007, the NAV only contains €708 million or 37% of this potential. This corresponds to €6.10 per share. Thus, with all else being equal, there will be a future NAV increase of around €1.2 billion or around €10 per share.

REIT Strategy

The law to create German real estate investment trusts (REITs) came into power in June 2007. REIT status allows entities to enjoy tax benefits while meeting defined guidelines. IVG has carefully analysed the options presented by the new legislation.

It is strategically logical for IVG to form a REIT subsidiary. Using the REIT as an internationally established investment vehicle, the IVG Group will be able to reach additional groups of investors. At the same time, REIT status will open up significant growth prospects: When selling real estate assets to a REIT, only half of disclosed hidden reserves are taxed. These tax benefits are a key competitive advantage for REITs as the added value for sellers is included in the pricing and negotiations and significantly increases the REIT vehicle‘s chances of closing the contract.

In July, the Supervisory Board fundamentally approved the formation of a REIT subsidiary and the implementation of this is currently being prepared.

The planned REIT will be a part of the Investment division and will be the future, focused office vehicle for IVG in Germany, continuing the current strategy: investments in prime office locations in Germany in properties with the potential for active asset management. This focus will entail the full transfer of the German office portfolio of IVG Immobilien AG in 2008 in order to benefit from the lower corporate income tax rates. The REIT is expected to have a volume of more than €3.5 billion. IVG will hold a majority stake in the future REIT and, in turn, it will be able to use the operational and central functions of IVG. IVG has now received pre-REIT status for the future REIT company, and purchasing advantages can already be leveraged in 2007. The attainment of REIT status, and hence the IPO that this entails, will depend on the market environment and will not take place before spring 2008.

The REIT represents a logical addition to IVG‘s range of real estate investment vehicles and will further expand IVG‘s position as a European real estate investment manager.

Staff

Since the beginning of the year, the number of employees has fallen slightly by 15 to 803 people. This decline affected almost all divisions and Corporate Functions. The Asset Management and Transactions areas have been reported for the first time.

Number as at the end of the quarter

	30 June 2007	31 Dec. 2006	30 June 2006
Investment	4	0	0
Funds	89	107	112
Development	60	56	51
Storage caverns	154	160	160
Asset Management	229	241	234
Transaction	24	20	17
Corporate Functions	215	217	212
Trainees	28	34	33
Total	**803**	**835**	**819**

IVG Shares

The price of IVG's shares did not reflect the positive earnings developments in the first half of the year. In line with the German and European stock markets, the performance of IVG's share price was highly volatile in the reporting period. It fluctuated between a low of €27.65 and a high of €36.90. In the second quarter in particular, real estate shares in Germany and Europe were hit by declining prices, a development to which IVG's shares were no exception. Rising interest rates and the problems of US mortgage financiers with "sub-prime loans" took their toll on nearly all real estate shares regardless of positive fundamental data in Germany.

The share price declined by 11% in the first half of the year, putting it on a par with the EPRA Europe Index and ahead of the EPRA Germany Index (-18%) but weaker than the MDAX (+16%). This trend also continued after the end of the quarter. Since the start of the year, IVG shares and the EPRA Europe Index have each lost 18% and EPRA Germany has fallen by as much as 26%, while the MDAX has risen by 13%.

We are confident that the capital markets will reflect IVG's excellent strategic and fundamental data again soon.

In the first half of the year, average daily trading volume was 783,000 shares. On 25 May 2007, IVG distributed a dividend of €0.50, up from €0.38, the distribution volume was €58 million.

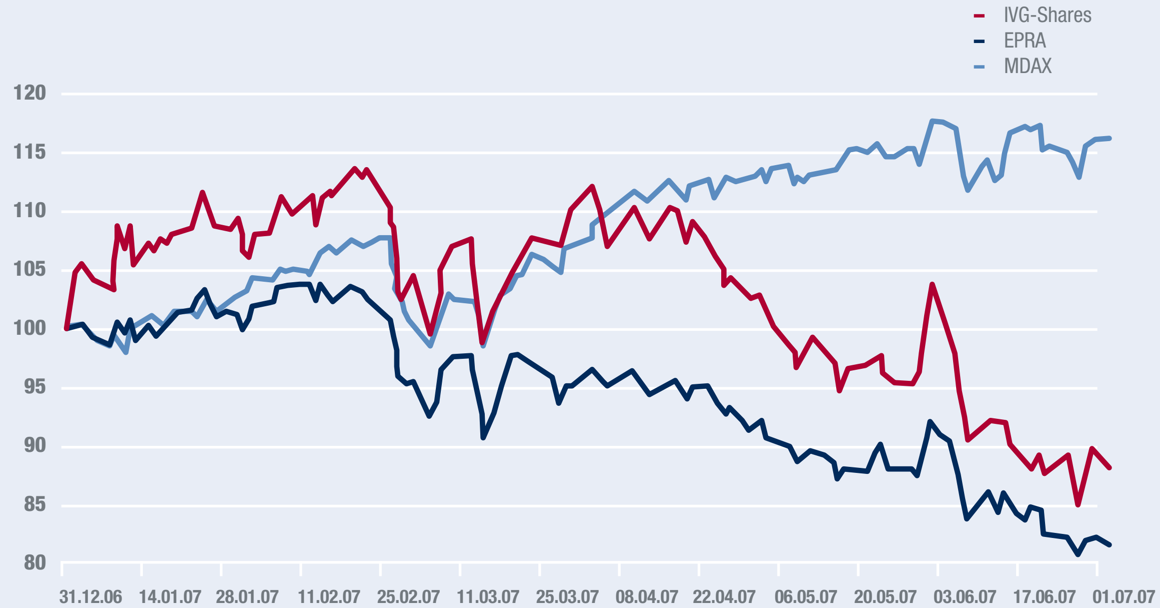
Risk Report

In terms of its organisational framework and reporting structures, the risk management system of IVG has not changed since the beginning of the year. A detailed description of the risk management system can be found in the Annual Report for 2006.

At the start of 2007, IVG changed its accounting method for its real estate portfolio from the cost model to the fair value model. As a result, changes in the fair values of investment property are taken directly to consolidated net profit. Thus changes in interest rates could have an influence on fair mar-

Share price performance

Index: 31 December 2006 = 100



ket value of properties in the medium term and in this way on consolidated net profit. On account of our portfolio focus Germany we do not expect negative impacts in the medium term. Possible interest rate hikes will only have a minor impact on IVG‘s existing financial liabilities as large portions of the liabilities to banks bear fixed interest rates or have been hedged with interest rate derivatives.

IVG is not currently aware of any other facts that have materially changed the risk situation compared to the assessment in the annual financial statements.

The Company cannot see any risks of past or future developments that would endanger its continued existence. Sufficient provisions have been made to hedge against discernible risks.

Outlook

Following the successful development of the first half of 2007, we are also optimistic for the remaining months of the year.

Thanks to its focus on Germany, the Investment division is profiting from the continuing good conditions of the German office real estate markets as a result of the economic growth. We are planning to further boost our German portfolio by acquiring further attractive office property that will be suitable for a REIT and by further raising our letting rates.

The Funds division is profiting from ongoing demand among institutional and private investors for indirect real estate investments. From today´s point of view with the sale of the "The Gherkin" property in London through EuroSelect 14, we will significantly increase the level of equity placed with closed-end funds.

In the Development division, we will conclude the Infopark D project development in Budapest with a good profit. In the last weeks we succeeded in acquiring further promising projects in Germany and abroad.

The profit in the Caverns division will also rise again as a result of the initial letting of four more converted gas caverns. Large-volume rental agreements for gas caverns yet to be built will also be concluded soon, thereby having a corresponding positive impact on NAV.

Overall, for 2007 as a whole, we are forecasting consolidated net profit after taxes and before minorities of at least €250 million and NAV of €29 per share as at the end of 2007. In the forecast we are assuming that the current crisis affecting American mortgage financiers will not have any further impact on our relevant markets.

Interim Financial Statements

at 30 June 2007

CONSOLIDATED INCOME STATEMENT

in € mn		1st Half Year 2007	1st Half Year 2006	2nd Quarter 2007	2nd Quarter 2006
Turnover		237.4	223.2	133.0	96.1
Other operating profit		6.0	21.0	0.4	18.7
Realised and unrealised chages in the fair value of investment property		251.8	119.4	165.1	45.8
Changes in inventories and other own work capitalised		30.0	-25.9	19.9	5.8
Total income		**525.2**	**337.7**	**318.4**	**166.4**
Material expenses		-60.4	-14.9	-41.0	-11.3
Personnel expenses		-44.2	-42.2	-24.8	-25.1
Depreciation and amortisation of intangible assets and property, plant and equipment		-2.8	-2.5	-1.4	-1.3
Expenses from investment properties		-29.6	-27.7	-16.0	-13.4
Other expenses		-70.5	-41.8	-44.3	-22.9
Profit/loss from associates accounted for using the equity method		4.5	-1.5	0.4	-0.7
Income from participating interests		0.9	2.1	0.0	1.3
Other financial income		-53.6	-34.8	-21.4	-27.2
Profit before tax		**269.5**	**174.4**	**169.9**	**65.8**
Income taxes		-81.0	-57.6	-51.1	-21.8
Net profit after tax		**188.5**	**116.8**	**118.8**	**44.0**
Share of net profit attributable to Group shareholders		167.5	109.5	103.4	39.7
Share of net profit attributable to hybrid investors		14.3	1.8	8.0	1.8
Share of net profit attributable to minority interests		6.7	5.5	7.4	2.5
Earnings per share attributable to Group shareolders					
Basic	in €	1.44	0.94	0.89	0.34
Diluted	in €	1.37	0.94	0.84	0.35
EBITDA		**325.9**	**211.7**	**192.7**	**94.3**
Operating profit (EBIT)		**323.1**	**209.2**	**191.3**	**93.0**

BALANCE SHEET

in € mn	30 June 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	259.1	259.5
Investment properties	3,982.2	2,778.3
Other property, plant and equipment	343.2	438.0
Financial assets	212.6	157.6
Shares in associates accounted for using the equity method	52.5	46.8
Derivative financial instruments	20.6	10.8
Deferred tax assets	48.3	48.7
Receivables and other assets	154.3	151.9
Total non-current assets	**5,072.8**	**3,891.6**
Current assets		
Inventories	471.6	325.3
Receivables and other assets	247.3	210.2
Income tax receivables	18.9	13.7
Derivative financial instruments	0.7	0.3
Securities	20.0	19.7
Cash and cash equivalents	56.6	549.0
	815.1	**1,118.2**
Non-current assets held for sale	431.0	46.8
Total current assets	**1,246.1**	**1,165.0**
Total equity and liabilities	**6,318.9**	**5,056.6**

in € mn	30 June 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	18.5	4.3
Retained earnings	914.2	811.0
Equity attributable to Group shareholders	**1,609.8**	**1,389.6**
Hybrid capital	400.0	195.9
Minority interests	58.0	57.4
Total equity	**2,067.8**	**1,642.9**
Liabilities		
Non-current liabilities		
Financial liabilities	2,236.5	1,750.0
Derivative financial instruments	0.1	5.6
Deferred tax liabilities	414.1	371.8
Pension provisions	11.5	10.6
Other provisions	73.8	136.7
Liabilities	46.8	45.5
Total non-current liabilities	**2,782.8**	**2,320.2**
Current liabilities		
Financial liabilities	968.1	725.8
Derivative financial instruments	0.7	2.6
Other provisions	110.8	36.0
Liabilities	123.2	301.8
Income tax liabilities	39.9	26.0
	1,242.7	**1,092.2**
Liabilities associated with non-current assets held for sale	225.6	1.3
Total current liabilities	**1,468.3**	**1,093.5**
Total equity and liabilities	**6,318.9**	**5,056.6**

CASH FLOW STATEMENT

in € mn	1st Half Year 2007	1st Half Year 2006
Net profit for the period	188.5	116.8
+/- Write-downs/reversals of write-downs	2.8	2.5
+/- Other non-cash earnings and expenses	-193.7	3.9
- Gains/losses from the disposal of non-current assets	-62.7	-81.5
Changes in current asset items and liabilities: Receivables and other assets (+decrease/-increase)	-191.7	-44.5
Trade payables/other liabilities (+increase/-decrease)	-58.3	15.9
Cash flow from/used in operating activities	**-315.1**	**13.1**
Cash flow from/used in investing activities	**-1,362.4**	**171.8**
Cash flow from/used in financing activities	**1,182.8**	**-204.9**
Net change in cash and cash equivalents	-494.7	-20.0
Changes in cash due to translation effects	0.1	-0.3
Payments into plan assets	0.0	-2.2
Cash and cash equivalents at the beginning of the year	551.2	92.0
Cash and cash equivalents at the end of the year	**56.6**	**69.5**
Less cash and cash equivalents of the disposal group	0.0	-0.1
Bank balances and cash on hand reported in the balance sheet	56.6	69.4

€75 million of the cash flow used in operating activities was primarily due to the payment of ground rent for the AIRRAIL-Center Frankfurt project development and €134 million was due to the rise in inventories. The funds accrued in the first half of the year 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 acquisition of property portfolios.

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 in 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					-0.2	-0.2		0.2	0.0
Exchange rate differences				-5.7		-5.7			-5.7
Share and securities available for sale, hedges				2.4		2.4		3.3	5.7
Total				**-3.3**	**-0.2**	**-3.5**		**3.5**	**0.0**
Net profit					109.5	109.5	1.8	5.5	116.8
Increase in hybrid capital						0.0	196.8		196.8
Dividend					-44.1	-44.1		-2.2	-46.3
As at 30 June 2006	**116.0**	**458.9**	**0.0**	**3.1**	**832.4**	**1,410.4**	**198.6**	**68.2**	**1,677.2**
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					-6.3	-6.3		-6.7	-13.0
Exchange rate differences				5.0		5.0			5.0
Share and securities available for sale, hedges				9.2		9.2		3.2	12.4
Total				**14.2**	**-6.3**	**7.9**		**-3.5**	**4.4**
Net profit					167.5	167.5	14.3	6.7	188.5
Equity stake convertible bond		102.2				102.2			102.2
Increase in hybrid capital						0.0	204.1		204.1
Bought/sold own shares			0.6			0.6			0.6
Dividend					-58.0	-58.0	-14.3	-2.6	-74.9
As at 30 June 2007	**116.0**	**561.1**	**0.0**	**18.5**	**914.2**	**1,609.8**	**400.0**	**58.0**	**2,067.8**

SEGMENT REPORTING

in € mn	1st Half Year 2007	1st Half Year 2006	2nd Quarter 2007	2nd Quarter 2006
TURNOVER				
Investment	122.0	112.0	61.9	53.6
Funds	61.8	45.5	33.0	26.2
Development	25.1	38.9	22.9	1.7
Storage caverns	22.9	21.5	12.8	11.3
Non-core business	8.4	8.4	4.5	4.5
Corporate functions/consolidation	-2.8	-3.1	-2.1	-1.2
Group	**237.4**	**223.2**	**133.0**	**96.1**
OPERATING PROFIT BEFORE REALLOCATIONS				
Investment	207.6	144.8	91.0	70.3
Funds	28.7	27.1	17.4	18.8
Development	70.4	37.2	60.2	3.7
Storage caverns	45.2	12.8	38.5	6.6
Non-core business	3.2	2.6	2.0	1.6
Corporate functions/consolidation	-32.0	-15.3	-17.8	-8.0
Group	**323.1**	**209.2**	**191.3**	**93.0**

in € mn	1st Half Year 2007
REALLOCATIONS	
Investment	-10.2
Funds	-4.7
Development	-5.4
Storage caverns	-3.5
Non-core business	-0.6
Corporate functions/consolidation	24.4
Group	**0.0**
OPERATING PROFIT AFTER REALLOCATIONS	
Investment	197.4
Funds	24.0
Development	65.0
Storage caverns	41.7
Non-core business	2.6
Corporate functions/consolidation	-7.6
Group	**323.1**

In the first half of 2007, IVG allocated the overheads reported under Corporate Functions/consolidation to the divisions for the first time. As a result of the changes in the organisational structure, comparative figures for the previous year and the second quarter are not available.

The decline in the operating profit before reallocation of the Corporate Functions/consolidation segment is primarily due to non-recurring effects and higher consultancy, legal and auditing costs. In addition, the operating profit for the same period of the previous year included the book profit of €9 million from the disposal of the investment in Hannover Leasing.

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 have been changed as against the previous year:

Measurement of investment property using the fair value method

In accordance with IAS 40, investment property is held 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 property. Until 31 December 2006, investment properties in the IVG Group were measured using the cost model. In line with this, investment property was measured at cost less depreciation and write-downs.

As the fair value method has since been established as the best practice on the capital market for measuring investment property, IVG has applied the fair value method since 1 January 2007. According to this method, all investment property is measured at 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 fair value, the value of the investment property 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 investment property 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 retrospective application of the fair value method caused a change to the following items in the consolidated income statement for the period from 1 January – 30 June 2006: other operating income decreased from €135.3 million (under the cost method) to €21.0 million while depreciation/amortisation fell from €21.8 million to €2.5 million. Net income from changes in market value and the sale of investment properties amounts to €119.4 million under the fair value method. Income taxes also rose from €34.5 million to €57.6 million.

Capitalisation of borrowing costs

In line with the EPRA Best Practices Recommendations, 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 a component of cost in line with the conditions of IAS 23 (Borrowing Costs). In the first half of the year, IVG capitalised borrowing costs of €6.3 million. There was no retrospective application under IAS 8 as it was not possible to determine the information required for this.

Own shares

As at 30.6.07, IVG had no treasury shares. In the first quarter, 17,020 treasury shares were sold which were not required for 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.

Material Transactions with Related Parties

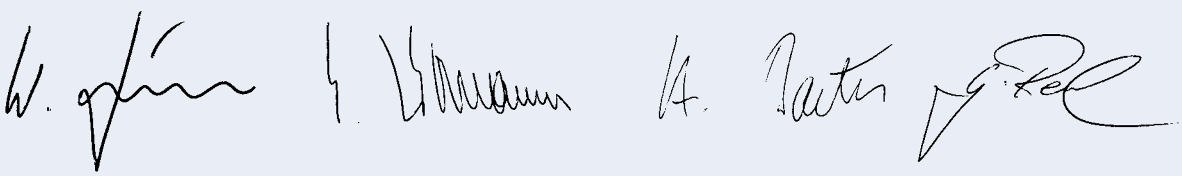
As reported under note 10.9 in the notes to the consolidated financial statements for 2006, by way of agreement dated 11 July 2006, IVG Immobilien AG acquired a total of 43.9% of shares in Oppenheim Immobilien-Kapitalanlagegesellschaft mbH held by Sal. Oppenheim jr. & Cie. KGaA and its subsidiary Sal. Oppenheim International S.A., Luxemburg. The total purchase price for these shares (€145.6 million) consisted of the pro rata enterprise value of the company as determined by an expert opinion and its share of the profit for 2006. The transfer and payment of the purchase price occurred in two stages (acquisition of a 25% share at the purchase price of €82.9 million on 7 November 2006, acquisition of an 18.9% share at the purchase price of €62.7 million). There is a contingent financial obligation in connection with the remaining shares.

Responsibility Statement

Declaration in accordance with Article 37y WpHG in conjunction with Article 37w (3) WpHG

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year".

Bonn, 9 August 2007



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Contact and Financial calendar

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Financial calendar

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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