

Interim Report

1st Half

2008

The logo for IVG, featuring a small red square above the letter 'i', followed by the letters 'IVG' in a bold, dark blue sans-serif font.

Group key figures

in € m	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007 ²⁾	Change in %	01.04.2008 - 30.06.2008	01.04.2007 - 30.06.2007 ²⁾	Change in %
Revenues	311.4	237.4	31.2	139.8	133.0	5.1
Total income	463.2	525.2	-11.8	233.5	318.3	-26.6
Financial result	-68.0	-56.5	-20.4	14.7	-26.0	>100
EBIT	150.2	322.4	-53.4	48.1	190.9	-74.8
EBIT as % of revenues	48.2	135.8	-64.5	34.4	143.5	-76.0
EBIT adjusted	151.1	306.4	-50.7	55.1	167.0	-67.0
EBIT adjusted as % of revenues	48.5	129.1	-62.4	39.4	125.6	-68.6
Consolidated net profit	51.1	184.9	-72.4	39.0	113.8	-65.7
Consolidated net profit as % of revenues	16.4	77.9	-78.9	27.9	85.6	-67.4
Undiluted earnings per share in €	0.23	1.47	-84.4	0.20	0.91	-78.0
Diluted earnings per share in €	0.24	1.40	-82.9	0.19	0.97	-80.4
	30.06.2008	31.12.2007	Change in %			
Total assets	9,209.7	8,241.0	11.8			
Equity at carrying amounts	2,035.4	2,117.1	-3.9			
Equity ratio at carrying amounts in % ¹⁾	22.1	25.0	-11.6			
Net asset value (equity at market values)	3,203.8	3,367.5	-4.9			
Net asset value per share in €	27.62	29.03	-4.9			
Equity ratio at market values in % ¹⁾	30.3	34.9	-13.2			
Financial liabilities	5,919.1	4,789.2	23.6			
Employees	708	697	1.6			
	30.06.2008	30.06.2007	Change in %			
IVG Investment: fair value (net)	5,832.6	3,904.9	49.4			
IVG Funds: assets under management	14,107.1	13,825.0	2.0			
IVG Development: project volume	2,507.6	1,733.0	44.7			
IVG Caverns: fair value	1,546.2	1,362.0	13.5			

¹⁾ Adjusted for dividends

²⁾ Previous year's figures adjusted

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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IVG financial calendar and contact

Foreword by the Management Board



Dr Wolfhard Lechnitz

Dear Shareholders, Ladies and Gentlemen,

The past few months have been characterised again and again by recurring hopes that the banking and financial market crisis would finally be drawing to a close. However, these hopes have regularly proved to be unfounded. Today we have to realise that the turbulences, which began in the sub-prime segment of the US residential real estate market, have developed into an international financial and capital market crisis. It is no longer just a matter of mismanaged loans for US homes; instead, what we are now facing is a general reorientation of risk assessment and risk management in the financial markets. Times like these lead to uncertainty and consequently to exaggerated adjustment responses. This currently also applies to the real estate sector in particular.

The German economy has done fairly well in this environment, with acceptable growth rates and low unemployment. The international competitiveness of its industry, which up until now has been reflected in high investment activity and increasing exports, is standing Germany in good stead here. However, we should realise that Germany will not be able to decouple itself from international developments in an inter-linked global economy. This has already been demonstrated by a number of indicators.

This economic situation is also reflected to a considerable extent in the real estate markets. In many countries, we have observed slumps – in some cases dramatic ones – in the residential real estate sector. In countries such as the United States, the United Kingdom and Spain, the commercial property market is also following the negative economic development. However, we believe that the situation in the German commercial property market is less critical. So the local market has been historically marked by the comparatively low volatility of the initial yields, the rents in the boom period increased only moderately and the speculative

construction activity has been relatively modest so far. In the German rental market, it is therefore still possible to increase rents and reduce vacancy rates. Last year, we began to focus our portfolio on Germany. This has proven to be the right approach, especially under the present circumstances. Nevertheless, this does not mean that IVG can avoid feeling the impact of the turbulences in the financial markets.

This is demonstrated in particular by the performance of IVG's share price, which was again disappointing in the second quarter. IVG was not able to escape from the negative trends in the European real estate markets. The share price fell by 47% in the period between the beginning of the year and the end of June. We have to take note of the fact that analysts and investors are taking an extremely critical view of the European property markets over the next 24 months when setting their targets prices.

IVG is operationally well positioned in all of its four divisions. In the IVG Investment division, we continued to grow in the first half of 2008. In addition, the division increased its like-for-like rental income and reduced vacancy rates. We continue to work hard to improve our profit indicators. To this end, we are cutting costs and selling properties that either do not fit our strategy or whose value-adding potential has been largely utilised. In the first half of 2008, however, IVG's performance was very much affected by negative unrealised changes in market values of €168 million in the IVG Investment division, due almost entirely to the higher initial yields. While these changes in value will not affect IVG's cash flow, they will directly affect net profit under the International Financial Reporting Standards (IFRS) applied by IVG.

The institutional investors segment of the IVG Funds division performed well in the first half of 2008. In the period under review, we acquired properties worth €400 million for our customers. Revenues from private investors were lower than in the previous year because most of the funds designed for 2008 will not be marketed until the second half of the year. And the new Luxembourg fund issued at the beginning of August has made a very successful start.

The IVG Development division also performed well. In the first half of 2008, we already sold seven projects, and very successfully so. However, we are also aware of the risks associated with this dynamic business. For this reason, we will consider reducing our development pipeline in the next 18 months. And we will pay attention to the regional diversification of our project portfolio, which will permit an effective diversification of risks.

The IVG Caverns division showed a very strong performance in the first half of 2008. Three caverns, which had been converted from oil to gas, were let to tenants. And the rent was increased for an existing oil storage agreement.

Despite this good operative performance, we as management are thinking about how we can continue to improve IVG in all divisions in these turbulent times arising on account of the difficult market conditions. In the next few months, we will focus our attention on three major issues.

As already announced in May, we are in the process of implementing a cost cutting programme across the entire Group. Our aim is to improve our profitability by reducing the cost burden in all our divisions. In fact, we want to reduce the controllable costs by approx. 10%, which will lead to cost savings of €30 million. 25% of the according measures will be achieved in 2008 and the remainder in 2009.

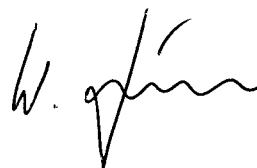
The pending cavern transaction is a top strategic priority for us. The transaction process is drawing to a close, and we assume that we will be able to present a good result to our shareholders. A decision will probably be taken in September, and the transaction will be closed by the end of this year. In our decision, maximising IVG's enterprise value will take precedence over any other aspects.

For a capital-intensive company such as IVG, the financing structure is always crucial. IVG's gearing is high, compared with international competitors. This is also one of the reasons for the substantial markdown of the IVG share on the stock exchange. While our liquidity is good, our efforts will be focused on reducing our total debt – in particular in the IVG Investment division – by selling assets worth approx. €500 million. To this end, we will successively sell properties that do not fit our strategy and properties whose value-adding potential has been largely utilised. We will also use the proceeds from the pending cavern transaction primarily to reduce our debt and to improve our balance sheet structure.

IVG's operational strength and performance potential are reflected in our forecast for the full year 2008. This forecast relates to EBIT adjusted, which is our key figure for managing the Group. For the full year 2008, we expect that our EBIT adjusted will range between €265 million and €290 million. The change in the forecast by between €100 million and €110 million is the result in particular of the negative unrealised changes in market values not affecting cash flow in the second quarter at the IVG Investment division totalling €123.2 million. Current estimates suggest that the consolidated net profit will be in an order of

magnitude of between €50 million and €60 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 transaction of caverns. As soon as more reliable data are available, we will provide information on the resulting opportunities and risks in the two areas.

IVG has been operating in the market as a focused property company for about ten years now. IVG has performed well in this period, both in good phases of the market and in difficult times, and has proved staying power in both the property markets and on the stock market. We will continue to demonstrate this – also in the face of market conditions which have become more difficult.



Wolfhard Lechnitz

Interim management report

for the first half-year 2008

Summary

Group

In the first half-year, IVG total income fell in comparison with first half year of the previous year by €62.0 million to €463.2 million. This was due primarily to a decrease in non-cash, unrealised changes in market values of €234.7 million which could not be compensated for by increases in revenues, changes in inventories and other operating income.

Revenues rose by €74.0 million to €311.4 million mainly as a result of increases in rental income from new acquisitions and project invoicing.

Changes in inventories increased in accordance with progress made in construction for IVG Funds and IVG Development projects by €112.8 million to €142.8 million. Material expenses rose accordingly by €108.0 million to €168.4 million. Both items developed in line as planned.

Unrealised changes in market values declined as against the first half-year 2007 by €234.7 million to €-45.6 million, reflecting the negative trend in property markets. The fall in values in the IVG Investment division could be partially compensated for by positive changes in market values in the IVG Development and IVG Caverns divisions. Realised changes in market values also failed to reach the high level of the first half-year of 2007 and fell by €47.1 million to €15.6 million.

Other operating income increased by €33.0 million to €39.0 million, consisting mainly of the proceeds from the sale of a project as a share deal.

Personnel expenses fell against the first half-year 2007 by €7.7 million to €37.2 million. This was due mainly to the reduction in expenses from performance share plans and a reduction of the head counts as a consequence of the concentration on the core business and improvements in efficiency.

Despite strong growth in the property portfolio, expenses from investment property increased only slightly by €7.8 million to €37.4 million.

Other operating expenses were reduced against the first half-year of 2007 by €3.5 million to €67.0 million. This includes one-off costs of €18.1 million.

In comparison with the first half year, EBIT fell by 53% to €150.2 million, EBIT adjusted by 51% to €151.1 million.

Financial result declined over the past half-year in comparison with the first half-year of 2007 by only €11.5 million from €-56.5 million to €-68.0 million, even though financial liabilities increased strongly due to extensive investment of recent quarters. This is due in particular to positive changes in the market values of interest derivatives.

Consolidated net profit fell by €133.8 million to €+51.1 million.

Total assets as of 30 June 2008 increased as against 31 December 2007 by €968.7 million to €9.2 billion, driven by the increase in investment property, dominated by the transfer of the Allianz property portfolio in the first quarter.

Financial liabilities increased in half-year comparison by €1.1 billion (of which €20.3 million current) to €5.9 billion. These funds were used principally to finance property acquisitions in the first quarter. Correspondingly, the according equity ratio at carrying amounts adjusted for dividends fell from 25.0% to 22.1% and the equity ratio at market values adjusted for dividends fell from 34.9% to 30.3%.

Despite difficult market conditions, IVG is still well positioned in terms of liquidity. As was already the case on 31 December 2007, the average interest rate for all financial liabilities is 5.11%. Unused credit lines amount to €1.4 billion and have increased slightly in comparison with the first quarter 2008 (€1.3 billion). All covenants agreed with banks were met during the reporting quarter. IVG has a great deal of flexibility for the fulfilment of the covenants and expects that it will continue to comply with the covenants in the future.

Divisions

Total income of the **IVG Investment** division of €35.5 million in the first six months was significantly below the previous year's level of €273.8 million. This is due to a large extent to high negative unrealised changes in market values for investment property amounting to €-168.3 million (H1 2007: €+142.8 million) which resulted mainly from changes in the interest rates used in external valuations. Realised changes in market values in the first six months amounted to €13.3 million and resulted from various sales that all reached at least book or market values. Due to sales and changes in market values, the total fair value of investment property fell in comparison with the first quarter 2008 from €6.1 billion to €5.8 billion; in comparison with the same period of the previous year (H1 2007: €3.9 billion) portfolio volumes rose due to the acquisitions made in 2007. In accordance with this development, net rental income increased significantly by 58% to €162.7 million. At 4.6%, NOI yields for the portfolio saw a slight increase over the first quarter (4.5%), resulting from a reduction in market values and a below-average rise in expenses for investment property. EBIT for the first half-year of €-27.8 million was strongly affected by negative unrealised changes in market values and came in significantly under the comparable value from the previous year of €207.6 million. EBIT adjusted came to €-27.1 million. The adjustments relate mainly to interest income from finance lease properties which are classified as part of the operating result. Funds From Operations (FFO) in the first six months totalled €30.8 million; the FFO yield amounts to 3,5%.

Total income of the **IVG Funds** division improved over the comparable period of the previous year by 37% to €91.1 million. A large part of this was due to the significant increase in changes in inventories to €30.8 million that resulted mainly from property still under construction in Milan and net rental income of €18.5 million from property being held prior to placement in funds. However, income from transactions, development and sales of funds developed contrary to this trend and fell from €24.9 million to €4.4 million, as the majority of planned funds are not scheduled to be marketed until the second half of the year. EBIT for the first six months was at €24.2 million and therefore below the previous year's level of €28.7 million. EBIT adjusted, which was significantly affected by adjustments for the effects of properties acquired for future use in funds (net rental income, changes in inventories, material expenses), was €7.2 million (H1 2007: €24.0 million). Assets under management at the end of the first half-year amounted to €14.1 billion, of which €10.8 billion was for institutional investors and €3.3 billion for private investors.

Total income of the **IVG Development** division increased significantly by 81% as against the first half-year 2007 to €230.2 million. A major contribution to this result was made by high positive changes in inventories of €112.0 million (H1 2007: €31.0 million) from construction progress made in the project pipeline and positive unrealised changes in market values of €42.1 million (H1 2007: €12.5 million) arising from the completion of a project in the City of London recognised as investment property. In line with construction progress, material expenses rose in the half year comparison by €44.9 million to €134.6 million. In the first half-year 2008, a total of seven disposals brought in sales volumes of €214 million and a contribution to EBIT adjusted of €55.3 million. EBIT of €76.9 million came in 9% higher than the comparable value of the previous year. EBIT adjusted of €92.8 million also takes into account payments for profit-related IVG shareholder loans from successfully completed project developments of two French joint ventures in particular. The project pipeline volume rose in comparison with half-year figures from €1.7 billion to €2.5 billion; since the end of last year the level of the project pipeline has thus been held constant.

Total income of the **IVG Caverns** division rose significantly in half-year comparison from €53.0 million to €107.3 million. This was due mainly to an increase in unrealised changes in market values of investment property totalling €80.6 million (H1 2007: €30.1 million). These are for the most part a consequence of the completion of the conversion of three caverns during the first six months of the year and from increases in value as a result of rental increases. In addition, rental income increased by 29% to €23.8 million due to the completion of six other caverns in the second half of 2007. EBIT improved in comparison with half-year figures from €45.2 million to €94.7 million. EBIT adjusted increased from €43.7 million to €96.0 million and includes additional interest income and expenses from nine caverns which qualify as finance leases. As such, income and expenses relating to these caverns are recognised in financial results in accordance with IFRS though they originate from operative lettings.

Macroeconomic trends and real estate markets

The ongoing financial crisis and the high price of oil continue to have adverse effects on the world economy. This applies in particular to the United States and the United Kingdom, which are on the brink of a recession due to increasingly serious problems in the domestic residential property markets. While consumer and corporate confidence has also dampened in Germany, the German economy continues to benefit from rising exports because of its highly competitive capital goods industry. The OECD expects that, at 1.9%, economic growth will be relatively high in Germany in the current year (vs. 1.7% in the Eurozone and 1.2% in the United States).

Total take up has remained at a high level in most European office letting markets in spite of the gloomy economic outlook: since 1997, there has only been one year – the record year 2007 – in which the aggregate take up in twenty selected European office markets was higher in the second quarter than in the current year. The development in Germany has been particularly positive: in the first half of 2008, the previous year's results were topped at all six locations. Growth was particularly dynamic in Berlin, Frankfurt and Hamburg. On the other hand, London saw a sharp fall in total take up due to sluggish letting in the City of London: in Central London, total take up decreased by 41% in the second quarter relative to the previous year and by approximately one-third relative to the first quarter of 2008 (source: Cushman & Wakefield). Rental volumes were also relatively low in Stockholm, Madrid and Barcelona. On the other hand, the total take up on the Île-de-France amounted to approx. 600,000 square metres.

Since rentals are increasingly driven by changes in office location rather than by office expansion, the average vacancy rate in Europe has fallen only slightly in the past few months. At mid-year, the European average was 7.8%. In the second quarter of 2008, particular progress in reducing vacancy rates was made in the German office markets. The vacancy rate in Munich, for instance, fell by about 60 basis points to 8.5%; in Berlin and Frankfurt, it fell by 30 basis points each to 8.5% and 12.8%, respectively; and in Düsseldorf, it fell by 20 basis points to 10.8%. In Hamburg, 6.7% of the office space is available for renting at short notice. In addition, vacancy rates have also fallen in Stockholm (-60 basis points to 9.9%), Prague (-30 basis points to 5.6%) and Warsaw (-30 basis points to 2.1%). On the other hand, vacancy rates have increased in the Greater Paris area (+20 basis points to 5.1%), Central London (+60 basis points to 3.6%) and Madrid (+50 basis points to 4.2%).

Prime office rents remained fairly stable in Europe in the second quarter. Slight increases were recorded recently in the German cities of Berlin (+2.3%), Düsseldorf (+2.2%) and Hamburg (+2.2%), as well as in Stockholm (+2.3%) and Prague (+2.4%). On the other hand, prime office rents have fallen in recent months in Central London, Brussels and Paris.

In the second quarter of 2008, the commercial property investment market was also characterised by the fact that fewer transactions were closed than in the previous year. According to Jones Lang LaSalle, the transaction volume in Europe amounted to €32 billion in the second quarter after €37 billion in the first three months of 2008. Hence, revenues in the first half of 2008 were 44% lower than in the previous year. The decline in revenues was particularly pronounced in the three major markets, i.e. Germany, France and the United Kingdom. In Germany, for instance, only €11.9 billion was invested in the first half of 2008, while property worth €27.7 billion had changed hands in the first half of 2007.

The investment property markets are still being adversely affected by the changes in the terms of finance. In the course of the second quarter, the three-month Euribor continued to increase, from 4.73% to 4.95%. However, another reason why many transactions do not come about is that the views of prospective buyers and sellers with regard to an adequate sales price are drifting further and further apart. According to Jones Lang LaSalle, the weighted initial prime yield in Europe increased by another 20 basis points to 5.05% in the second quarter. Prime initial yields increased significantly in the second quarter in several German office locations, including Frankfurt (+30 basis points to 4.8%), Munich (+25 basis points to 4.75%), Hamburg (+10 basis points to 4.85%) and Düsseldorf (+15 basis points to 5.0%). Only Berlin remained stable, with a prime yield of 5.0%. In addition, significant increases in prime initial yields were recorded in the second quarter in Paris (+25 basis points to 4.75%), in Madrid (+25 basis points to 5.25%) and in parts of Central London (City of London: +25 basis points to 5.75%). With a prime initial yield of 4.5%, the West End of London was one of the few locations for which Jones Lang LaSalle showed no change.

Development in the divisions

IVG Investment

Based on an active buying and selling strategy, the IVG Investment division concentrates on optimising the value of office properties in its portfolio. The division focuses on office properties in the top six German markets in Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart and on European metropolitan regions such as Paris and London. The IVG Investment division seeks to achieve a balanced mix in its portfolio structure of long-term lets in good locations and properties with value potential that can be released by our local Asset Management teams. After the full potential of these properties has been realised, the assets are sold.

Business growth in 1st half-year 2008

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
Total income	35.5	273.8	-87.0	-16.5	134.0	<-100
Net rental income	162.7	103.3	57.5	83.5	52.0	60.6
Unrealised changes in market value of investment property	-168.3	142.8	<-100	-123.2	67.9	<-100
Realised changes in market value of investment property	13.3	5.2	>100	8.7	5.2	67.3
Others	27.8	22.5	23.6	14.5	8.9	62.9
Total operating expenses including profit/loss from associates and income from share investments	-63.3	-66.2	-4.4	-30.8	-43.0	-28.4
EBIT	-27.8	207.6	<-100	-47.3	91.0	<-100
EBIT adjusted	-27.1	198.1	<-100	-47.0	81.2	<-100
Market value as of the reporting date	5,832.6	3,904.9*	49.4			

* adjusted to net value; gross value € 4,1 billion

In the first six months of the current financial year the **total income** of €35.5 million is significantly below the previous year's value of €273.8 million. This result was due mainly to high negative unrealised changes in market value, primarily in the second quarter. In contrast, in the comparable period of the previous year high positive changes in market value were achieved.

The increase in **net rental income** by 58% compared with the first half-year 2007 to €162.7 million can be attributed to additions to the portfolio (including Allianz, Pegasus, Alster, Düsseldorf Plus) and to individual acquisitions in Germany and Paris amounting to

€66.0 million. However, the sale of properties, which led to a reduction in rents (€3.8 million), as well as the new letting of the North Gate property in Brussels at market rates, albeit lower than the contractual rates, both had a negative impact. A comparison of the quarters Q2 2008 and Q2 2007 shows that net rental income rose by 61% to €83.5 million.

A like-for-like comparison of rents (annualised nominal rent) as of 30 June 2008 in comparison with the end of 2007 shows an increase of 2.4% to €266.2 million (Q1 2008: 0.5%). This increase amounted to 2.0% in Germany and 3.1% abroad and can be attributed in particular to large new lettings in Berlin and Paris.

A like-for-like comparison of rental income as of 30 June 2008 compared to 30 June 2007 shows an increase of 1.5%. While in Germany a rise of 2.5% was recorded, the change abroad came to only 0.3%. This figure reflects in particular the partial vacancy of the Place Vendôme property in Paris due to a change of tenant and the subsequent modernisation of the space. Overall, the like-for-like comparison reveals a clear improvement over the same period of the previous year (-4.5%), which is primarily due to the voiding of the negative effect from the adjustment of rent for the North Gate property in Brussels.

In the first half-year, the IVG Investment division let 111,488 m² with an annual rental volume of €16.3 million, of which 53,005 m² (annual rental volume €7.3 million) in the second quarter, and included new lettings and re-lettings. As of 30 June 2008 the effective occupancy rate was 92.5% and was thus above the previous year's level of 92.0% to 30 June 2007 (Q1 2008: 92.5%). Material contracts signed include the extension of the contract (including expansion of space) for 12,000 m² in the Vallilan Toimisto property in Finland and the new letting of the entire property at Taubenstraße in Berlin with around 4,400 m². It was also possible to secure a re-letting with a major tenant of the Focus Teleport property in Berlin (8,258 m²). In addition, new and re-lets in the Place Vendôme property in Paris for 3,841 m² were signed.

In the first half-year notice was given for a total of 126,975 m² (€19.7 million). Of this, 24,728 m² was attributable to Allianz, which was in part exercising its scheduled right to termination. These terminations will come into effect at the end of October and November 2009.

The current lease volume of the IVG Investment division amounts to around €330 million, of which 57% will not expire until 2012 or later. In Paris and London in particular, the terms of leases are very long.

Expiry of leases

in € m	2008	2009	2010	2011	2012 et seqq	Unlimited
Germany	5.2	17.8	31.7	28.1	129.9	21.9
London	0.0	1.4	0.8	1.0	13.4	0.0
Paris	0.5	0.3	0.8	0.5	28.8	0.0
Others	5.8	9.0	5.5	2.4	15.8	10.3
Total	11.6	28.5	38.8	31.9	187.9	32.2
Total in %	3.5	8.6	11.7	9.6	56.8	9.7

IVG has its properties valued on a quarterly basis by renowned independent assessors. In Germany, this valuation is carried out almost exclusively by Jones Lang LaSalle. As specific national expertise is essential, IVG appoints different assessors in the various countries abroad. These are listed in the table below:

Assessor

Germany	Jones Lang LaSalle GmbH, Rödl&Partner ImmoWert GmbH
Brussels, Luxembourg	de Crombrugge & Partners s.a.
Paris	Jones Lang LaSalle Expertise SAS
London	Savills Commercial Ltd.
Milan	REAG Real Estate Advisory Group SpA
Helsinki	Kiinteistötaito Peltola & Co Oy

The valuations made by the assessors have resulted in **unrealised changes in market values** in investment property for the first half-year 2008 amounting to €-168.3 million as against positive changes in market values in the comparable period of the previous year of €142.8 million.

Unrealised changes in market values for investment property in the 1st half-year 2008

in € m	Market value	Changes in market value					
	30.06.2008	01.01.2008 -30.06.2008	Change in %*	01.04.2008 -30.06.2008	Change in %*	01.01.2008 -31.03.2008	Change in %*
Germany							
Berlin	527	-9.9	-1.9	-6.3	-1.2	-3.6	-0.6
Düsseldorf	413	-9.8	-2.4	-10.1	-2.5	0.3	0.1
Frankfurt	623	-24.5	-4.2	-6.6	-0.4	-17.9	-3.8
Hamburg	777	-21.1	-2.7	-20.9	-2.6	-0.2	0.0
Munich	1,439	-19.9	-1.4	-17.1	-1.2	-2.8	-0.2
Stuttgart	418	-3.3	-0.8	-2.8	-0.7	-0.6	-0.1
	4,196	-88.4	-2.1	-63.6	-1.5	-24.8	-0.6
International							
Brussels	385	-3.2	-0.8	-5.2	-1.3	2.0	0.5
Helsinki	244	-1.6	-0.7	-1.8	-0.7	0.2	0.1
London	257	-29.6	-10.5	-9.1	-3.3	-20.5	-7.2
Milan	12	0.2	1.7	-1.5	-11.8	1.7	13.4
Paris	566	-45.7	-7.8	-42.0	-7.2	-3.7	-0.6
	1,464	-79.9	-5.3	-59.6	-4.0	-20.3	-1.3
Total IP	5,660	-168.3	-3.0	-123.2	-2.2	-45.1	-0.8
Non-IP property	173						
Total	5,833						

*in % of average market values

The reduction in values in the first half-year is due mainly to changes in the assumed discount rates used in the valuation reports. However, the expectation of a slowdown in rental growth also affects assessed values. In the German portfolio the value loss in the first half-year came to €88.4 million. Part of this negative change in market values is due to acquisition costs which were deducted in the first valuation amounting to €32.6 million. These were offset by increases in value of €10.4 million. Such losses in value affect the Frankfurt locations in particular where ancillary acquisition costs of more than €10 million came to bear in the first quarter in connection with the addition of the Allianz property Theodor-Stern-Kai to the portfolio. As a result, the negative change in value in Frankfurt during the first half-year is relatively high at -4.2%.

The disproportionate decline in Paris in the second quarter is due to increased market discount rates of up to +25 basis points. For the London portfolio the assessor increased equivalent yields in the first half-year by about +70 basis points, of which +30 basis points are attributable to the second quarter. This trend was already becoming apparent here in the first quarter (+40 basis points) due to a greater dependence on the financial markets.

IVG's other European locations in contrast, Brussels and Helsinki, showed relatively stable values resulting from the low volatility of the market in Brussels (special EU status) and the continuing high demand for leased property in Helsinki. The positive value in Milan at the half-year is due to operative improvements in reducing vacancies.

Realised changes in market values amounted to €13.3 million in the first half-year. These are due to land disposals in the Munich region that were sold with economic effect in the first quarter. In the second quarter, the disposal of ten objects that did not fit the portfolio strategy (Taurus) to a British investor was recognised on the balance sheet. Two properties in Helsinki were also disposed for a total of over €20 million and a Spanish property for €12.9 million. For all transactions, proceeds (totalling €132 million in sales volume) exceeded book values or recognised fair values.

Operating costs including income from associates and participations at €63.3 million were slightly below that of the comparison period in the previous year (H1 2007: €66.2 million). For details on the expenditure items see segment reporting on p. 36. Despite a significant rise in portfolio volume (+49%), expenses from investment property increased only by 18% to €31.5 million. This was due mainly to a disproportionately low growth in maintenance and refurbishment expenses. However, other operating expenses in the first half-year of 2007 were burdened by €8.6 million for the creation of provisions.

Personnel expenses for the first six months of 2008 amounted to €0.4 million. A comparison with the previous year's value (€7.6 million) is not possible due to structural changes: as since 2008 the staff of Asset Management are no longer included in the IVG Investment division but rather are included under other operating expenses by way of intra-Group offsetting of services.

Earnings from associates accounted for using the equity method amounting to €-6.0 million result from a share in the Greater London Trust (IVG share: 50%). This is a joint venture with AXA Real Estate Investment Managers to invest in value-added properties in the London area. Since 2008 the investment has been allocated to the IVG Investment division (previously IVG Development division). The negative earnings of the Greater London Trust are due mainly to valuation effects.

In total, in the first half-year the division shows an **EBIT** of €-27.8 million, caused primarily by the above-mentioned high negative changes in market value. The adjustments to **EBIT adjusted** (€-27.1 million) are a result of interest income from finance lease properties which are recognised as part of operating income. Adjusted for the effects of realised and unrealised changes in market value in investment property, the **EBIT adjusted** of €127.9 million is significantly higher than the previous year's value of €50.1 million. The disproportionate increase in relation to portfolio growth is in particular a reflection of the lower property-specific expenses as against 2007.

Due to property disposals and negative unrealised changes in market values, the **total market value of investment property and other property** of the division at the end of the second quarter fell to €5.8 billion (end of Q1 2008: €6.1 billion). This results in an increase of 49% compared with the previous year due to the 2007 acquisitions.

Yield by regions

Countries	Market value 30.06.2008 in € mn	Average capital tie-up in € mn	Rental yield in %	NOI- yield in %	Yield on change in value in %	Total Return in %
Germany	4,340	4,363	5.3	4.6	-1.8	2.8
REIT	3,447	3,375	5.2	4.7	-2.3	2.3
Non-REIT	893	988	5.6	4.4	-0.1	4.3
Income property	481	574	6.4	5.2	0.0	5.2
Consolidated third-party properties	221	220	6.0	4.9	0.5	5.4
Sites	144	146	3.0	2.0	-1.0	1.0
Woodland	47	48	1.8	-0.6	-0.7	-1.3
France	566	589	5.1	4.8	-7.8	-3.0
Benelux	411	412	5.4	3.9	-0.5	3.4
United Kingdom	257	282	5.3	4.8	-10.5	-5.6
Finland	247	266	9.3	4.4	0.7	5.1
Others*	12	25	5.4	2.9	1.0	3.9
Total	5,833	5,936	5.5	4.6	-2.6	2.0

* Italy and Spain

At 5.5% the rental yield is slightly above the level of the previous quarter of 5.4%. Net operating income (NOI) at the half-year reached €136 million and based on the average fixed capital produces an NOI yield of 4.6%. The increase as against the first quarter (4.5%) is the result of a decrease in market values and the disproportionately low increase in the investment property expenses.

All internal and external property-related expenses are taken into account in the calculation of NOI. This also includes one-off expenses where they are directly related to a property. The NOI was calculated in detail as follows:

Rental income (actual)

+	Income from running costs and service charges
+/-	Leasehold charges
-	Running costs 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
=	NOI

In Germany, properties which conform to the Group strategy are bundled in a REIT portfolio. This includes 82 office properties in the target regions with a fair value of €3.4 billion. The tenants all have strong credit standing and only 2% of the rental income is derived from tenants who do not have a strong credit standing. The slight difference between rental yield and NOI yield (5.2% and 4.7%) can be explained by the high quality and size of the properties, which result in relatively low property-related expenses.

Properties in Germany that do not fit in with the Group strategy make up the non-REIT portfolio. This is divided into four areas with different yield structures. Income property consists of property that is either outside the target regions, is not used in line with strategy or is, in the opinion of the Group, not of an adequate size. The reduction of this part of the portfolio with a volume of €481 million will continue after the disposal of the Taurus portfolio in the first half of the year for more than €91 million and thus slightly over fair value.

Consolidated third-party properties (€221 million, NOI yield 4.9%, rental yield 6.0%) refer to properties which are in the legal ownership of fund subscribers, but which are economically attributable to IVG according to IFRS standards.

Sites (€144 million) are developed gradually and then sold. At 2.0%, the NOI yield is disproportionately low as there are only a few buildings on these sites that generate rental income.

Sites in the woodland segment (€47 million) are mainly used for forestry and the company aims to gradually sell off these wooded areas. As management expenses exceed income, this results in a negative NOI yield of -0.6% for this segment.

The French portfolio consists of seven properties, primarily in top locations in Paris. The relatively small difference between the rental yield of 5.1% and the NOI yield of 4.8% can be explained by the obligation of tenants to bear most property management expenses themselves. Where there are new lettings, we have succeeded in raising the rent per m² significantly. The high negative yield on changes in value is derived mainly from the increase in discount rates.

The high negative yield on changes in value in London is also almost exclusively a result of market-related rises in the equivalent yield, along with negative currency effects. The operative performance of the London properties is well secured, with an occupancy rate of 100%, an average lease term of almost seven years and the usual escalation clauses (upwards only). Pending rent adjustments over the next two years indicate a rise in NOI yield (currently 4.8%) despite unchanged market conditions.

In Finland, running costs are usually carried by the lessor, who takes this into account by way of a special surcharge in the rent. This explains the comparably high rental yield and the above-average spread of NOI yield. As against the first quarter, the NOI yield has fallen from 6.0% to 4.4%. This is due primarily to high expenses for refurbishment in the second quarter and increased running costs.

Funds From Operations (FFO) in the first half-year amount to €30.8 million (Q1 2008: €11.8 million). The FFO yield (FFO based on average equity of €1.8 billion) is 3.5%. The disproportionate rise in FFO was offset by higher average capital. FFO is calculated as follows: with an EBIT of €-27.8 million as a starting point, adjustments are made for unrealised changes in value (€-168.3 million) and depreciation and amortisation (€0.2 million) is added. Next, calculated financial expenses of €99.7 million (4.8% for €4.2 billion financial liabilities) allocable to the IVG Investment division and taxes on cash of €10.2 million (calculated tax ratio of 25%) are subtracted.

Further development in 2008

The division will continue to concentrate on optimising portfolio structures and improving yields. To this end, in the second half of the year we will increase our disposals of property that do not fit with our strategy and properties which have passed their full earning potential. Suitable properties may also be included in funds. In this way, it is planned that debt should be reduced by approximately €500 million.

The REIT portfolio currently has a market value of €3.4 billion. At the present continuing uncertainty on the financial markets does not allow for a stock market listing with adequate terms.

Outlook 2008

For the full year 2008 and depending on planned disposals, the IVG Investment division expects to generate rental income of between €310 million and €325 million. Despite the disposal of fully-let properties, the portfolio occupancy rate of 92.5% should at least remain constant. Like-for-like, we aim to achieve an increase of 1.5 percentage points. In comparison with the first half year of the previous year, increase in rental income will thus be due primarily to portfolio expansion, but also to an improvement in occupancy rate and in like-for-like rents.

We also seek to improve our NOI yield to 4.75% by the end of the year by selling properties that have a negative or below-average NOI contribution by reducing the core share in the portfolio and through the effects of the cost reduction programme. Achieving this goal is dependant on our successful disposal of properties with low NOI yields and the extent of measures relating to new lettings and repairs that will put pressure on the NOI over the short term. Identified targets for cost reduction will also be consistently implemented.

Taking into account the unrealised changes in market value already detailed totalling €168 million, we expect the IVG Investment division to generate total income for 2008 of between €210 million and €230 million (previous forecast: €300 million to €320 million) and an EBIT adjusted of between €70 million and €80 million

(previous forecast: €185 million to €205 million). The change in the forecast is solely on account of the negative unrealised changes in market value not affecting cash flow in the second quarter totalling €123.2 million. The operational business is running as planned. A projection of changes in market values through the end of 2008 is not feasible due to the unpredictability of current market developments; possible further changes in market values are therefore not included in our estimates.

IVG Funds

The IVG Funds division develops, markets and manages property funds and similar wealth management facilities for private and institutional investors. It concentrates primarily on high-quality office properties in European, Asian and North American cities.

The IVG Funds division enables private investors to participate in property investment with the EuroSelect funds, for which IVG carries out long-term asset management. The IVG Funds division also develops, sells and manages funds of funds and similar fund structures that invest in other property funds. Similar products can be set up for charitable foundations and organisations. In the institutional sector, The IVG Funds division is market leader in Germany with its special funds. It also advises direct mandates for institutional investors.

The **total income** of the IVG Funds division rose in the first half-year in comparison with the same period of the previous year by 37% to €91.1 million. This was due in particular to significantly higher net rental income and changes in inventories.

Revenues from property transactions and from the conception and sale of closed-end property funds (**transactions, conception and sales**) were – as in the first quarter – much lower than in the comparison period; in the first half-year 2008 they amounted to €4.4 million. While revenues from transactions in the institutional sector were stable, in the private sector the majority of funds designed for 2008 will not be marketed to private investors until the second half-year.

At the end of March, placement started for the first Asian fund, IVG Balanced Portfolio Asia. The fund uses a market index certificate to invest in five select institutional property target funds that use individual investment strategies to invest in Asian markets. Yields of between 10% and 14% (IRR) are forecast. The fund volume of the Asian fund, which corresponds with equity, is variable and currently amounts to USD 240 million. In light of generally weak market conditions for Asia funds, marketing of the IVG Balanced Portfolio Asia has not been satisfactory. As of 30 June 2008, only USD 10 million had been placed with private investors.

Business development in 1st half-year 2008

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
Total income	91.1	66.6	36.8	54.5	36.9	47.7
Transactions, development and sales	4.4	24.9	-82.3	2.6	12.1	-78.5
Funds and property management	31.3	28.1	11.4	16.5	15.2	8.6
Net rental income	18.5	5.6	>100	9.6	3.6	>100
Change in inventories	30.8	0.0		22.2	0.0	
Others	6.1	8.0	-23.8	3.6	6.0	-39.5
Total operating expenses including profit/loss from associates and income from share investments	-66.9	-37.9	76.5	-48.6	-19.5	>100
EBIT	24.2	28.7	-15.7	5.9	17.4	-66.3
EBIT adjusted	7.2	24.0	-70.0	-1.5	11.3	<-100
Assets under management	14,107.1	13,825.0	2.0	14,107.1	13,825.0	2.0

In addition, in the following three months the EuroSelect 16 The Square fund was developed. Marketing started in August and looks promising. It has equity of approximately €240 million. This fund allows private investors to participate in prime property in Luxembourg with a total investment volume of about €400 million. The properties are leased long-term to tenants with a strong credit standing and institutions such as Clearstream (a subsidiary of Deutsche Börse AG) and the European Court of Auditors. The planned dividend is a yield of 5.25% and is virtually tax-free for German private investors.

Current revenues from the management of special and closed-end funds, from direct mandates and from property (**portfolio and asset management**) were €31.3 million in the first half-year 2008 and thus 11% higher than in the comparison period of the previous year due to the increase in assets under management.

Net rental income in the IVG Funds division rose to €18.5 million in the first half-year 2008, a rise of €12.9 million compared to the same period of the previous year. This relates to rents from properties in Luxembourg and Milan that have been acquired for future funds. As the properties are shown in the IVG Funds division until they are placed in funds, net rental income is recognised in total income and in EBIT but is not taken into account in the calculation of the EBIT adjusted.

Furthermore, **changes in inventories** amounted to €30.8 million as a result of a portion of the properties in Milan still being under construction. As with net rental income, changes in inventories are not included in the EBIT adjusted.

Total operating expenses including profit/loss from associates and income from share investments totalled €66.9 million. For details on the expenditure items see segment reporting on p. 36. Significant contributions were material expenses, personnel expenses and other operating expenses. Material expenses were directly related to changes in inventories. After €8.4 million in the first quarter of the financial year, it reached €31.3 million to the end of the half-year, of which the vast majority (€31.1 million) was due to the progress made in construction at the Milan property. As with the changes in inventories, these material expenses are not included in the calculation of EBIT adjusted. Due to the new organisational

structure, personnel expenses have been reduced to €6.0 million in the first half-year 2008 as against €14.2 million in the previous year. On the other hand, other operating expenses rose sharply from €9.3 million in the first half-year 2007 to €36.0 million as of 30 June 2008. This includes mainly intra-Group services in connection with the new organisational structure and effects from the deconsolidation of associated companies. In addition, the IVG Funds division also showed income from equity investments totalling €7.1 million.

EBIT declined mainly due to lower income from transactions, conception and sales in the first half-year 2008 as against the previous year from €28.7 million to €24.2 million. Income from fund placement will come to bear mainly in the second half-year. The stated effects from properties acquired for future funds meant that the adjustments to EBIT of €17.0 million are higher than in the first six months of 2007. As a result, the **EBIT adjusted** fell from €24.0 million to €7.2 million.

In the first half-year we were able to acquire property for institutional funds and mandates for €401.8 million, of which €260.8 million in the second quarter. Investing focussed on North America and Finland. As part of active fund management and structural reorganisation of the property portfolios in particular in the Netherlands, in Germany and Belgium, in the first six months of the year property worth a total of €91,3 million was sold.

Country	Purchase				Sale			
	01.01.2008 -30.06.2008		01.01.2007 -30.06.2007		01.01.2008 -30.06.2008		01.01.2007 -30.06.2007	
	No. of property	in € m	No. of property	in € m	No. of property	in € m	No. of property	in € m
Belgium	0	0	1	40	1	5	0	0
Germany	0	0	1	8	4	28	26	212
Finland	2	90	0	0	0	0	0	0
France	0	0	0	0	0	0	2	87
United Kingdom	0	0	3	103	0	0	1	39
Italy	1	27	0	0	0	0	0	0
Canada	2	134	0	0	0	0	0	0
Central and Eastern Europe	1	21	7	211	0	0	0	0
Netherlands	2	71	3	32	3	58	6	76
Switzerland	0	0	1	18	0	0	0	0
Spain	2	33	0	0	0	0	0	0
USA	1	26	1	28	0	0	0	0
Total	11	402	17	440	8	91	35	414

The numerous acquisitions meant that **assets under management** administered for institutional investors increased in the first half-year by €0.5 billion to €10.8 billion. Additionally, a further fund was set up in the second quarter for an institutional investor. This fund currently focuses on investments in German office property, and the first property has been secured for around €100 million. Of the funds managed for private investors, the management of several older funds with weaker margins is gradually being transferred to third parties. Assets under management in this area fell from €3.7 billion to €3.3 billion as against the end of 2007. With €14.1 billion as of 30 June 2008, the total remained at the same level as at the end of 2007 and came in above the level of €13.7 billion as of 31 March 2008.

Further development in 2008

Proceeds in the conception to place of a separate tranche of the Asian fund to institutional investors are so far that we can expect the first subscriptions from this investor group in the autumn. Contrary to initial expectations, the marketing of the Asian funds to private investors will not be completed by the end of the year. It is likely that the full placement period up until 30 June 2009 will be required. At present, we expect that of the USD 240 million in fund equity, about USD 100 million will be placed in the current year.

In parallel we are marketing the EuroSelect Fonds 16 The Square with the Luxembourg property portfolio. We anticipate that this fund equity of about €240 million will be fully placed during 2008. We also expect to market another EuroSelect fund for private investors involving the property in Milan during the last quarter of 2008. Tax and administrative imponderables regarding the formation and

licensing of the Italian companies required are currently causing difficulties for conception. As a result, we are currently looking into an alternative use for the properties. The IVG Funds division currently expects to place equity in the amount of approximately €300 million, but is unlikely to reach the record volumes of the previous year (€427.4 million) in the current year.

Interest from institutional investors in the expansion of indirect property investment remains high. Further acquisitions are to be made for most of the 30 institutional funds and fund volume is to be increased by the end of the year. In addition to property acquisitions already completed, agreements for a further property volume of €200 million have been made, which will be transferred to the funds in the next few months. Further acquisitions are expected in the second half-year, and the IVG Funds division anticipates property acquisitions totalling more than €1 billion for the full year 2008.

Until the end of 2007, certain properties were also attributed to the IVG Funds division whose equity was subscribed by private investors between the years 1999 and 2004, but which pursuant to IFRS SIC 12 had to be consolidated as special-purpose entities of IVG due to rent guarantees or repurchase options. These properties, which have fair values totalling €85 million, have been recognised since January 2008 as consolidated third-party properties in the IVG Investment division. Proceeds from the rents of these properties (€2.8 million in the first half-year as against €8.3 million for the full year 2007) are no longer included in total income, EBIT or EBIT adjusted for the IVG Funds division either in the first half-year or for the full year 2008.

Outlook 2008

The IVG Funds division expects total income for 2008 of between €200 million and €230 million and as such higher than forecast in the first quarter (€175 million to €185 million). This increase is mainly due to changes in inventories from a portion of the properties in Milan that are still under construction and therefore has no effect on the EBIT adjusted. Due to the current sales prognoses, the forecast for EBIT adjusted is being reduced from the current €45 million to €50 million down to €35 million to €40 million.

In relation to the EBIT adjusted, income from transactions, conception and sales in the current year should amount to 40%. 50% should come from fund and asset management. The remaining 10% will be attributable to other income. Under normal market fee structures, the share of recurring income components should increase further in the future.

IVG Development

The IVG Development division develops office property projects in Germany and selected European cities. Development is supported by lean and transparent project development management and a solid capital base.

Proceeds from **project sales** fell by 47.1% from €80.7 million in the first half-year 2007 to €42.7 million in the first half-year 2008. They are marked by a project in Düsseldorf being invoiced in the first quarter and a project in Helsinki being invoiced in the second quarter. In addition, the sale of a project recognised current assets as a share deal was concluded, which is recognised under the item other income, and the comparison period of 2007 included a very successful project development sale in London.

Changes in inventories have increased from €31.0 million at the end of the first half-year 2007 to €112.0 million at the current reporting date, which means that they have more than tripled. This reflects the progress made in construction for the implementation of the project pipeline. In the second quarter of 2008 alone, changes in inventories at €78.1 million were more than twice the level of the whole first half-year of the previous year. IVG creates the basis for earnings development in future years, when the corresponding projects are invoiced, through changes in inventories.

The increase in **unrealised changes in market value** from €12.5 million in the comparable period of last year to €42.1 million is due in particular to the completion and external valuation of a property in the City of London recognised as investment property. The project was completed at the beginning of March and after conclusion of

Business development in 1st half-year 2008

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
Total income	230.2	127.1	81.1	105.0	102.9	2.0
Project sales*	42.7	80.7	-47.1	5.8	79.4	-92.7
Changes in inventories	112.0	31.0	>100	78.1	20.9	>100
Unrealised changes in market value of investment property	42.1	12.5	>100	-5.3	0.7	<-100
Other income	33.4	2.9	>100	26.4	1.9	>100
Total operating expenses including profit/loss from associates and income from share investments	-153.3	-56.7	>100	-91.0	-42.7	>100
EBIT	76.9	70.4	9.2	14.0	60.2	-76.7
EBIT adjusted	92.8	70.7	31.3	27.2	55.4	-50.9
Project pipeline (IVG share)	2,507.6	1,733.0	44.7	2,507.6	1,733.0	44.7

* Total from project sales and realised changes in market value of investment property

Total income of the division increased significantly in comparison with the first half-year 2007 from €127.1 million to €230.2 million. This corresponds to growth of 81.1%. The main causes for this result are strong growth in inventories, unrealised changes in market values of investment property, and other income.

a further lease in the second quarter 2008 now has an occupancy rate of 79.2% (end of Q1 2008: 66.8%). The profit resulting from the valuation amounts to €42.1 million. As against the first quarter 2008, this represents a reduction of €5.3 million and is due to an increase in exit yield by 25 basis points in connection with the external half-year valuation.

Other income rose from €2.9 million in the first half-year 2007 to €33.4 million in the first half-year 2008 due to the sale of a further project in Paris in the second quarter of 2008 as a share deal. In accordance with IFRS the proceeds will be attributed to other income.

The sale of IVG projects in Düsseldorf, Helsinki and Paris was extremely successful: the trading profit ¹⁾ was on average 45%, and therefore significantly above planned profit, yield on cost ²⁾ came to 8.0% and the exit yield ³⁾ 5.5%. The total income contribution of the three projects to EBIT adjusted amounts to €43.0 million.

Operating expenses including profit/loss from associates and income from share investments rose in the first half-year 2008 as against the first half-year 2007 from €56.7 million to €153.3 million. For details on the expenditure items see segment reporting on p. 36. This was due mainly to rising material expenses from €44.9 million to €134.6 million in conjunction with progress in the implementation of the project pipeline.

Personnel expenses in the division increased from €3.3 million in the first half-year 2007 to €5.7 million. This is a direct consequence of the organisational expansion of administration in the division resulting from the growing project pipeline.

Profit from operations for the division (**EBIT**) rose by 9.2% in comparison with the first half-year 2007 from €70.4 million to €76.9 million. **EBIT adjusted** for the division grew by 31.3% to €92.8 million in the first half-year 2008 as against €70.7 million in the first half-year 2007. Growth of the adjusted profit, from €0.3 million in the first half-year 2007 to €15.9 million in the first half-year 2008, is due mainly to the successful conclusion of project

developments in the two French Development Venture Funds FDV I and II. Profits from the projects in these two joint ventures are not recognised as total income of the IVG Development division. After deduction of fund costs they are mainly paid out as profit-related interest payments on the IVG shareholder loan and are therefore shown in EBIT adjusted. A further partial amount of €5.3 million is attributable to positive tax effects resulting from the sale of the project in Paris as a share deal.

As part of the two Paris Development Funds FDV I and II, two projects in Issy-les-Moulineaux and a project development in Colombes in south-west Paris were invoiced in the first half-year 2008. The trading profit averaged 56%, which was significantly above the planned level; yield on cost was 8.9% and the exit yield 5.2%.

As in the previous quarter, the **project pipeline** had a volume of €2.5 billion at the end of the first half-year. At the end of the second quarter €0.9 billion of this had been invested, as against €0.8 billion at the end of the first quarter.

A comparison between the IVG pipeline and other particularly British project developers needs to take account of the fact that part of our pipeline is long-term (= €526 million, realisation in 2011 or later) and another part is comprised of projects that are joint ventures, with IVG holding a minority interest (= €343 million). For the long-term projects, at most, investments in land and planning services have been made thus far. There are no contracts for provision of construction services. The joint ventures where IVG holds a minority interest are mainly financial investments in project developments with limited capital expenditure but considerable opportunities.

Letting performance of the division – measured by the number of new leases concluded – improved in the first half-year 2008 to 46,700 m² after 17,000 m² in the previous first half-year. Substantial leases were concluded in the second quarter in Warsaw (9,700 m²), Budapest (4,650 m²) and London (1,610 m²).

¹⁾ Trading profit = a relative profit attributed to project development, calculated from the difference from project-specific proceeds less production costs divided by the production costs

²⁾ Yield on cost = rental yield of a portfolio developer, calculated from the ratio of sustainable annual net rental income to project-specific production costs

³⁾ Exit yield = final yield for investor, calculated as ratio of sustainable annual net rental income to acquisition price before ancillary acquisition costs

As a consequence of the improved letting performance, the volume of new leases has also grown strongly – the annual net rental income for all new leases at the end of the past quarter was €11.8 million as against €5.5 million in the previous year. The average rent of approximately €21/m²/month is in line with varying rent levels in the corresponding office property markets. However, this is below the comparable value for 2007 of €27/m²/month. The high value from the previous year resulted from the rents for an office project in London and a shopping centre in Poland that were higher than average.

The effective occupancy rate of the development pipeline has developed positively: at the end of June the occupancy rate for the entire pipeline came to 45.7% (end 2007: 42.5%, end Q1 2008: 45.1%), for completed projects which have not yet been handed over it was 92.2% (end 2007: 100%, end Q1 2008: 90.5%). The occupancy rate for projects scheduled to be invoiced in 2008 has also risen and reached 88.1% (end 2007: 74.9%, Q1 2008: 83.4%). The rate for projects under construction remains unchanged at 58.3% (end 2007: 58.2%, Q1 2008: 58.3%), despite sales having been carried out in the interim.

The AIRRAIL Center Frankfurt at the Frankfurt airport is a joint venture between IVG (80%) and Fraport AG (20%). By the end of 2009 we will have constructed a 660-metre-long, multi-storey building on the roof of the ICE railway station with 140,000 m² of office, retail, restaurant and hotel space. Leases already resolved include the Hilton hotel group and the accountancy and consultancy company KPMG. At the half-year 2008, the occupancy rate reached 51.7%. After the termination in April of this year of the contract with Alpine Bau Deutschland GmbH for the construction of the building shell, the necessary capacity for the completion of the building shell was secured through the conclusion of a new contract with Züblin AG. Construction is progressing quickly. Other primary construction contracts, such as finishing, technical systems and facade, were not affected by the termination. Agreed handover dates to tenants will be met, and anticipated cost increases are covered by the existing budget parameters.

Further development 2008

In July the first anchor tenant concluded a lease for the new Medienbrücke project in the IVG business park Media Works Munich which is being developed in Munich jointly by the IVG Investment and IVG Development divisions: a global marketing and consultancy company has leased 4,560 m² of office and storage space. The company will move in upon completion of the project in the summer of 2010. This means that before construction has begun, the effective occupancy rate for the Medienbrücke project is already at 61%.

In addition, in July the sale of a project in Krefeld was concluded by notarial agreement. The fully-let project with 5,800 m² lettable area will be completed and handed over to the purchaser in December of this year. The profits from this project will accrue to IVG in the fourth quarter of 2008.

The project pipeline will remain at about €2.5 billion until the end of 2008. Further individual acquisitions are planned but their volume will remain below that of 2007. It is planned that new projects shall at a maximum replace the projects being completed in 2008. In principle, new projects will only be entered into if leases have already been secured or there is a committed investor. Furthermore, the securing of financing is also a prerequisite for the beginning of a new project.

Of the project pipeline of €2.5 billion, we have currently invested €0.9 billion. Investments to be made by IVG in coming years in order to complete current project volumes (cost to complete) amount to €1.6 billion (previous quarter: €1.7 billion). Of this amount totalling €1.6 billion, €221 million relate to IVG minority interests and €898 million to projects with existing contractual commitments for realisation, be they a construction contract, a lease contract or a contract for sale. This means that €504 million of the outstanding investment (cost to complete) is not currently subject to any contractual commitments.

Distribution over time of cost to complete

in € m	2008 (Q3 – Q4)	2009	2010	2011	2012	Total
Cost to complete with contractual commitments/IVG minority interest	332	570	166	50	1	1,119
Cost to complete for total pipeline	361	789	299	166	8	1,623

Since the start of 2007 we have been reorganising project development financing from purely Group financing to a project-specific, external limited recourse financing. On average, banks provide 75% of total investment costs for our projects at a margin of 110 basis points above Euribor. The remaining financing is provided by IVG.

The construction cost increases becoming apparent in 2007 have continued into 2008. They have been taken into account in making budget calculations for our projects: with construction costs making up about half of total investment costs, our budgeting normally allows for a cost buffer of at least 5%. Construction contracts awarded in the first half-year 2008 were all within budget.

In 2008, we currently have plans for eleven project sales with an IVG share of sales of €440 million to €450 million and with a contribution to EBIT adjusted of €102.2 million. Including the sale of the Krefeld project which was notarised in July 2008 and the sale in the second quarter of a smaller vacant real estate development in Düsseldorf which did not fit in with our strategy, 8 projects have already been sold. This amounts to 50% of the IVG share of sales volume. However, the sale of two projects will not show on the balance sheet until coming quarters.

The exit yield for the completed sales of office property projects in 2008 averages 5.4% and is therefore much better than the planned exit yield of 6.6%. Yield on cost for completed projects averages 8.2%. The difference between the two yields is therefore 2.8% which corresponds to a trading profit of €69 million. Current feedback from our partners regarding sales to be made in 2008 generally indicates that project proceeds will be as planned. In 2008, projects in the City of London, Munich and Bromberg in Poland will be invoiced and sold, and a project in Krefeld will be invoiced.

With a project pipeline of €2.5 billion, we currently expect a yield on cost of 6.8% and a planned exit yield of 5.6%. The difference between the yields is 1.2% and corresponds to a trading profit or project earnings for the total project portfolio of approximately €435 million, or 17.3% of the total investment cost. These figures include relevant buffers in cost, lettings and sales budgets. The decline against the first quarter of 2008 (€450 million project earnings or 18% trading profit) is due to the invoicing of projects in the second quarter.

Outlook 2008

In 2008 we expect invoicing proceeds of €440 million to €450 million for the IVG Development division from the IVG share in eleven projects. For the current financial year we continue to expect an EBIT adjusted of between €90 million and €95 million and therefore a result slightly above the level of the previous year (EBIT adjusted: €89.7 million).

Total income in 2008 is forecast to reach between €620 million and €650 million. The main factor in the reduction as against the forecast for 2008 made in the first quarter (€720 million to €750 million) is the postponing of the purchase of a property in Paris until 2009. This will, however, not have an effect on profits in 2008.

IVG Caverns

The core business of the IVG Caverns division is the construction of storage capacity for oil and natural gas in large subterranean salt domes (caverns) and their leasing to energy companies with a strong credit rating and to state-run oil stockholding organisations.

Business development in the 1st half-year 2008

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
Total income	107.3	53.0	>100	91.2	42.9	>100
Net rental income	23.8	18.4	29.3	12.3	9.2	33.7
Unrealised changes in market value of investment property	80.6	30.1	>100	77.7	30.1	>100
Others	2.9	4.5	-35.6	1.2	3.6	-66.7
Total operating expenses including profit/loss from associates and income from share investments	-12.6	-7.8	61.5	-8.3	-4.4	88.6
EBIT	94.7	45.2	>100	82.9	38.5	>100
EBIT adjusted	96.0	43.7	>100	83.7	35.9	>100

In comparison with the same period of the previous year, the IVG Caverns division was able to more than double its **total income** in the first half-year 2008. It rose from €53.0 million to €107.3 million. The largest portion of this relates to the second quarter and is marked in particular by the increase in market value of investment property.

Business development in the leasing business was pleasing. **Net rental income** rose by over 29% as against the previous year from €18.4 million to €23.8 million. This is due to additional rent from the completion of nine caverns which were converted from oil storage to natural gas, and to the price indexing of an existing oil storage contract. Due to the leasing begin of three converted caverns in the second quarter, net rental income increased as against the first quarter by €0.8 million to €12.3 million.

Of the 40 existing caverns, a total of 38 were in operation as of 30 June 2008. Of these, nine are classified as finance leases in accordance with IFRS. This means that for accounting purposes these caverns are no longer attributed to IVG as the lessor, but to the tenant as the lessee. For this reason, the rental income accruing to IVG, which amounted in the first half-year 2008 to €4.0 million, could not be recognised in net rental income or EBIT.

Unrealised changes in market value for investment property amounted in the first half-year 2008 to €80.6 million. This results principally from the completion of three caverns that were converted from the storage of oil to natural gas (€48.6 million). In accordance with IFRS, these caverns are recognised during the construction phase at acquisition and production cost. Upon completion they are recognised at fair value in line with their market value and any difference is recognised in the income statement as an unrealised change in market value. The conclusion of two favourable leases with a Belgian state-run oil stockholding organisation led to positive re-letting estimates in the BDO's valuation model. This increases the value of the existing oil cavern portfolio and results in a further positive change in the market value of investment property totalling €32 million.

In the comparable period of last year, two caverns were completed on schedule which resulted in an unrealised change in market value of €30.1 million.

In addition to leasing, the division generates income from the management of facilities, storage and discharging of oil, and from the implementation of measures in connection with bringing converted caverns into operation for tenants. This income is shown as other income and in the first half-year these services generated income of €2.9 million. The decline in comparison to the previous year is due mainly to lower turnover in oil.

In comparison with the previous year, the division shows an increase in **operating expenses including profit/loss from associates and income from share investments** of €4.8 million to €12.6 million. For details on the expenditure items see segment reporting on p. 36. Other expenses rose due to higher banking charges from the financing of cavern construction, greater use of Group corporate services and one-off consultancy costs.

In comparison with the previous year, **EBIT** increased from €45.2 million to €94.7 million and EBIT adjusted increased from €43.7 million to €96.0 million. **EBIT adjusted** also takes into account additional interest income and expenses from finance leases which are recognised according to IFRS in financial earnings but which originate from the operative leasing business and are attributed accordingly.

Further developments 2008

At the beginning of the third quarter, Belgian and Dutch state-run oil stockholding organisations leased storage capacity amounting to a total volume of approximately 1.2 million cubic metres. The contracts were concluded under favourable terms for IVG, reflecting current market conditions and in particular the strong demand for storage capacity. With a contract term of ten years, these leases recognised the segment long-term agreements for crude oil caverns. One lease for 0.3 million cubic metres commences in August 2008 and the remaining lease for 0.9 million cubic metres in the second quarter of 2009.

A new lease for four gas caverns and an option for a further two caverns with a large European utility company is expected to take effect in the third quarter. These caverns are to be handed over to the customer from 2012. Not including this lease, of the 90 caverns in the development reserve as at 30 June 2008 a total of 26 caverns are currently leased out. In addition, there are lease options for further 31 caverns. Negotiations are currently ongoing with several interested parties with regard to the lease of further caverns.

Development of the cavern field at Etzel is progressing according to schedule. Both remaining existing caverns are currently being prepared for leasing and will be completed on schedule in the second quarter of next year. Of the development reserve of 90 caverns, 20 caverns are currently in the leaching process. This is the maximum capacity of the facility. The first newly-constructed cavern will be completed in the first half-year 2009. Thereafter, it is planned that

an average of seven caverns per year will be completed through 2022. The cavern field consisting of currently 40 caverns will thus be extended to 130 caverns. This year a total of between €130 million and €140 million will be invested in expansion of cavern facilities, of which €79.1 million has already been invested in the first half-year 2008.

Outlook 2008

Due to unrealised changes in the market value of the oil cavern portfolio in the second quarter and additional rental income, the division is raising the forecast for 2008 it published at the end of the first quarter. It is now expected that the division will achieve total income of between €130 million and €135 million (previously €100 million to €105 million) and an EBIT adjusted of €110 million and €115 million (previously €85 million to €90 million).

Status of transaction process with caverns

In February 2008 IVG started a transaction process to dispose of its cavern business. It is investigating the sale of the whole business, a partial sale and the sale of caverns to a fund developed by IVG. In June 2008, IVG received the first significant offers and several bidders were subsequently invited to carry out due diligence of IVG Kavernen GmbH. After completion of due diligence at the beginning of August 2008, several bidders have submitted concrete offers.

These offers are currently being examined by IVG. A decision will most likely be reached in September and the transaction is to be concluded by the end of 2008.

Adjustment of EBIT to EBIT adjusted

EBIT calculated in accordance with IFRS for the first half-year amounts to €150.2 million. However, it does not show all effects on profits that need to be taken into account for management of the divisions. To achieve a better picture of the divisions, several clearly defined adjustments are carried out in order to generate an EBIT adjusted. According to IFRS these effects are not shown in the EBIT. In the Group, adjustments for the first half-year came to €0.9 million and the EBIT adjusted totalled €151.1 million. The adjustments for the first half-year are shown in the following table.

Group EBIT adjusted for the 1st half-year 2008

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	None-core business	IVG Corporate Functions	Consolidation	Group
EBIT	-27.8	24.2	76.9	94.7		-17.9	0.1	150.2
Adjustments	0.7	-17.0	15.9	1.3		0.0	0.0	0.9
EBIT adjusted	-27.1	7.2	92.8	96.0		-17.9	0.1	151.1

Group EBIT adjusted for the 1st half-year 2007

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate Functions	Consolidation	Group
EBIT	207.6	28.7	70.4	45.2	3.2	-30.6	-2.1	322.4
Adjustments (including allocations)	-9.5	-4.7	0.3	-1.5	-0.6	0.0	0.0	-16.0
EBIT adjusted	198.1	24.0	70.7	43.7	2.6	-30.6	-2.1	306.4

The adjustments for the IVG Investment division of €0.7 million reflect income from properties which are recognised as finance leases.

In the IVG Funds division, rental income, changes in inventories and expenses from properties in Italy and Luxembourg are shown as adjustments of €-17.0 million.

The adjustment for EBIT adjusted of €15.9 million in the IVG Development division results from payments for profit-related IVG shareholder loans to two joint ventures – the Parisian French Development Venture Funds FDV I and II and from the tax effects of share deals from the sale of the project in Paris.

Finance lease components in the IVG Caverns division are shown as adjustments worth €1.3 million.

Net Asset Value

At reporting date 30 June 2008, the Net Asset Value (NAV) of €27.62 had fallen by €1.41 per share as against the NAV of 31 December 2007 of €29.03 per share.

Significant effects as against the final value in the previous year were:

- unrealised changes in market value in the IVG Investment division totalling €-168.3 million (€-1.45 per share),
- the rise in the BDO valuation of the caverns by €111.5 million from €1.435 billion to €1.546 billion (€0.96 per share) and
- the dividends paid out amounting to €81.2 million (€-0.70 per share).

Derivation of NAV at divisional level

in € m	BALANCE SHEET at 30.06.2008	NAV at 30.06.2008					
		Group	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions
Intangible assets	256.0	256.0	3.5	249.6	0.4	2.5	-
Other property, plant and equipment	326.2	326.2	56.0	2.6	2.4	260.2	5.0
Investment property	6,317.3	6,317.3	5,614.2	-	167.8	535.3	-
Financial assets	279.6	279.7	77.2	158.0	39.0	3.5	2.0
Shares in associated companies accounted for under the equity method	57.6	57.5	24.1	12.4	21.0	-	-
Inventories	1,018.7	1,018.7	98.4	284.2	633.8	2.3	-
Receivables and other assets	279.2	279.0	107.5	19.5	16.7	46.4	88.8
Income tax receivables	18.4	18.4	-	-	-	-	18.4
Derivative financial instruments	80.5	-	-	-	-	-	-
Securities	5.2	5.2	1.1	4.1	-	-	-
Cash and cash equivalents	86.9	86.9	38.3	37.2	5.3	6.1	-
Non-current assets held for sale	392.7	392.7	31.2	361.5	-	-	-
Deferred tax assets	91.4	-	-	-	-	-	-
Non-recognised items	-	1,298.2	149.9	180.5	251.2	716.4	0.0
Total assets/asset value	9,209.7	10,335.8	6,201.4	1,309.6	1,137.6	1,572.8	114.2

Debt		
Hybrid capital	EK	400.9
Minority interests	EK	3.0
Financial liabilities	5,919.2	5,919.2
Derivative financial instruments	0.5	-
Deferred tax liabilities	445.7	-
Pension provisions	9.4	9.4
Other provisions	154.7	154.7
Trade payables/other liabilities	250.9	250.9
Income tax liabilities	40.9	40.0
Liabilities included in disposal groups	353.0	353.0
Total debt	7,174.3	7,132.1
Net Asset Value		3,203.8
NAV per share in €		27.62

NAV assets

In determining NAV relevant assets, derivative financial instruments of €80.5 million and deferred tax assets of €91.4 million are deducted from recognised assets. Other reconciliations between the balance sheet and the asset value per division are described below.

The majority of IVG property holdings are recognised at market value as investment property pursuant to IAS 40. The market valuation of property in the **IVG Investment** division is carried out by external assessors on the basis of the discounted cash flow method. As in the first quarter of 2008, calculation of NAV is carried out on the basis of gross market values, for which recognised values are increased by costs of resale previously deducted in accordance with IFRS. For properties recognised at production cost in current assets, gross market values are also used for calculating NAV. The total effect on NAV amounts to €149.9 million or €1.29 per share. The change in the asset value of the IVG Investment division to €6.201 billion compared with €6.386 billion in the first quarter is due to sales and the downward correction of gross market values by €123.2 million.

Calculation of NAV in the **IVG Funds** division includes both goodwill and the enterprise values of individual parts of divisions. NAV-relevant enterprise values in the IVG Funds division have been used in the calculation at unchanged rates:

- business with institutional investors at 94% (€292.3 million) of the purchase price as determined by valuations,
- private fund business with EBIT multiple of 9 (€162.9 million) based on EBIT 2007 and
- direct mandate function for €3.6 million.

As a result of the utilisation of the above enterprise values totalling €458.8 million, the NAV calculation must first deduct the relevant balance sheet figures in the amount of €294.4 million (of which €238.3 million are intangible assets, primarily goodwill from IVG Institutional Funds, and €11.3 million is goodwill investment in IVG Private Funds). The resulting positive effect on NAV as against balance sheet values amounts to €164.4 million or €1.42 per share. In addition to enterprise values, the costs of resale for property held in the IVG Funds division that are deducted in accordance with IFRS are also added. The difference to balance sheet values amounts to €16.1 million or €0.14 per share. In total, this leads to an off-balance-sheet value for the IVG Funds division of €180.5 million or €1.56 per share.

In the **IVG Development** division, in addition to balance sheet assets, the applicable asset value of the division also includes discounted contribution margins of 12.5% which total €241.9 million. The discounted contribution margins have fallen by €21.5 million since the first quarter, as the disposal of a project in Paris means that this part of the discounted contribution margins is now included directly in the balance sheet. In addition, for two other properties in London and Brussels which qualify as investment properties, the costs of resale deducted in accordance with IFRS amounting to €9.3 million are added back. The positive effect of these two elements for the NAV as against balance sheet values amounts to €251.2 million or €2.17 per share.

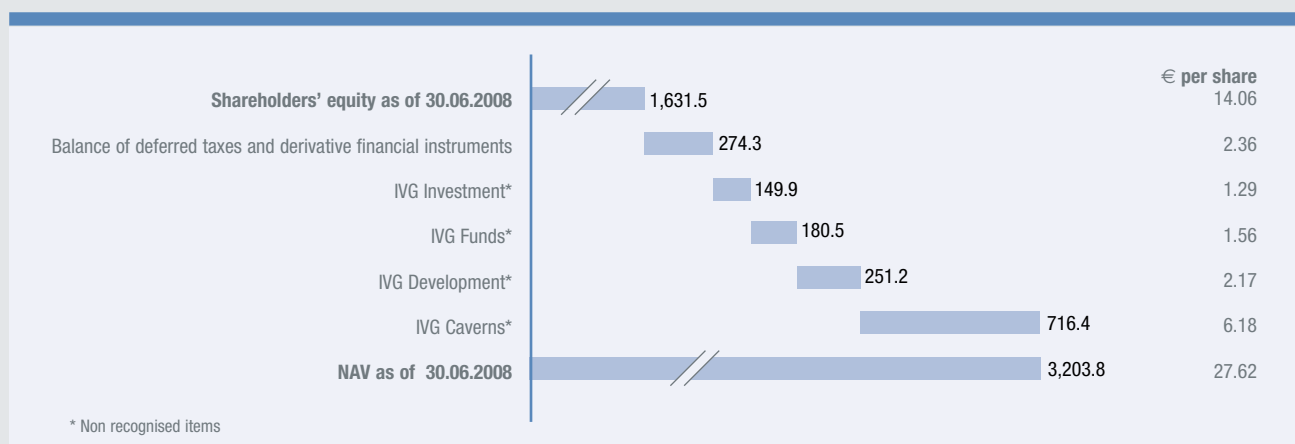
The asset value determined by BDO Deutsche Treuhand AG for the **IVG Caverns** division amounts to €1.546 billion. The increase in value of €111.5 million as against the final value in the previous year of €1.435 billion is due primarily to the beginning of operations of three converted caverns and an adjustment of estimates for subsequent lettings of the oil caverns on the basis of current contracts. Of this figure, €829.5 million is shown pursuant to IFRS under assets as fair value, facilities under construction or finance leases. Accordingly, a further €716.4 million or €6.18 per share is included in the calculation of NAV in addition to balance sheet values.

NAV debt

For the calculation of the NAV, debt recognised on the balance sheet must be reconciled to NAV-relevant components. Hybrid capital at €400.9 million and minority interests of €3.0 million are allocated to debt as they do not relate to assets attributable to Group shareholders. Continuing the previously used approach, derivative financial instruments worth €0.5 million and deferred tax liabilities of €445.7 million were not taken into account. The NAV-relevant debt thus amounts to €7.132 billion as against balance sheet debt of €7.174 billion.

NAV of the Group in summary

At Group level, the derivation of NAV can be summarised from the balance sheet as follows:



Starting with equity attributable to Group shareholders, deferred tax assets of €91.4 million and deferred tax liabilities of €445.7 million are eliminated from the NAV. The same applies to derivative financial instruments of €80.5 million on the assets side and €0.4 million on the liabilities side. The total balance amounts to €274.3 million.

In the IVG Investment division, deductions made in the course of IFRS accounting for costs of resale totalling €149.9 million are added back.

In the IVG Funds division, further enterprise value of €164.4 million in addition to recognised goodwill is also added. For properties recognised in this division, deductions made in the course of IFRS accounting for costs of resale totalling €16.1 million are added back.

Discounted contribution margins of 12.5% from project developments in the IVG Development division are valued at €241.9 million. For two properties which are qualified as investment properties, costs of resale totalling €9.3 million deducted according to IFRS accounting are added back.

The difference between the recognised values for the 40 existing caverns and the 90 potential caverns as per expert valuation leads to an additional amount of €716.4 million.

In total, this leads to an NAV of €3.204 billion or €27.62 per share.

Income, assets and financial position of the Group

Development of key items on the income statement

Total income in the first half-year fell by €62.0 million to €463.2 million compared with the first half-year 2007. This is due to negative changes in market values (€-281.8 million) that could not be compensated for by the rise in revenues (€74.0 million), changes in inventories (€112.8 million) and other operating income (€33.0 million).

The increase in revenues of €74.0 million to €311.4 million was due mainly to the IVG Investment and IVG Development divisions. The IVG Investment division saw a rise in net rental income of €58.5 million following the acquisitions of the previous year. The invoicing of projects by the IVG Development division in the first half-year 2008 amount €17.2 million also contributed to the climb in revenues.

Changes in inventories have increased on balance by €112.8 million to €142.8 million due to progress made in construction relating mainly to the IVG Development division (€81.0 million) and the IVG Funds division (€30.8 million).

Unrealised changes in market values reflect the negative growth of property markets. Compared to the first half year 2007 change of €-234.7 million at the half-year results from positive unrealised changes in market value in the first half-year 2007 amounting to €189.1 million compared with negative unrealised changes in market value in the first half-year 2008 of €-45.6 million. Of the latter, €-168.3 million stems from the IVG Investment division, €+42.1 million from the IVG Development division and €+80.6 million from the IVG Caverns division.

Realised changes in market values resulting from the sale of the properties were not able to match the high level of the first half-year 2007 – in half-year comparison there was a decline of €47.1 million to €15.6 million. This was due mainly to the proceeds from the sale of the project development Caxton Hall in London in the comparison period 2007.

The increase in other operating income by €33.0 million to €39.0 million is due mainly to the sale of a project in Paris as part of a share deal.

As with changes in inventories, material expenses also rose by €108.0 million to €168.4 million. This reflects scheduled construction progress being made in line with budgets for the following projects: AIRRAIL Center Frankfurt (€44.0 million), the Frankfurt railway station (€23.0 million), Asnières in Paris (€16.0 million), Broadway in Glasgow (€11.1 million), Hackesches Quartier in Berlin (€10.0 million), Cap Sud in Paris (€9.6 million) and Maciacchini in Milan (€30.9 million). Except for the project in Milan, which is attributed to the IVG Funds division, the projects mentioned all relate to the IVG Development division.

Compared with the first half-year 2007, personnel expenses fell by €7.7 million to €37.2 million. This was due for the most part to the decline in expenses from performance share plans and the reduced staff numbers as a consequence of the concentration on core business and efficiency improvements.

Expenses from investment property rose only by €7.8 million to €37.4 million, despite strong growth in the property portfolio. This item primarily includes maintenance, preparation for letting of property, administrative and working costs.

Other operating expenses were successfully reduced by €3.5 million to €67.0 million as against the half-year 2007. These include one-off expenses of €18.1 million which can primarily be attributed to losses from the deconsolidation of an associated company

(€6.5 million), EDP projects (€4.5 million), the preparation of a cavern for sale (€2.7 million) and the preparation of the REIT (€1.8 million). In addition, other operating expenses also include legal consulting costs (€3.8 million), valuation costs (€0.8 million), tax consultancy costs (€0.8 million) and ongoing consultancy costs (€5.0 million.)

Due to the above effects, EBIT fell in the first half-year 2008 by 53% to €150.2 million as against the comparable period of 2007.

Financial earnings fell in the first half-year 2008 in comparison with the same period of the previous year by just €11.5 million from €-56.5 million to €-68.0 million. This item was composed as follows:

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007
Income from foreign currencies	43.0	5.7
Expenses from foreign currencies	-47.4	-5.4
Net foreign currency result	-4.4	0.3
Interest income	17.0	20.4
Recognised interest (AV)	2.8	3.0
Interest expense	-153.4	-82.2
Net interest result	-133.6	-58.8
Income from hedging transactions	71.1	5.8
Expenses from hedging transactions	-0.5	-0.2
Net result from hedging transactions	70.6	5.6
Other financial expenses	-0.6	-3.6
FINANCIAL RESULT	-68.0	-56.5

Net interest expense rose by €74.8 million to €-133.6 million. This was due mainly to the increase in financial liabilities in connection with acquisitions for the portfolio over the past 12 months.

Net result from hedging transactions increased in comparison with the first half year of the previous year from €+5.6 million to €+70.6 million. This increase is primarily due to positive changes in the market values of interest derivatives. Where there were changes to the underlying transactions, the hedge accounting relationships have been ended and the changes in market values of the derivatives included in financial earnings. Underlying transactions include the financing of properties in disposal groups and IVG credit lines for which the term of revolving fixed interest rates has been changed. These changes have allowed an additional reduction of interest rates of 15 basis points through the conclusion of basis swaps.

The tax rate rose from 30.5% in the first half-year of 2007 to 37.8% over the past half-year. This is due in particular to the fact that negative changes in market value, in particular for REIT portfolios, could not be partially compensated for through the recognition of deferred taxes.

Consolidated net profit fell by €133.8 million to €51.1 million.

Development of key balance sheet items

Total assets as of 30 June 2008 increased as against 31 December 2007 by €968.7 million to €9.2 billion, driven by the increase in investment property and dominated by the transfer of the Allianz property portfolio in the first quarter.

The completion of a project development in London and the corresponding transfer to investment property caused a reduction in other property, plant and equipment of €86.2 million to €326.2 million.

In the course of developing the Asia fund, participation certificates in select Asian property funds were acquired. This led to an increase in financial assets by €40.7 million to a total of €279.6 million.

Inventories rose as against 31 December 2007 by €52.7 million to €1.0 billion. This item reflects progress in the construction of project developments and takes into account the disposals of invoiced projects and transfers to the investment property sector of the IVG Investment division.

The derivative financial instruments shown as assets increased by €36.3 million to €80.5 million (of which €51.7 million current) due to positive changes in market value.

Properties held for sale have risen by €7.1 million to €392.7 million in comparison with 31 December 2007 due to the reclassification of a disposal group investment property. As held for sale against the previous quarter, non-current assets decreased by €35.6 million as a result of sales.

Over the past half-year 2008, financial liabilities rose by €1.1 billion (of which €20.3 million current) to €5.9 billion. This was mainly due to the financing of property acquisitions in the first quarter. Correspondingly, the balance sheet at carrying amount adjusted for dividends fell by 25.0% to 22.1% and the market value equity ratio adjusted for dividends fell from 34.9% to 30.3%.

Financing

As of 30 June 2008, IVG held free credit lines totalling €1.4 billion. All credit lines that expired during the last six months of the financial year have successfully been renewed and an additional €0.6 billion of new credit lines has been agreed. This confirms the ability of IVG to continue to secure ongoing financing under favourable terms in the current financial markets.

Utilisation of the commercial paper programme remained stable and was expanded from €269 million at the end of the year to €338 million as at 30 June 2008.

Average interest rates across all financial liabilities (including interest hedges) as of 30 June 2008 amounted to 5.11% (31.12.2007: 5.11%). This means that financing terms for credit line renewals, new business and the CP programme remain stable. All covenants agreed with banks in credit agreements have been met. These covenants allow IVG a high degree of flexibility for its future business activities, even in the current difficult economic conditions. IVG is permitted a great deal of leeway in fulfilling the covenants and therefore expects that it will continue to fulfil the agreed covenants in the future.

Employees

In comparison with the end of 2007, the number of employees rose by 11 to a total of 708 employees as of 30 June 2008. The increase was due in particular to the hiring of additional staff for the caverns business in Etzel.

Number of employees

	30.06.2008	31.12.2007	30.06.2007
Total	708	697	803
IVG Investment	8	6	4
IVG Funds	93	80	89
IVG Development	81	72	60
IVG Caverns	67	51	154
Asset Management	241	250	253
IVG Corporate Functions	195	210	215
Trainees	23	28	28

IVG share

Key share data

SIN/ISIN	620570/DE0006205701
Code	IVG
Stock exchanges	Frankfurt, Düsseldorf, Stuttgart, Munich, Berlin, Hamburg, Hanover
Market segment	Prime standard/Official trading
Index membership (selection)	MDAX, DJ Euro Stoxx, DJ Stoxx 600, MSCI Europe, MSCI Germany, GPR 15
Designated sponsors	Dresdner Kleinwort, Sal. Oppenheim jr. & Cie. KGaA
Market capitalisation 30.06.2008	€1.5 billion
Free float market capitalisation* 30.06.2008	€1.3 billion
Number of shares 30.06.2008	116 million
Share price (Xetra closing price) 30.06.2008	€12.52
First listed	1 October 1986
Last capital increase	2000

* Free float definition of Deutsche Börse

The general decline in property shares continued in the second quarter of the financial year 2008. The reasons for this decline have not changed. Against the expectations of many experts, the international financial crisis is worsening and has caused further uncertainty in the capital markets. This is happening against the background of rising energy and raw materials prices, which is dampening the general economic outlook, particularly in the world's largest economy, the USA. Nevertheless, at its last regular meeting before the end of the quarter, after seven successive interest rate reductions the US Federal Reserve left its federal funds rate at 2.0%. The US Federal Reserve has made it clear that it now regards inflation as a larger threat than the weak economy. The European Central Bank has reached a similar conclusion after prices in the European Union worsened considerably. As a result, the European Central Bank has been one of the first large central banks to raise its key interest rate since the start of the financial crisis, which it implemented shortly after the end of this reporting period. This was however anticipated by the capital markets and already taken into account in share prices by the time of the rate increase. The fact that further interest rate changes could not be excluded during the course of the year has placed further pressure on capital markets.

In the first six months of the financial year, the values of the 70 largest European property companies shown in the EPRA Europe Index fell by -20%. The regional EPRA Germany Index experienced even greater falls with -35%. Examining the second quarter on its own, development of the EPRA Europe at -22% and the EPRA Germany with -30% was comparable.

The most important German indices DAX and MDAX fell in the first six months of the financial year 2008 by -20% to 6,418 points and by -8% to 9,035 points, respectively.

The price of the IVG share fell by -47% from €23.58 at the beginning of the year to €12.52 at the end of the first half-year and by -32% in the second quarter alone. In addition to the tense situation on the share markets, the exclusion of the IVG share from the EPRA indices during the second quarter also depressed the share price. IVG was excluded from this property index due to the EPRA policy of calculating the index listing after adjustment of the IVG consolidated net profit for the earnings from the property funds. This meant that the Group no longer met one of the index criteria stipulating that at reporting date (31 December 2007) at least 75% of adjusted profit from operations (EBITDA) had to be earned from the property business as defined by the EPRA. This meant that IVG was excluded from all EPRA indices in June 2008.

Significant events after the reporting date

From the Group's perspective, no events of particular significance have occurred after reporting date.

Risks and opportunities

No significant changes to the risks and opportunities for the IVG Group as described in detail in the 2007 Annual Report on pages 94 to 100 have occurred.

Project cost optimisation

With the cost efficiency programme it recently initiated, IVG aims to improve earnings by reducing costs in all divisions and to achieve cost savings of €30 million per year. 25% of the according measures will be achieved in 2008 and the remainder in 2009.

The cost savings target is based on 2007 costs and takes into account costs that can be influenced, in particular personnel expenses of €90 million, investment property expenses of €60 million, and other operating expenses of around €180 million, adjusted for one-off effects where savings are not possible (€60 million). In order to reach this cost savings target of over 10%, a cost saving programme has been initiated for all organisational units. Detailed measures show that 80% of savings relate to operative measures, and 20% of savings are based on strategic and structural changes.

The divisions, including the operational functions, will contribute more than 70% of these total savings; the remaining savings will come from corporate functions.

IVG expects that the greatest cost savings will come from improvements in the operating performance of the IVG Investment division, which is also connected to a sustainable improvement in the NOI yield, such as through an optimisation of property-specific expenses. In addition to a reduction of personnel expenses by utilising synergies and optimising processes, the closure of smaller locations will contribute to the attainment of the target.

Outlook

The IVG Group anticipates total income for the full-year 2008 of between €1.2 billion and €1.3 billion. This is slightly below our previous forecast (between €1.3 billion and €1.4 billion), due in particular to the negative unrealised changes in market values recognised in the IVG Investment division in the first half-year and the postponement until 2009 of the acquisition of land for the IVG Development division.

The non-cash, negative unrealised changes in market values are also clearly noticeable in the EBIT adjusted and therefore we are modifying our forecast to between €265 million and €290 million (previous forecast between €365 million and €400 million). The changes in the forecast by between €100 million and €110 million is the result in particular of the non-cash, negative unrealised changes in market values not affecting cash flow in the second quarter from the IVG Investment division totalling €123.2 million. In total the consolidated net profit should be between €50 million and €60 million (previous forecast 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 transaction 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 individual divisions contribute to the forecast as follows: the IVG Investment division will probably generate total income in the financial year 2008 of between €210 million and €230 million and an EBIT adjusted of between €70 million and €80 million. The IVG Funds division is likely to generate total income in 2008 of between €200 million and €230 million and an EBIT adjusted of between €35 million and €40 million. The IVG Development division should generate total income in 2008 of between €620 million and €650 million and an EBIT adjusted of between €90 million and €95 million. In the IVG Caverns division, we expect total income in the financial year 2008 of between €130 million and €135 million and an EBIT adjusted of between €110 million and €115 million.

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

Interim financial statements

as at 30 June 2008

Consolidated income statement

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007
Revenues	311.4	237.4	139.8	133.0
Changes in inventories and other own work capitalised	142.8	30.0	100.2	19.9
Unrealised changes in market value of investment property	-45.6	189.1	-50.8	102.4
Realised changes in market value of investment property	15.6	62.7	10.8	62.7
Other operating income	39.0	6.0	33.5	0.3
Total income	463.2	525.2	233.5	318.3
Material expenses	-168.4	-60.4	-102.2	-41.0
Personnel expenses	-37.2	-44.9	-21.6	-25.1
Depreciation and amortisation of intangible assets, property, plant and equipment	-4.9	-2.8	-3.6	-1.4
Expenses from investment property	-37.4	-29.6	-19.3	-16.0
Other operating expenses	-67.0	-70.5	-36.7	-44.3
Profit/loss from associates accounted for using the equity method	1.3	4.5	-2.3	0.4
Income from share investments	0.6	0.9	0.3	0.0
EBIT	150.2	322.4	48.1	190.9
Financial earnings	-68.0	-56.5	14.7	-26.0
Net profit before tax	82.2	265.9	62.8	164.9
Income taxes	-31.1	-81.0	-23.8	-51.1
Consolidated net profit	51.1	184.9	39.0	113.8
Share of net profit attributable to Group shareholders	26.4	170.3	22.4	105.0
Share of net profit attributable to providers of hybrid capital	16.0	14.3	8.0	8.0
Share of net profit attributable to minority interests	8.7	0.3	8.6	0.8
Undiluted earnings per share in €	0.23	1.47	0.20	0.91
Diluted earnings per share in €	0.24	1.40	0.19	0.97

Consolidated balance sheet

in € m	30.06.2008	31.12.2007
ASSETS		
Non-current assets		
Intangible assets	256.0	258.7
Investment property	6,317.3	5,361.8
Other property, plant and equipment	326.2	412.4
Financial assets	279.6	238.9
Shares in associated companies accounted for under the equity method	57.6	71.7
Derivative financial instruments	28.8	41.2
Deferred tax assets	91.4	73.9
Receivables and other assets	61.3	73.1
Total non-current assets	7,418.2	6,531.7
Current assets		
Inventories	1,018.7	966.0
Receivables and other assets	217.9	220.2
Income tax receivables	18.4	17.4
Derivative financial instruments	51.7	3.0
Securities	5.2	11.4
Cash and cash equivalents	86.9	105.7
	1,398.8	1,323.7
Non-current assets held for sale	392.7	385.6
Total current assets	1,791.5	1,709.3
Total assets	9,209.7	8,241.0

in € m	30.06.2008	31.12.2007
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	116.0	116.0
Capital reserve	561.0	561.1
Treasury shares	-0.2	-0.3
Other reserves	-22.4	5.8
Retained earnings	977.1	1,030.9
Equity attributable to Group shareholders	1,631.5	1,713.5
Hybrid capital	400.9	400.9
Minority interests	3.0	2.7
Total equity	2,035.4	2,117.1
Liabilities		
Non-current liabilities		
Financial liabilities	4,606.3	3,496.7
Derivate financial instruments	0.1	0.0
Deferred tax liabilities	445.7	419.4
Pension provisions	9.4	9.6
Other provisions	34.9	48.8
Liabilities	8.1	58.0
Total non-current liabilities	5,104.5	4,032.5
Current liabilities		
Financial liabilities	1,312.8	1,292.5
Derivate financial instruments	0.3	1.8
Other provisions	119.9	132.0
Liabilities	242.9	261.1
Income tax liabilities	40.9	43.4
	1,716.8	1,730.8
Liabilities included in disposal groups	353.0	360.6
Total current liabilities	2,069.8	2,091.4
Total equity and liabilities	9,209.7	8,241.0

Consolidated cash flow statement

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007
Consolidated net profit	51.1	184.9
+/- Depreciation and amortisation/appreciation	4.9	2.8
-/+ Changes in market value of investment property	45.6	-189.1
+/- Other non-cash expenses/income	-9.8	-4.6
- Earnings from disposal of assets	-28.4	-62.7
Changes to current assets and liabilities:		
Receivables and other assets (+decrease/-increase)	-32.2	-102.4
Trade payable/other liabilities (+increase/-decrease)	-75.7	-54.7
Cash flows from business activities	-44.5	-225.8
Increase in inventories in IVG Funds division	-44.3	0.0
Increase in inventories in IVG Development division	-142.9	-89.3
Cash flows from current and medium-term investments in operational divisions	-187.2	-89.3
Cash flows from business activities	-231.7	-315.1
Cash flows from investment activities	-904.3	-1,362.4
Cash flows from financing activities	1,117.3	1,182.8
Net change in cash and cash equivalents	-18.7	-494.7
Currency effects	0.0	0.1
Cash and cash equivalents at start of period	106.2	551.2
Cash and cash equivalents at end of period	87.5	56.6
Less cash and cash equivalents held by disposal groups	0.6	0.0
Cash and cash equivalents reported on balance sheet	86.9	56.6

The cash flows from business activities result from €-187.2 million investments in inventories of the divisions IVG Funds and IVG Development due to the progression of construction projects. In addition, cash flows from operating activities at €-44.5 million improved over the previous year (30 June 2007: €225.8 million). Non-cash expenses and income consist mainly of currency translation effects from financial liabilities.

Cash flows from investment activities are comprised primarily of the acquisitions of new portfolios by the IVG Investment division in the first quarter. In contrast, the second quarter was marked by cash flows from divestments.

The balance of cash flows from financing activities in the second quarter was used for the most part to finance the properties acquired in the first quarter.

Statement of recognised income and expenses

in € m	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007
Market valuation of available-for-sale securities		
- Changes to other consolidated net profit recognised as income	0.5	-0.8
Market valuation of hedging instruments		
- Changes to other consolidated net profit recognised as income	-24.9	-8.9
Adjustment for currency translation of foreign subsidiaries	-10.7	-7.6
Changes due to gradual sales and acquisitions and changes to group of consolidated companies	-1.4	0.0
Deferred taxes on value adjustments set off directly against equity	1.6	0.1
Income and expenses recognised directly in equity	-34.9	-17.2
Consolidated net profit	51.1	184.9
Recognised income and expenses	16.2	167.7
Share of Group shareholders	-2.1	155.9
Share of providers of hybrid capital	16.0	14.3
Share of minority interests	2.3	-2.5

Segment reporting

01.01.2008 - 30.06.2008 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions	Consolidation	Total
External revenues	180.9	54.1	49.4	25.5	1.5	0.0	311.4
Internal revenues	2.8	0.8	0.0	0.0	8.5	-12.1	0.0
Total revenues	183.7	54.9	49.4	25.5	10.0	-12.1	311.4
Net rental income from investment property	157.2	0.0	1.3	23.5	0.0	-1.8	180.2
Other net rental income	5.5	18.5	2.8	0.3	0.2	-1.1	26.2
Proceeds from service charges	20.0	0.1	0.9	0.0	0.0	0.0	21.0
Proceeds from project sales	0.0	0.0	40.4	0.0	0.0	0.0	40.4
Proceeds from construction contracts	0.0	0.0	2.6	0.0	0.0	0.0	2.6
Proceeds from transactions, development and sales	0.0	4.4	0.0	0.0	0.0	0.0	4.4
Proceeds from funds and property management	0.0	31.3	0.0	0.0	4.0	-4.0	31.3
Other revenues	1.0	0.6	1.4	1.7	5.8	-5.2	5.3
Changes in inventories and other own work capitalised	0.0	30.8	112.0	0.0	0.0	0.0	142.8
Unrealised changes in market value of investment property	-168.3	0.0	42.1	80.6	0.0	0.0	-45.6
Realised changes in market value of investment property	13.3	0.0	2.3	0.0	0.0	0.0	15.6
Other operating income	6.8	5.4	24.4	1.2	24.7	-23.5	39.0
Total income	35.5	91.1	230.2	107.3	34.7	-35.6	463.2
Material expenses	-2.0	-31.3	-134.6	-0.4	-0.8	0.7	-168.4
Personnel expenses	-0.4	-6.0	-5.7	-2.2	-22.8	-0.1	-37.2
Depreciation and amortisation	-0.2	-0.4	-0.5	-3.3	-0.5	0.0	-4.9
Expenses from investment property	-31.5	-0.3	-3.6	-1.5	-0.5	0.0	-37.4
Other operating expenses	-23.3	-36.0	-9.6	-5.2	-28.0	35.1	-67.0
Profit/loss from associates accounted for using the equity method	-6.0	6.6	0.7	0.0	0.0	0.0	1.3
Income from share investments	0.1	0.5	0.0	0.0	0.0	0.0	0.6
Total operating expenses including profit/loss from associates and income from share investments	-63.3	-66.9	-153.3	-12.6	-52.6	35.7	-313.0
EBIT	-27.8	24.2	76.9	94.7	-17.9	0.1	150.2
Financial earnings							-68.0
Net profit before tax							82.2
Income taxes							-31.1
Consolidated net profit							51.1
Segment assets	5,922.2	1,014.4	845.6	813.7	63.1		8,659.0
thereof from associated companies	24.1	12.5	21.0	0.0	0.0		57.6
Segment debt	88.2	414.1	48.0	27.6	141.7		719.6
Investments	937.9	54.3	46.0	79.1	22.1		1,139.4
Additional voluntary disclosures							
EBIT	-27.8	24.2	76.9	94.7	-17.9	0.1	150.2
Adjustments	0.7	-17.0	15.9	1.3			0.9
EBIT adjusted	-27.1	7.2	92.8	96.0	-17.9	0.1	151.1

The results of the individual divisions for the second quarter and the first half-year are not comparable with those of the previous year since the IVG Investment and IVG Funds divisions as well as corporate functions were reorganised in 2007 as a result of the full integration of the institutional funds company previously trading under the name of Oppenheim-Immobilien Kapitalanlagegesellschaft mbH. The IVG Development division was strategically realigned at the beginning of 2007 and restructured over the course of the previous year. Since 2008, the divisions have been charged individually for the corporate functions services that they use. This means that EBIT now accurately reflects the expenses incurred by each division. The same also applies to the operational function Asset Management, which likewise charges the divisions for the services it provides. Intra-Group services were not offset in the previous year.

01.01.2007 - 30.06.2007 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate functions	Consolida- tion	Total
External revenues	121.8	59.4	24.8	22.9	8.4	0.1	0.0	237.4
Internal revenues	0.2	2.4	0.3	0.0	0.0	0.1	-3.0	0.0
Total revenues	122.0	61.8	25.1	22.9	8.4	0.2	-3.0	237.4
Net rental income from investment property	98.7	4.7	0.5	18.4	0.0	0.0	-1.3	121.0
Other net rental income	4.6	0.9	0.6	0.0	2.1	0.1	-0.8	7.5
Proceeds from service charges	14.9	0.6	0.6	0.0	0.0	0.0	-0.2	15.9
Proceeds from project sales	1.0	0.0	23.2	0.0	0.0	0.0	-0.1	24.1
Proceeds from construction contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from fund management fees	0.0	53.0	0.0	0.0	0.0	0.0	0.0	53.0
Other revenues	2.8	2.6	0.2	4.5	6.3	0.1	-0.6	15.9
Changes in inventories and other own work capitalised	-1.0	0.0	31.0	0.0	0.0	0.0	0.0	30.0
Unrealised changes in market value of investment property	142.8	3.8	12.5	30.1	0.0	0.0	-0.1	189.1
Realised changes in market value of investment property	5.2	0.0	57.5	0.0	0.0	0.0	0.0	62.7
Other operating income	4.8	1.0	1.0	0.0	0.5	2.1	-3.4	6.0
Total income	273.8	66.6	127.1	53.0	8.9	2.3	-6.5	525.2
Material expenses	-1.2	-14.3	-44.9	-0.2	-0.4	-0.1	0.7	-60.4
Personnel expenses	-7.6	-14.2	-3.3	-2.1	-2.6	-15.1	0.0	-44.9
Depreciation and amortisation	-0.2	-0.7	-0.3	-0.4	-1.0	-0.3	0.1	-2.8
Expenses from investment property	-26.8	-1.0	-0.4	-1.7	0.0	0.0	0.3	-29.6
Other operating expenses	-29.6	-9.3	-12.3	-3.4	-1.7	-17.4	3.2	-70.5
Profit/loss from associates accounted for using the equity method	0.0	0.0	4.5	0.0	0.0	0.0	0.0	4.5
Income from share investments	-0.8	1.6	0.0	0.0	0.0	0.0	0.1	0.9
Total operating expenses including profit/loss from associates and income from share investments	-66.2	-37.9	-56.7	-7.8	-5.7	-32.9	4.4	-202.8
EBIT	207.6	28.7	70.4	45.2	3.2	-30.6	-2.1	322.4
Financial earnings								-56.5
Net profit before tax								265.9
Income taxes								-81.0
Consolidated net profit								184.9
Segment assets	3,956.5	669.8	518.4	500.7	39.5	71.0		5,755.9
thereof from associated companies	36.8	2.0	13.7	0.0	0.0	0.0		52.5
Segment debt	120.0	222.3	34.3	47.3	5.6	131.2		560.7
Investments	1,167.7	59.6	32.1	73.3	3.0	0.1		1,335.8
Additional voluntary disclosures								
EBIT	207.6	28.7	70.4	45.2	3.2	-30.6	-2.1	322.4
Adjustments and allocations	-9.5	-4.7	0.3	-1.5	-0.6			-16.0
EBIT adjusted	198.1	24.0	70.7	43.7	2.6	-30.6	-2.1	306.4

01.04.2008 - 30.06.2008 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions	Consolidation	Total
External revenues	89.6	29.0	7.5	12.8	0.9	0.0	139.8
Internal revenues	2.2	0.4	0.0	0.0	8.4	-11.0	0.0
Total revenues	91.8	29.4	7.5	12.8	9.3	-11.0	139.8
Net rental income from investment property	80.8	0.0	-0.5	12.0	0.0	-1.7	90.6
Other net rental income	2.7	9.6	1.5	0.3	0.0	-0.5	13.6
Proceeds from service charges	8.1	-0.3	0.8	0.0	0.0	0.0	8.6
Proceeds from project sales	0.0	0.0	3.7	0.0	0.0	0.0	3.7
Proceeds from construction contracts	0.0	0.0	1.7	0.0	0.0	0.0	1.7
Proceeds from transactions, development and sales	0.0	2.6	0.0	0.0	0.0	0.0	2.6
Proceeds from funds and property management	0.0	16.5	0.0	0.0	3.5	-3.6	16.4
Other revenues	0.2	1.0	0.3	0.5	5.8	-5.2	2.6
Changes in inventories and other own work capitalised	0.0	22.2	78.1	0.0	0.0	0.0	100.2
Unrealised changes in market value of investment property	-123.2	0.0	-5.3	77.7	0.0	0.0	-50.8
Realised changes in market value of investment property	8.7	0.0	2.1	0.0	0.0	0.0	10.8
Other operating income	6.2	2.9	22.6	0.7	7.9	-6.8	33.5
Total income	-16.5	54.5	105.0	91.2	17.2	-17.8	233.5
Material expenses	-1.2	-22.9	-77.7	-0.3	-0.4	0.3	-102.2
Personnel expenses	-0.1	-3.3	-3.6	-1.2	-13.3	-0.1	-21.6
Depreciation and amortisation	-0.1	-0.2	-0.2	-2.9	-0.2	0.0	-3.6
Expenses from investment property	-14.8	0.3	-3.4	-0.9	-0.5	0.0	-19.3
Other operating expenses	-12.2	-22.7	-6.3	-3.0	-10.6	18.1	-36.7
Profit/loss from associates accounted for using the equity method	-2.5	0.0	0.2	0.0	0.0	0.0	-2.3
Income from share investments	0.1	0.2	0.0	0.0	0.0	0.0	0.3
Total operating expenses including profit/loss from associates and income from share investments	-30.8	-48.6	-91.0	-8.3	-25.0	18.3	-185.4
EBIT	-47.3	5.9	14.0	82.9	-7.8	0.5	48.1
Financial earnings							14.7
Net profit before tax							62.8
Income taxes							-23.8
Consolidated net profit							39.0
Investments	32.8	54.2	36.3	51.2	20.4		194.9
Additional voluntary disclosures							
EBIT	-47.3	5.9	14.0	82.9	-7.8	0.5	48.2
Adjustments	0.3	-7.4	13.2	0.8			6.9
EBIT adjusted	-47.0	-1.5	27.2	83.7	-7.8	0.5	55.1

The results of the individual divisions for the second quarter and the first half-year are not comparable with those of the previous year since the IVG Investment and IVG Funds divisions as well as corporate functions were reorganised in 2007 as a result of the full integration of the institutional funds company previously trading under the name of Oppenheim-Immobilien Kapitalanlagegesellschaft mbH. The IVG Development division was strategically realigned at the beginning of 2007 and restructured over the course of the previous year. Since 2008, the divisions have been charged individually for the corporate functions services that they use. This means that EBIT now accurately reflects the expenses incurred by each division. The same also applies to the operational function Asset Management, which likewise charges the divisions for the services it provides. Intra-Group services were not offset in the previous year.

01.04.2007 - 30.06.2007 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate functions	Consolida- tion	Total
External revenues	61.8	31.5	22.6	12.8	4.5	0.0	-0.2	133.0
Internal revenues	0.1	1.5	0.3	0.0	0.0	0.0	-1.9	0.0
Total revenues	61.9	33.0	22.9	12.8	4.5	0.0	-2.1	133.0
Net rental income from investment property	49.7	3.2	0.3	9.2	0.0	0.0	-1.3	61.1
Other net rental income	2.3	0.4	0.3	0.0	1.1	0.1	-0.8	3.4
Proceeds from service charges	7.4	0.3	0.4	0.0	0.0	0.0	-0.2	7.9
Proceeds from project sales	1.0	0.0	21.9	0.0	0.0	0.0	-0.1	22.8
Proceeds from construction contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from fund management fees	0.0	27.3	0.0	0.0	0.0	0.0	0.0	27.3
Other revenues	1.5	1.8	0.0	3.6	3.4	-0.1	0.3	10.5
Changes in inventories and other own work capitalised	-1.0	0.0	20.9	0.0	0.0	0.0	0.0	19.9
Unrealised changes in market value of investment property	67.9	3.8	0.7	30.1	0.0	0.0	-0.1	102.4
Realised changes in market value of investment property	5.2	0.0	57.5	0.0	0.0	0.0	0.0	62.7
Other operating income	0.0	0.1	0.9	0.0	0.5	1.1	-2.3	0.3
Total income	134.0	36.9	102.9	42.9	5.0	1.1	-4.5	318.3
Material expenses	-0.9	-6.8	-33.5	-0.1	-0.2	-0.1	0.6	-41.0
Personnel expenses	-4.2	-7.2	-2.0	-1.0	-1.4	-9.3	0.0	-25.1
Depreciation and amortisation	-0.1	-0.4	-0.1	-0.2	-0.5	-0.2	0.1	-1.4
Expenses from investment property	-15.1	-0.9	0.6	-0.9	0.0	0.0	0.3	-16.0
Other operating expenses	-21.5	-4.6	-8.0	-2.2	-0.9	-8.4	1.3	-44.3
Profit/loss from associates accounted for using the equity method	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.4
Income from share investments	-1.2	0.4	-0.1	0.0	0.0	0.8	0.1	0.0
Total operating expenses including profit/loss from associates and income from share investments	-43.0	-19.5	-42.7	-4.4	-3.0	-17.2	2.4	-127.4
EBIT	91.0	17.4	60.2	38.5	2.0	-16.1	-2.1	190.9
Financial earnings								-26.0
Net profit before tax								164.9
Income taxes								-51.1
Consolidated net profit								113.8
Investments	104.9	0.0	24.0	57.3	3.0	-1.4		187.8
Additional voluntary disclosures								
EBIT	91.0	17.4	60.2	38.5	2.0	-16.1	-2.1	190.9
Adjustments and allocations	-9.8	-6.1	-4.8	-2.6	-0.6			-23.9
EBIT adjusted	81.2	11.3	55.4	35.9	1.4	-16.1	-2.1	167.0

Notes

This interim financial report has been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The interim financial statements for the consolidated companies are based on uniform accounting and valuation principles. Consolidation methods and currency translation remain the same as those used for the consolidated financial statements 2007 and are shown starting on page 110 et seqq of the IVG Annual Report 2007. The interim financial report has not been audited.

Slight differences may occur in the interim financial report due to the rounding of figures to € million, as the individual calculations are based on figures in euro.

Owned shares/convertible bond

As of 30 June 2008, IVG did not hold any owned shares. During the first half-year, 6,280 owned shares which were no longer required for the employee share ownership scheme were sold. This corresponds to 0.0054% of the share capital. Further information on this can be found on page 149 et seqq of the IVG Annual Report 2007.

On 31 March 2008, IVG also bought back a tranche with a nominal amount of €2.0 million from a convertible bond issued in 2007. The purchase price for this totalled €1.4 million, as a result of which the equity share of the convertible bond recognised in the capital reserve was reduced by €0.1 million.

Dividend paid

The Annual General Meeting of IVG Immobilien AG held on 21 May 2008 resolved to pay a dividend of €0.70 per share, amounting to a total of €81.2 million, which was paid out on 23 May 2008.

Related party disclosures

As detailed in note 12.9 of the consolidated financial statements 2007, business dealings with unconsolidated subsidiaries and equity-accounted subsidiaries are conducted at arms-length terms. IVG has a conditional financial commitment to Sal. Oppenheim International S.A., Luxembourg, relating to the remaining shares in IVG Institutional Funds GmbH.

Responsibility statement

Statement pursuant to Sec. 37y of the German Securities Trading Act (WpHG) in conjunction with Sec. 37w(2) no. 3 of the 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 positions and profit or loss of the Group, and 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, Germany, 14 August 2008

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IVG financial calendar and contact

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IVG financial calendar

13.11.2008	Publication of interim report for the 3 rd quarter 2008
25.03.2009	Publication of the year end figures 2008
14.05.2009	Annual General Meeting for financial year 2008

Note

This interim report is published in German and English. The German version is always considered the authoritative text.

Risks of forward-looking statements

This document contains forward-looking statements on future developments that are based on current assessments by management. Forward-looking statements are characterised by words such as “anticipate”, “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 imponderables materialise or if 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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