Interim Report

for the 3rd Quarter 2007

IVG Group key figures

		1 January - 30 Sept. 2007	1 January - 30 Sept. 2006	3rd Quarter 2007	3rd Quarter 2006
Turnover	€ mn	365.6	318.0	128.2	94.8
Total operating performance	€ mn	893.1	468.7	376.9	131.0
EBITDA	€ mn	389.6	228.4	63.7	16.7
EBIT	€ mn	385.2	224.8	62.1	15.6
Consolidated net profit	€ mn	270.2	121.3	81.7	4.5
Earnings per share	in €	2.01	0.93	0.57	-0.01
Capex	€ mn	1,925.2	636.5	589.4	337.7

		30 Sept. 2007	31 Dec. 2006
Total equity and liabilities	€ mn	6,837.2	5,056.6
Balance sheet equity	€ mn	2,150.1	1,642.9
Reported equity ratio	in %	31.7	31.7
Equity ratio at market values	in %	41.0	43.9
Investment: market value	€ bn	4.4	2.7
Funds: assets under management	€ bn	13.3	13.1
Development: invested capital	€ bn	0.8	0.4
Storage caverns: market value	€ bn	1.4	1.2
Number of employees		786	808

- **Consolidated net profit increases from €121 million to €270 million**
- **Net asset value increases to €27.69 per share**
- **Positive development in all four business divisions**
- **Forecast 2007: Consolidated net profit rises to at least €290 million**

Contents

IVG Immobilien AG is one of Europe's major publicly listed real estate companies. Our business is focussed on office properties in selected cities in Germany and Europe. Through our network of local branch offices, we currently manage property assets valued at over €19 billion.

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

Interim Management Report

for the 3rd Quarter 2007

Executive Summary

In the first nine months of the year, IVG significantly increased its consolidated net profit after tax and before minorities from €121 million to €270 million, already surpassing the good results for the previous year as a whole. All four divisions contributed to the rise in earnings.

In particular, the positive development on office real estate markets, securing further cavern excavation rights and concluding further cavern rental contracts increased the net asset value (NAV) by 18% from €23.56 at the end of last year to €27.69 per share as of 30 September 2007.

In the IVG Investment division, in addition to revaluation gains, disposal gains and higher rents were responsible for the significant rise in operating profit (EBIT). The revaluation gains were generated primarily from properties in Germany. Overall, IVG acquired properties for more than €1.7 billion in Germany in the first nine months of the year, including the Nautilus, Allegro, Channel and Pegasus portfolios. As a result, the German exposure in the Investment division increased to 63% as at 30 September. Given the good economic development and rising demand, we are still optimistic about the German office property market.

The acquisition of the Core portfolio from the Allianz Group was initiated in the reporting period, but will only be recognised in the fourth quarter and to the start of 2008. Thereby the German part of the portfolio will rise further. In 2008, IVG's German office real estate portfolio is to be transferred to a REIT subsidiary in which IVG will hold the majority. The IPO will only be implemented if the capital market is receptive. Pre-REIT status was conferred in August.

The IVG Funds division increased operating profit primarily as a result of the positive development in private investor business. At €350 million, the division has already placed significantly more equity than in the whole of the previous year (€252 million). The key factor here was the EuroSelect 14 fund "The Gherkin", for which distribution started in September and which was successfully concluded as early as October.

In the IVG Development division, operating profit improved significantly due primarily to the sale of the Caxton Hall project (€56 million profit) in London. The construction of the AIRRAIL Centre Frankfurt which started in spring is progressing on schedule. Within this project, one of the largest in Europe, a 660-metre long office building will be erected on the roof of the ICE mainline station at Frankfurt Airport by the end of 2009.

The IVG Caverns division also significantly improved its operating profit. In particular, this was due to the initial letting of six converted gas caverns, which resulted in revaluation gains of €74 million. The expansion of the Caverns division is advancing in line with planning. In June, rights to construct 25 more caverns were secured. In addition to the 40 existing caverns, IVG can therefore build a total of 90 further caverns, more than tripling the facility's capacity.

In September, IVG successfully placed a syndicated loan for €1.35 billion, thus considerably increasing its financial flexibility. The new syndicated loan replaces not only the existing credit facility of €750 million as well as further bilateral credit lines, but also increases free funds to over €1 billion.

For the year as a whole, we are expecting a significant increase in consolidated net profit after tax and before minorities to at least €290 million (previous year: €110 million) and a net asset value of €29 per share (previous year: €23.56). In doing so we are assuming that the US sub-prime crisis will not have any further negative impact on our relevant markets.

Macroeconomic Development and Property Markets

Up to now, most analysts are expecting that the European economic growth will at worst decline moderately as a result of the sub-prime crisis and the Euro appreciation. For Germany growth rates of 2.7% are expected in 2007 and 2.2% in 2008. According to this assessment, the economic upswing remains fundamentally intact.

Despite higher energy prices, the increase in the Eurozone inflation rate was below 2% over the last few months. Due to basis effects, a higher level of price increases is to be anticipated over the next few months. Due to higher energy and food prices, an inflation rate of 2% is to be expected for 2008 within the European Monetary Union. The European Central Bank did not raise interest rates which it had announced for September. At the current moment in time, there is little likelihood of the European Central Bank raising interest rates.

The upturn on European office markets weakened somewhat in the third quarter. Up to now, market data on the third quarter of 2007 do not indicate any serious negative effects for European office markets resulting from the sub-prime crisis. In the 22 most important office locations, a total of some 3 million m² office space was rented in the period between July and September. This is some 13.5% less than in the second quarter, but 12% up year-on-year. Across the various locations there was a heterogeneous trend: while rental turnover in Frankfurt more than doubled in comparison to the previous quarter, it slumped by over 60% in Lisbon and Barcelona. Since the end of June, the average European vacancy rate increased from 6.6% to 6.9%, but is still lower than at the beginning of the year (7.1%). In the two largest European office markets of Paris and Central London, 6.4% and 5% of space is vacant respectively. The highest vacancy rates are still posted in Frankfurt (14.7%) and Amsterdam (14%). On the other hand, office space is in particular short supply in Warsaw and Madrid (3.6% and 4.6% respectively). In all five German real estate strongholds, the vacancy was further reduced in the third quarter of 2007. The lowest vacancy rate is still achieved by Hamburg (7%), followed by Berlin (8.9%), Munich (9.1%) and Düsseldorf (10.1%).

The rapid upturn of office rents has slowed, but has not been halted. In the third quarter of 2007, average prime rents on the 22 European office locations surveyed rose by 6%. The strongest rises were achieved in Moscow (11.8%), London (7.2%) and Paris (5.4%). With a prime rent of over €167/m² per month, London remains by far the most expensive office location in Europe. It is followed by Paris (€67/m²/month) and Moscow (€59/m²/month). On the other hand, office space in Prague, Berlin and Vienna is considerably cheaper (approximately €20/m²/month). In the German office locations, the increase in prime rates was between 1.7% (Munich) and 2.9% (Frankfurt); only in Berlin the prime rent was unchanged in the third quarter.

In the third quarter, the consequences of the sub-prime crisis were much more evident on the European investment market for commercial properties than on the rental market. According to press reports, several larger transactions did not take place as property is being financed on a more selective basis. In many markets rising interest rates and higher investor risk awareness resulted in initial office yields increasing by 10 to 25 basis points. In the third quarter, the German investment market remained extremely active with a transaction volume of €17 billion. Overall, a total transaction volume of approximately €44 billion has been realised in Germany this year, more than half of this relating to offices. In the five large German markets, initial yields for prime office properties rose by up to 25 basis points in the third quarter.

Development in the Divisions

IVG Investment

This division pursues the goal of sustainable increasing the value and yields of its own portfolio. Applying an active investment, optimisation and disposal strategy, it exploits the cycles on the property markets.

Business development

IVG Investment turnover and the gross rental income (€156 million, previous year €130 million) included in revenues increased in the first nine months from €157 million to €184 million as a result of the acquired German property portfolios. Higher revaluation gains were a key factor positively impacting operating profit which improved considerably year-on-year from €156 million to €212 million. The revaluation gains of €83 million (previous year €25 million) resulted primarily from the positive development of the German portfolio. They underline the attractiveness of the acquired portfolios and the positive development of the German office real estate market. Furthermore disposal gains (€55 million, previous year €57 million) contributed to the rise in operating profits. At €46 million, the largest share related to the disposal of the Park Avenue property located in the Paris Rive Gauche district. The property was completed at the beginning of 2007. With the sale of the property, the value increase resulting from the full renting was realised. 80% of the profit was reported in the Investment division (€46 million) and 20% in the Development division (€11 million).

In the IVG Investment division, IVG achieved new rentals of over 227.000 m² in the first nine months. As of 30 September 2007, the economic letting rate was 90.4%, below the level at the end of the first six months. This was due to the September acquisition of the Pegasus portfolio (letting rate 73%). Without the Peagasus portfolio the economic letting rate would have been 92.7%.

Purchases

The portfolios acquired are properties some of which have significant vacancy rates or potential for development and appreciation. Here IVG is benefiting not only from the positive trend, especially on German property markets. Rather the objective is to use the IVG's letting and asset management expertise on a systematic basis, leveraging value by reducing vacancies as well as developing and improving the properties. Since the beginning of the year, IVG has instituted a central operating division to do this – Asset Management. It manages the properties of the IVG Group on a cross-divisional basis and supported by the local branches.

The following portfolio acquisitions were recognised in the accounts in the first nine months:

Allegro portfolio: 25 properties in Germany, 80% of which in the office strongholds of Hamburg, Munich, Düsseldorf and Frankfurt. It comprises 215,000 m² rental space. The purchase price was €505 million, plus €20 million incidental costs. With a letting rate of 91%, the initial yield is 5.7% after incidental costs. This will rise to 6.25% at full letting.

Nautilus portfolio: Four properties in Düsseldorf, Munich and Stuttgart with a rental space of 66,000 m². The purchase price was €189 million, plus €8 million incidental costs. With a letting rate of 88%, the initial yield is 5.2% after incidental costs. This will rise to 5.9% after incidental costs at full letting.

Channel portfolio: Eight office properties in Hamburg (rental space 47,500 m²). The purchase price was €98 million, plus €5 million incidental costs. With a letting rate of 99%, the initial yield is 6.1% after incidental costs.

Pegasus portfolio: 25 office properties in Berlin, Düsseldorf, Frankfurt and Hamburg (rental space 210,000 m²). The purchase price totalled €495 million, plus €20 million incidental costs. With a letting rate of 73%, the initial yield was 4.2% after incidental costs. This rises to 5.8% at full letting.

In addition to portfolios, individual properties were also acquired. These included:

Galilee Velizy: Fully let office property close to Paris Orly Airport (rental space: 32,000 m²). The purchase price was €116 million, plus €6.9 million incidental costs. The initial yield was 5% after incidental costs.

La Chocolaterie: Fully let office property close to Paris La Défense business district (rental space: 6,000 m²). The property was acquired in the context of a share deal for a purchase price of €42 million plus €0.65 million incidental costs. The initial yield was 5.1% after incidental costs.

REIT Strategy

Since June 2007, Germany has its own REIT legislation. The first REIT has been launched and several German property companies have already applied for pre-REIT status, including an IVG subsidiary. Companies which sell properties to a pre-REIT can take advantage of the exit tax and need to tax only half of the hidden reserves. This regulation provides attractive growth prospects for REIT companies. The IVG pre-REIT has already acquired properties with a value of roughly €2 billion, with the majority of the volume being subject to the exit tax.

IVG intends to transfer all German office properties in the Investment division portfolio to the pre-REIT and to sell properties which are not in line with corporate strategy. The future REIT thus represents the investment vehicle for IVG in Germany. It has an initial volume of over €3.5 billion, distributed over the six top locations, providing an attractive mix of properties with long-term letting contracts and those with good potential for appreciation.

IVG will hold the majority position in the future REIT and place at least 25% on the stock exchange. This is necessary within a period of three years after registration of the pre-REIT status. The IPO marks the transition to REIT status and full adherence to the REIT criteria. IVG is currently actively involved in preparing for this process so that an IPO is possible from the spring of 2008. From the perspective of value maximisation, the timing of the IPO depends on a favourable capital market environment.

With the launch of a German REIT subsidiary, IVG is expanding its position as a European investment manager, supplementing the Group product range with an internationally established and popular investment vehicle.

IVG Funds

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

Business development

Turnover and operating profit of the IVG Funds division increased primarily as a result of the successfully initiated placement of EuroSelect 14 “The Gherkin” and the EuroSelect Balanced Portfolio UK fund of funds. In the first nine months, IVG Private Funds placed €350 million equity (previous year €202 million). Due to the slight increase in assets under management, Institutional Funds also contributed to the increase in turnover and operating profits.

IVG Private Funds

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

The outstanding event of the first nine months was the acquisition of the London office property 30 St Mary Axe ("The Gherkin") and initiating its placement as EuroSelect 14 in September. The participation capital is GBP 156 million (€224 million). The property is let on long-term leases to tenants of good credit standing. This includes at roughly 50% Swiss Re, which initially is a tenant to 2031. The asset management of the property will be performed by IVG's London office. IVG and Swiss Re agreed that the latter will pay the rent in Swiss francs, which enabled favourable financing in that currency.

Another success in the first half-year was the placement after only seven months of the England EuroSelect Balanced Portfolio UK fund of funds with GBP 117 million participation capital. Due to high demand, the participation capital to be placed was increased from the original level of GBP 100 million to GBP 117 million. With the fund of funds, private investors took the opportunity of investing in three institutional property funds in the target market of Great Britain.

The great success and ongoing interest in real estate fund of funds products prompted IVG to launch a further fund of funds, the IVG Balanced Portfolio Asia. Four to five target Asian funds have already been identified. Depending on demand, the planned fund volume will be between USD 240 million and USD 575 million. Placement is scheduled to start at the beginning of 2008.

IVG is also expanding its range of structured funds for non-profit foundations and organisations. The sale of the IVG Italy Office Fund is currently underway. This fund enables investors to invest in a portfolio consisting of ten rented quality Italian office properties with a value of approximately €250 million, allowing attractive tax-free distributions. With a clearly defined disposal strategy, investors will receive distributions throughout the fund's seven-year term.

IVG Institutional Funds

IVG Institutional Funds, the former Oppenheim Immobilien- Kapital-Anlagegesellschaft mbH (OIK), the market leader for special-purpose property funds, manages fund assets of €10.2 billion. Within the IVG Funds division, IVG Institutional Funds acts as contact point for all institutional investors and will offer not only funds according to the Investment Law but other structured products, too.

The key event in the third quarter was the acquisition of a portfolio of eight office properties in Great Britain at a price of €215 million. Seven properties in the portfolio were bought by German special funds, a further one for the IVG European Core+ Office SICAV fund. The portfolio has total rental space of 33,000 m². The buildings are in different stages of development. Three properties were just recently completed, the others are still in construction. Completion is expected between the end of 2007 and the middle of 2009.

In addition to German special funds, IVG launched the IVG European Core+ Office Fund. The fund has a target volume of €600 million and will invest in European office properties with good potential for appreciation.

In addition to property funds, IVG also manages portfolios, which remain the property of institutional investors (direct mandates). Since the start of 2005, IVG has been managing the portfolio of a professional welfare provider in Berlin, which consists of ten German office properties and has a total value of €160 million. Additional mandates have been gained in 2007.

IVG Development

This business segment develops office property projects in selected major European cities. It focuses on projects in Germany and selected European growth centres. Its aim is to settle an annual project development volume of €500 million to €600 million in the eleven German and European branches in the medium term and structure its earnings stably and sustainable. The branches have lean management structures and are managed on the basis of value-oriented controlling instruments.

Business development

The division's operating profit increased significantly from €37 million to €65 million. In particular, this is due to the sale of the Caxton Hall project (5,300 m² rental space) in the Victoria sub-market of the London West End. Caxton Hall was sold for €109 million to a fund of Scottish Widows. Profit amounted to €56 million. This is not reported in revenues and is instead included in the income statement in the form of income from realised changes in market values as the project was recognised under investment property. This explains the division's drop in turnover from €39 million to €28 million with its rise in operating profit. As at 30 September 2007, IVG's development pipeline amounted to €2.4 billion. Of this €0.8 billion was invested.

In the Infopark D building project in Budapest, IVG concluded rental agreements for more than 10,000 m² of office space. In addition, in the 14 Cornhill project in London IVG Development let 6,400 m² to VTB Bank Europe and in the Cap Sud project in Paris 5,100 m² to Télévision de France.

Construction of the AIRRAIL Centre Frankfurt at Frankfurt Airport, one of the largest commercial building projects in Europe is on schedule. This project, developed jointly by IVG and Fraport AG, will be completed by the end of 2009. A 660-metre long, multi-storey building is being built on the roof of the ICE mainline station, with around 140,000 m² of rentable office, retail, restaurant and hotel space. Leases have already been concluded with the Hilton Hotel Group, the auditors and consultants KPMG and the Metropolitan Medical Centre. Thus, 50% of the space was let before the start of construction. The current rental level is 54%. Tenants will start to occupy the premises at the beginning of 2009.

In September, IVG Development acquired two plots of land in the centre of Munich from aurelis Real Estate. The plots in Landsberger Str. 78-100 are located centrally between the Main Railway Station and Donnersberger Brücke and have excellent traffic connections. Two office properties with over 28,000 m² high-quality rental space and an underground garage with 230 parking spaces are to be built. Construction is set to start in spring 2008, with completion scheduled for autumn 2009.

In terms of project developments, IVG let around 35,000 m² in the first nine months of the year.

IVG Caverns

As an independent provider, the IVG Caverns division lets underground oil and natural gas storage sites (caverns), which provide environmentally friendly and safe storage for large quantities of natural gas and oil. It generates sustainable, stable cash flows and earnings contributions from long-term leases with publicly owned oil stockholding organisations and energy industry companies with sound finances.

Business development

Revenues rose from €33 million to €37 million. This is the result of the rental start of caverns converted from oil into gas caverns for E.ON Ruhrgas from the second quarter on. Overall, in the first nine months there were rental starts for six converted caverns. A further four are to follow in 2008. The operating profit for the Caverns division, which does not include finance lease interest income, rose significantly from €18 million to €98 million. In addition to higher rental income, this is primarily due to revaluation gains (€74 million) resulting from the rental start for the six caverns.

A major event in the first nine months was securing the rights to build another 25 caverns. IVG can now construct an additional 90 caverns in addition to the 40 existing ones. Of the 90 caverns in the expansion reserve, 21 are already under construction. The construction time for a cavern is two to three years.

In the first nine months of the year, six more caverns of the expansion potential were leased to a syndicate of international power companies on a long-term agreement. This means that to the end of the quarter eleven caverns in the expansion potential were already rented. For further 31 caverns options have been agreed on.

Important Events after the end of the Reporting Period

IVG Investment

In the Investment division the following property purchases which were initiated in the first nine months will be recognised in the accounts:

Alster portfolio: This is a portfolio of ten office buildings in Hamburg and one in Munich (rental space: 62,200 m²). The purchase price was €209 million, plus €9 million incidental costs. The initial yield is 5%, and rises to 5.2% when the buildings are fully let. The economic transfer is October 2007.

Core portfolio: The portfolio contains seven high-quality office properties in Frankfurt, Hamburg, Munich (3 properties) and Stuttgart (2 properties) which are completely let to Allianz on long-term contracts (rental space: 441,000 m²). The purchase price was €1.3 billion plus €40 million incidental costs. The initial yield is 5.3% after incidental costs. For €410 million the economic transfer date is December 2007. The remainder will be recognised in January 2008.

Düsseldorf plus: IVG acquired eight properties at very good locations in Düsseldorf (six properties), Cologne (one property) and Krefeld (one property). For the rental space of roughly 43,000 m², IVG paid a purchase price of €76 million. The initial yield is 5%, and rises to 5.2% when the buildings are fully let. The economic transfer is December 2007.

The following purchase initiated in the first nine months was recognised in the fourth quarter:

Mailand: To concentrate on core locations, IVG Investment division sold three properties in Milan. The properties Via Cascia 5 in Milan and Via Carducci 125 in Sesto San Giovanni as well as the Via Gobetti 2 property in Cernusco sul Naviglio were sold at a price of €41 million. The price was 5% higher than the valuation on 30 September. After these sales, only one property remains in Milan – Via Dione Cassio. After optimising the rental situation, this is also to be sold.

IVG Funds

After a marketing period of only two months, the IVG Funds division fully placed the EuroSelect 14 “The Gherkin” fund with €224 million equity (GBP 156 million) in October.

IVG Development

The Infopark D building project in Budapest, which was sold in 2007 to a property special-purpose fund in a forward sale, is to be completed, transfer and thus recognised in the fourth quarter.

In a joint venture with a project company of the Knorr-Bremse Group, IVG Development acquired a 12,000 m² plot of land on the area of the Knorr-Bremse AG in the north of Munich to erect an attractive office multi-storey building. The Moosacher Straße 82 plot has good traffic connections. Office properties with approximately 38,500 m² high-quality rental space and an underground garage with 310 parking spaces are to be built on the Munich plot. An outstanding feature of the project development is the construction of a tower 70 metres high. The construction start is planned for 2008, completion for 2010.

IVG Caverns

After the end of the reporting period, IVG rented a further 15 caverns (plus options on additional 10 caverns) to E.ON Ruhrgas for 30 years plus an extension option. This means that 26 caverns of the expansion potential are already rented.

Furthermore, in October IVG sold the tank storage business to a company managed by the Macquarie Group for €58 million. In the Caverns division, IVG is to focus exclusively on the core business of large-volume underground storage of gas and oil. The sale results in staff levels at IVG declining by approximately 90. The tank storage business which has been sold manages a storage capacity of over 1.1 million m³ with locations in Germany and Poland. The company’s activities cover the storage and transshipment of petroleum products. Revenues of €15.5 million were generated in 2006.

Financial Position and Assets

Changes in key income statement items

The rise in turnover was primarily due to higher rents as a result of the acquisition of real estate portfolios (€198 million, previous year €167 million) and the increase in placed equity sold by the EuroSelect funds. Total operating performance increased primarily due to higher unrealised changes in market values (€159 million, previous year €25.4 million), the profit on the sale of the Caxton Hall property development (€56 million) and higher portfolio changes as a result of acquiring project developments. €83 million (previous year €25 million) of the unrealised changes in fair value related to the Investment division, €74 million (previous year €0) to the Caverns division and €2 million (previous year €0) to Other. The realised changes in fair value totalled €124 million (previous year €96 million). In addition to profits from the sale of project developments (€68 million, previous year €40 million), this also included profits on properties sold by the Investment division of €55 million (previous year €57 million). By selling the property Park Avenue in Paris unrealised changes from market values which have been shown in the second quarter's accounts have been realised. Therefore the realised changes in market values increased, while the unrealised changes in market values decreased.

The rise in changes in inventories and the cost of materials primarily reflects the construction progress of project developments, particularly in the Infopark D project in Budapest and the AIRRAIL Centre Frankfurt as well as the acquisition of new projects. The cost of materials also rose as a result of sales commissions related to the EuroSelect funds. The expenses of investment property rose as a result of the real estate portfolios acquired and are in line with the increase in gross rental income. Personnel expenses declined especially as a result of lower expenses from the long-term incentive plans. Other expenses increased primarily as a result of non-recurring effects. These related primarily to higher taxes as a result of the property transfer tax still due from the internal transfer of the German office properties to the IVG Office REIT (€20 million) and higher consultancy, legal and audit fees in the course of Group restructuring.

The decrease in net financial income is primarily due to higher debt incurred in portfolio acquisitions as well as lower income from derivatives that cannot be used for hedge accounting and from exchange rate changes. The tax rate improved primarily due to the 2008 tax reform in Germany. In the third quarter, the related write back of provisions for deferred taxes of €36 million resulted in non-recurring tax income. This was countered by expenses of €7 million from the adjustment of the tax rates on the capitalised tax losses carried forward. Furthermore the required later activation of usable tax losses carried forward (+€10 million) as well as the disposal of the property Park Avenue in Paris in a tax efficient way (+€19 million) lead to further tax revenues, which resulted in a clearly positive tax result for the third quarter despite the consideration of the tax expenditures for the third quarter.

Changes in key balance sheet items

The rise in investment property is primarily due to acquisitions of the Allegro, Nautilus, Channel and Pegasus portfolios and revaluation gains. Financial liabilities also increased as a result of the acquisitions.

The position Non-current assets held for sale includes not only the tank storage business, but also various properties, some of which have already been sold in the fourth quarter. The higher consolidated equity (+€507 million) is due especially to the increase in the hybrid bond (€204 million), the equity portion of the convertible bond (€102 million) and the retention of current net profit.

Investments

in € mn	Investments 1 Jan. - 30 Sept.		Investments 3rd Quarter	
	2007	2006	2007	2006
IVG Investment	1,699.2	543.4	531.5	312.5
IVG Funds	82.9	2.3	23.3	1.6
IVG Development	47.4	76.1	15.3	14.9
IVG Caverns	87.3	12.6	14.0	8.6
Non-core business	8.2	1.2	5.2	0.1
Corporate Functions	0.2	0.9	0.1	0.0
Group	**1,925.2**	**636.5**	**589.4**	**337.7**

In comparison to the previous year, investments rose year-on-year, mainly due to the acquisitions of property portfolios in the Investment division, the increase in the interest in OIK on the part of the Funds division and the construction activity in the Caverns division.

Financing

At the end of September, IVG replaced the existing syndicated loan of €750 million with a remaining duration of three years with a new syndicated loan for €1.35 billion. At the same time, the financing duration was increased to seven years. The credit is divided into equal parts of a tranche with bullet maturity and a revolving tranche. The interest margin is linked to debt on the company balance sheet and is initially 0.6% p.a. above Euribor.

In connection with the acquisition of the Core property portfolio from Allianz, financing of €1.16 billion was concluded. €980 million of this relates to a 5-year loan and €180 million to a 1-year loan. Including interest rate hedging, the interest rate is just over 5% – under the initial yield of the portfolio.

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

In February 2007, IVG also issued a convertible bond with a maturity of 10 years and issue proceeds of €400 million. The bond has a coupon of 1.75% and a conversion price of €46.22.

Furthermore, IVG concluded attractive financing in the spring of 2007 for the AIRRAIL Centre Frankfurt project. The contract was for traditional development finance with a term until 2010 including an extension option and limited enforcement of liability against IVG (non-recourse).

Net Asset Value

As of 30 September 2007, net asset value (NAV) per share increased against the figure at the end of the last year by 18% from €23.56 to €27.69 per share. The increase results primarily (€1.30 per share) from the IVG Caverns division, the equity from the convertible bond (€0.88), the like-for-like increase of market values (€0.56 per share and from the value increase of the IVG Development division (€0.92 per share). For the Caverns division the assumption was maintained of a 50:50 equity/debt structure. Minorities (€0.63 per share) were subtracted for the first time. This is because this position becomes more important especially after the application of the fair value method.

Due to the good perspectives in the IVG Investment, IVG Funds, IVG Development and IVG Caverns divisions, we expect the NAV to increase further. For the end of 2007, we are anticipating an NAV of €29 per share.

Staff

Since the beginning of the year, the number of employees has fallen by 22 to 786 people. This decline affected almost all divisions and Corporate Functions.

Number as at the end of the quarter

	30 Sept. 2007	31 Dec. 2006	30 Sept. 2006
IVG Investment	5	1	1
IVG Funds	94	108	109
IVG Development	68	58	51
IVG Caverns	41	44	44
Non-core business	103	108	108
Asset Management	209	215	212
Transaction	31	29	28
Corporate Functions	207	212	208
Trainees	28	33	35
Total	**786**	**808**	**796**

IVG Shares

After the price losses for property shares in Germany and Europe, particularly in the second quarter, there was only a shorter breather in the third quarter. The reasons for this were ongoing problems of American mortgage financers, fears of declining of economic growth in the USA and a yield upturn for German office property. The statements of the large central banks not to tighten the fiscal reins, at least in the short term, resulted in relief only for a short period.

In the first nine months of the year, the IVG share price moved between a low of €24.55 and a high of €36.90. Overall the share price declined by 19%. The IVG share moved marginally better than the EPRA Europe Index (-21%), but considerably better than the EPRA Germany Index (-29%). DAX and MDAX moved in a different direction, increasing by 19% and 10% respectively. After the end of the quarter the IVG share gratifyingly decoupled itself from the property indices and made up part of its price losses. Since the beginning of the year, the IVG share has thus lost 6%, while the

Share price performance

Index: 2 January 2007 = 100

EPRA Europe Index is down 23% and the EPRA Germany Index has lost 25%. In the comparable period, the MDAX rose by 12%.

In the first nine months of 2007, the average daily trading volume was 790,000 shares (previous year 458,000 shares). On 25 May 2007, IVG distributed a dividend of €0.50 for the 2006 financial year, up from €0.38. The distribution volume was €58 million.

Outlook

Following the successful development of the first nine months and the important events at the beginning of the fourth quarter, we are also optimistic for the whole year.

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

The IVG Funds division is profiting from ongoing demand among institutional and private investors for indirect real estate investments. In 2007 as a whole, we expect the amount of placed equity at IVG Private Funds to rise from €252 million in 2006 to more than €400 million.

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

In the IVG Caverns division the NAV will increase by approximately €75 million as a result of concluding rental agreements for 15 caverns with E.ON Ruhrgas.

In the fourth quarter, we are not expecting any notable revaluation result for the real estate and caverns in Investment Properties. Overall, for 2007 as a whole, we are expecting consolidated net profit after tax and before minorities of at least €290 million and NAV of €29 per share as at the end of 2007. In the forecast we are assuming that the current sub-prime crisis will not have any further impact on our relevant markets.

Interim Financial Statements

at 30 September 2007

CONSOLIDATED INCOME STATEMENT

in € mn		1 January - 30 Sept. 2007	1 January - 30 Sept. 2006	3rd Quarter 2007	3rd Quarter 2006
Turnover		365.6	318.0	128.2	94.8
Other operating profit		21.5	47.3	15.5	26.3
Realised and unrealised changes in the market value of investment properties		283.4	121.4	31.6	2.0
Changes in inventories and other own work capitalised		222.6	-18.0	192.6	7.9
Total operating performance		**893.1**	**468.7**	**367.9**	**131.0**
Material expenses		-267.5	-32.3	-207.1	-17.4
Personnel expenses		-63.3	-70.0	-19.1	-27.8
Depreciation and amortisation of intangible assets and property, plant and equipment		-4.4	-3.6	-1.6	-1.1
Expenses from investment properties		-44.7	-41.8	-15.1	-14.1
Other expenses		-131.4	-94.8	-60.9	-53.0
Profit from associates accounted for using the equity method		1.9	-3.6	-2.6	-2.1
Income from participating interests		1.5	2.2	0.6	0.1
Other financial income		-78.1	-43.8	-24.5	-9.0
Profit before tax		**307.1**	**181.0**	**37.6**	**6.6**
Income taxes		-36.9	-59.7	44.1	-2.1
Consolidated net profit		**270.2**	**121.3**	**81.7**	**4.5**
Share of net profit attributable to Group shareholders		233.3	108.0	65.8	-1.5
Share of net profit attributable to hybrid investors		22.3	4.8	8.0	3.0
Share of net profit attributable to minority interests		14.6	8.5	7.9	3.0
Earnings per share attributable to Group shareholders					
Basic	in €	2.01	0.93	0.57	-0.01
Diluted	in €	1.93	0.93	0.57	-0.01
EBITDA		**389.6**	**228.4**	**63.7**	**16.7**
Operating profit (EBIT)		**385.2**	**224.8**	**62.1**	**15.6**

CONSOLIDATED BALANCE SHEET

in € mn	30 Sept. 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	265.4	259.5
Investment properties	4,555.4	2,778.3
Other property, plant and equipment	345.7	438.0
Financial assets	256.3	157.6
Shares in associates accounted for using the equity method	49.1	46.8
Derivative financial instruments	18.4	10.8
Deferred tax assets	48.2	48.7
Receivables and other assets	91.0	151.9
Total non-current assets	**5,629.5**	**3,891.6**
Current assets		
Inventories	693.6	325.3
Receivables and other assets	264.6	210.2
Income tax receivables	17.7	13.7
Derivative financial instruments	1.4	0.3
Securities	16.0	19.7
Cash and cash equivalents	100.7	549.0
	1,094.0	**1,118.2**
Non-current assets held for sale	113.7	46.8
Total current assets	**1,207.7**	**1,165.0**
Total assets	**6,837.2**	**5,056.6**

in € mn	30 Sept. 2007	31 Dec. 2006
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	116.0	116.0
Capital reserve	561.1	458.9
Treasury shares	0.0	-0.6
Other reserves	14.0	4.3
Retained earnings	986.4	811.0
Equity attributable to Group shareholders	**1,677.5**	**1,389.6**
Hybrid capital	400.0	195.9
Minority interests	72.6	57.4
Total equity	**2,150.1**	**1,642.9**
Liabilities		
Non-current liabilities		
Financial liabilities	2,538.3	1,750.0
Derivative financial instruments	0.5	5.6
Deferred tax liabilities	389.5	371.8
Pension provisions	11.9	10.6
Other provisions	73.0	136.7
Liabilities	42.1	45.5
Total non-current liabilities	**3,055.3**	**2,320.2**
Current liabilities		
Financial liabilities	1,282.3	725.8
Derivative financial instruments	0.5	2.6
Other provisions	144.0	36.0
Liabilities	166.1	301.8
Income tax liabilities	35.0	26.0
	1,627.9	**1,092.2**
Liabilities associated with non-current assets held for sale	3.9	1.3
Total current liabilities	**1,631.8**	**1,093.5**
Total equity and liabilities	**6,837.2**	**5,056.6**

CONSOLIDATED CASH FLOW STATEMENT

in € mn	1 January - 30 Sept. 2007	1 January - 30 Sept. 2006
Consolidated net profit	270.2	121.3
+/- Write-downs/reversals of write-downs	4.4	11.3
+/- Other non-cash earnings and expenses	-145.9	23.4
- Gains/losses from the disposal of non-current assets	-129.4	-121.4
Changes in current asset items and liabilities: Receivables and other assets (+decrease/-increase)	-332.6	27.7
Trade payables/other liabilities (+increase/-decrease)	-46.5	-123.1
Cash flow from/used in operating activities	**-379.8**	**-60.8**
Cash flow from/used in investing activities	**-1,623.4**	**140.6**
Cash flow from/used in financing activities	**1,553.7**	**186.2**
Net change in cash and cash equivalents	-449.5	266.0
Changes in cash due to translation effects	-0.2	-0.3
Payments into plan assets	0.0	-2.2
Cash and cash equivalents at the beginning of the year	551.2	92.0
Cash and cash equivalents at the end of the year	**101.5**	**355.5**
Less cash and cash equivalents of the disposal group	-0.8	-0.4
Cash and cash equivalents reported in the balance sheet	100.7	355.1

€75 million of the cash flow used in operating activities was partially the result paying ground rent for the AIRRAIL Centre Frankfurt project development and the increase of receivables and other assets (-€333 million), due primarily to higher inventories (-€368 million) resulting from the construction progress of IVG Development projects. The funds accrued in the first half of the year from the convertible bond, the hybrid bond and the net change in financial liabilities were used at the beginning of the period, as with the majority of the cash and cash equivalents, to finance the acquisition of property portfolios.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in € mn	Sub-scribed capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Equity attri-butable to Group share-holders	Hybrid capital	Minority interests	Equity
As at 31 December 2005	**116.0**	**458.9**	**0.0**	**6.4**	**342.8**	**924.1**	**0.0**	**-2.2**	**921.9**
Change in accounting policies					424.4	424.4		63.6	488.0
As at 1 January 2006	**116.0**	**458.9**	**0.0**	**6.4**	**767.2**	**1,348.5**	**0.0**	**61.4**	**1,409.9**
Gains and losses recognised directly in equity:									
Change in ownership and group of consolidated companies					-0.2	-0.2		0.2	0.0
Exchange rate differences				-5.7		-5.7			-5.7
Share and securities available for sale, hedges				-0.1		-0.1		1.9	1.8
Total				**-5.8**	**-0.2**	**-6.0**		**2.1**	**-3.9**
Consolidated net profit					108.0	108.0	4.8	8.5	121.3
Capital increase						0.0	196.8		196.8
Bought/sold own shares			-1.2			-1.2			-1.2
Dividends					-44.1	-44.1		-2.9	-47.0
As at 30 September 2006	**116.0**	**458.9**	**-1.2**	**0.6**	**830.9**	**1,405.2**	**201.6**	**69.1**	**1,675.9**
As at 1 January 2007	**116.0**	**458.9**	**-0.6**	**4.3**	**811.0**	**1,389.6**	**195.9**	**57.4**	**1,642.9**
Gains and losses recognised directly in equity:									
Change in ownership and group of consolidated companies					0.1	0.1		1.4	1.5
Exchange rate differences				1.4		1.4		0.0	1.4
Share and securities available for sale, hedges				8.3		8.3		2.3	10.6
Total				**9.7**	**0.1**	**9.8**		**3.7**	**13.5**
Consolidated net profit					233.3	233.3	22.3	14.6	270.2
Equity stake convertible bond		102.2				102.2			102.2
Capital increase						0.0	204.1		204.1
Bought/sold own shares			0.6			0.6			0.6
Dividends					-58.0	-58.0	-22.3	-3.1	-83.4
As at 30 September 2007	**116.0**	**561.1**	**0.0**	**14.0**	**986.4**	**1,677.5**	**400.0**	**72.6**	**2,150.1**

In the first nine months, consolidated equity increased by €507 million. The increase is due primarily to retaining profits (€270 million) as well as the hybrid and convertible bond issues (€306 million). It was lowered by the dividend distribution made in May (€58 million) and servicing the hybrid bond (€25 million).

SEGMENT REPORTING

in € mn	1 January - 30 Sept. 2007	1 January - 30 Sept. 2006	3rd Quarter 2007	3rd Quarter 2006
TURNOVER				
IVG Investment	183.5	156.6	61.5	44.6
IVG Funds	108.8	81.1	47.0	35.6
IVG Development	28.1	38.9	3.0	0.0
IVG Caverns	36.6	33.2	13.7	11.7
Non-core business	12.9	12.4	4.5	4.0
Corporate functions/consolidation	-4.3	-4.2	-1.5	-1.1
Group	**365.6**	**318.0**	**128.2**	**94.8**
OPERATING PROFIT BEFORE ALLOCATION OF OVERHEAD COSTS				
IVG Investment	211.6	156.4	4.0	11.6
IVG Funds	59.6	41.2	30.9	14.1
IVG Development	65.4	36.6	-5.0	-0.6
IVG Caverns	98.0	18.1	52.8	5.3
Non-core business	-2.1	3.8	-5.3	1.2
Corporate functions/consolidation	-47.3	-31.3	-15.3	-16.0
Group	**385.2**	**224.8**	**62.1**	**15.6**
ALLOCATION OF OVERHEAD COSTS				
IVG Investment	-6.2		4.0	
IVG Funds	-5.3		-0.6	
IVG Development	-4.9		0.5	
IVG Caverns	-2.3		1.2	
Non-core business	-0.2		0.4	
Corporate functions/consolidation	18.9		-5.5	
Group	**0.0**		**0.0**	
OPERATING PROFIT (EBIT) AFTER ALLOCATION OF OVERHEAD COSTS				
IVG Investment	205.4		8.0	
IVG Funds	54.3		30.3	
IVG Development	60.5		-4.5	
IVG Caverns	95.7		54.0	
Non-core business	-2.3		-4.9	
Corporate functions/consolidation	-28.4		-20.8	
Group	**385.2**		**62.1**	

With the third quarter, IVG is providing more details on the distribution of the corporate overhead costs to the divisions by a distribution more in line with causation. The new method follows the principles of making a connection to an order. In contrast to the previous assessment, there is now a change to a calculatory internal costs allocation. As a result of the changes in the organisational structure, comparative figures for the previous year and the second quarter are not available.

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

NOTES

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

The following accounting policies have been changed as against the previous year:

Measurement of investment property using the fair value method

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

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

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

The retrospective application of the fair value method caused a change to the following items in the consolidated income statement for the period from 1 January to 30 September 2006: other operating income decreased from €194.8 million (under the cost method) to €47.3 million while depreciation/amortisation fell from €44.8 million to €3.6 million. Net income from changes in market value and the sale of investment properties amounts to €121.4 million under the fair value method. Income taxes also rose from €-37.8 million to €-59.7 million.

Capitalisation of borrowing costs

In line with the EPRA Best Practices Recommendations, IVG's Management Board decided to exercise the option granted by IAS 23 to capitalise borrowing costs that can be attributed directly to the acquisition or production of a qualified asset.

If the construction phase of properties recognised as property, plant and equipment or inventories extends over 12 months, the borrowing costs incurred until completion will be capitalised from 1 January 2007 as a component of cost in line with the conditions of IAS 23 (Borrowing Costs). In the first nine months, IVG capitalised €10.1 million borrowing costs. There was no retrospective application under IAS 8 as it was not possible to determine the information required for this.

Own shares

As at 30 September 2007, IVG had no treasury shares. In the first quarter, 17,020 treasury shares were sold which were not required for the employee stock plan. This is equivalent to 0.015% of the share capital. See also page 156 et seq. and page 177 et seq. of IVG's 2006 Annual Report.

Material Transactions with Related Parties

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

Responsibility Statement

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

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

Bonn, 8 November 2007

Dr Wolfhard Leichnitz | Dr Bernd Kottmann | Andreas Barth | Dr Georg Reul

Contact and Financial calendar

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Financial calendar

21 May 2008	Annual General Meeting for financial year 2007

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

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

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