

# Interim Report

for the 3<sup>rd</sup> quarter

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 - 30.09.2008	01.01.2007 - 30.09.2007 <sup>2)</sup>	Change in %	01.07.2008 - 30.09.2008	01.07.2007 - 30.09.2007 <sup>2)</sup>	Change in %
Revenues	450.0	365.6	23.1	138.6	128.2	8.1
Total income	773.6	893.1	-13.4	310.4	367.8	-15.6
Financial result	-194.4	-85.4	>-100	-126.4	-28.9	>-100
EBIT	252.5	384.2	-34.3	102.3	61.7	65.8
EBIT as % of revenues	56.1	105.1	-46.6	34.4	48.1	-28.5
EBIT adjusted	228.7	399.1	-42.7	77.6	92.6	-16.2
EBIT adjusted as % of revenues	50.8	109.2	-53.5	56.0	72.2	-22.4
Consolidated net profit	34.1	261.9	-87.0	-17.0	76.9	>-100
Consolidated net profit as % of revenues	7.6	71.6	-89.4	-12.3	60.0	>-100
Undiluted earnings per share in €	0.12	2.06	-94.2	-0.11	0.59	>-100
Diluted earnings per share in €	0.13	1.98	-93.4	-0.11	0.59	>-100
	<b>30.09.2008</b>	<b>31.12.2007</b>	<b>Change in %</b>			
Total assets	9,003.7	8,241.0	9.3			
Equity at carrying amounts	2,012.0	2,117.1	-5.0			
Equity ratio at carrying amounts in % <sup>1)</sup>	22.3	25.0	-10.8			
Net asset value (equity at market values)	2,736.8	3,367.5	-18.7			
Net asset value per share in €	23.59	29.03	-18.7			
Equity ratio at market values in % <sup>1)</sup>	28.1 <sup>3)</sup>	34.9	-19.5			
Financial liabilities	6,126.1	4,789.2	27.9			
Employees (number)	719	697	3.2			
	<b>30.09.2008</b>	<b>30.09.2007</b>	<b>Change in %</b>			
IVG Investment: fair value (net)	5,711.4	4,407.0	29.6			
IVG Funds: assets under management	14,302.0	13,278.4	7.7			
IVG Development: project volume	2,520.0	2,392.1	5.3			
IVG Caverns: fair value	1,712.2	1,331.3	28.6			

<sup>1)</sup> Adjusted for dividends

<sup>2)</sup> Previous year's figures adjusted

<sup>3)</sup> after change in calculation method

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

## Dear Shareholders, Ladies and Gentlemen,

The past few months have been dominated for us all by the crisis in the global financial markets. The fall of the DAX and other indices to new low levels over the past weeks is a clear sign that the banking and financial market crisis is still not over. In addition, the effects are now being felt in the real German economy. The federal government recently lowered its growth forecasts for the coming year. Some experts even expect a recession.

The IVG share was not able to escape these negative circumstances. It fell by 46% in the third quarter and has lost more than 71% since the end of the year. In our opinion, this fall in the share price is an overestimation of the difficult market conditions. The effects of the financial crisis and a possible recession on property markets can no longer be avoided and restrictive lending by the banks has considerably reduced market transactions and negatively influenced property prices. A crisis in the real economy could also have a negative effect on rental growth in our office property market. Conservative expectations about medium-term growth are appropriate under these circumstances, but they do not, however, reflect the fundamentally sound condition of IVG and the implementation of measures we are undertaking to improve our competitiveness.



Our operational business is doing well, despite the turbulence in the financial markets. We were able to increase rents in the IVG Investment portfolio and the vacancy rate is unchanged at 7.5%. Over two thirds of leases run until 2011 and beyond, which means that a slowdown in letting markets will only affect a minimal part of our portfolio. In the IVG Funds division, within a few weeks IVG Private Funds was able to place over 93% of the equity of €240 million in EuroSelect Fonds 16. In the institutional funds division, we were able to increase assets under management by acquisitions worth more than €750 million and the successful start of the caverns fund, thus expanding the product palette in a sustainable manner. This product also demonstrates the synergy potential of the IVG Group between IVG Investment and IVG Development. In the IVG Development division, sales volumes of €280 million were on target.

The IVG Caverns Fund starts in November – a milestone in the development of IVG. Since the beginning of 2008, we have been working on several options to reduce our capital commitment to the caverns whilst simultaneously permitting a market-oriented valuation of IVG caverns business. The sale of 70 caverns to an IVG managed Spezialfonds for institutional investors with nominal proceeds of about €1.7 billion won out over (partial) sales scenarios. Fund equity is subscribed by institutional investors who were attracted by the attractive dividends promised by the fund's structure and its long-term leases to first-rate creditworthy lessees. As co-investor, operator and developer, the Caverns business remains strategically important to us. The company retains the considerable potential promised by at least 60 caverns which we will be developing in the future. The Caverns business will ensure that IVG will have a guaranteed cash flow in the coming years which will be optimised for tax purposes in its present form. Already in 2008 IVG has achieved a cash inflow of about €600 million from the partial sale of cav-

erns, which has been used to reduce debt levels. We are convinced that this partial sale of the Caverns business to a fund is the best solution for our shareholders and for the company. We made a conscious decision to choose a fund type that favours a solution with long-term value optimisation over short-term profit maximisation. (For details of this transaction, see p. 32 f. of this report).

At the start of the financial crisis we decided to reduce our borrowing levels. By the end of the year we expect to make a contribution to reducing our borrowing by more than €1 billion through the sale of properties. Funds have been derived from approximately €600 million from the partial sale of caverns to the caverns fund, approximately €360 million from the successful placement of the Luxembourg Fund Euro Select 16 and from sales from the investment portfolio.

As well as reducing borrowing, the current difficult market circumstances mean that liquidity is important for a capital-intensive company such as IVG. We remain well-placed to meet all challenges. At the end of the third quarter, the company has unused credit lines of over €1.25 billion and expects a volume of about €1 billion at the end of the year. Agreements made with the banks with respect to covenants continue to offer us room to manoeuvre. The covenants permit a loan to value of up to 75%, whereas according to bank-specific calculations at the end of September IVG had debt ratio of only 59.1%. Despite the tense situation in the credit markets and rising refinancing rates, IVG continues to demonstrate its ability to secure ongoing financing for relatively attractive conditions under current financial circumstances.

Measures taken to improve profitability and to increase our cash flows are beginning to show signs of success. Implementation of a Group-wide cost reduction programme has

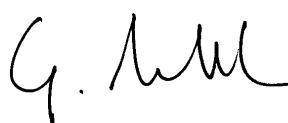
already begun and is progressing well. The first savings will be seen in the current financial year. Our aim is to reduce manageable costs by the end of 2009 by 20% or €30 million per year. The programme will be fully effective in 2010.

The consolidated net profit at the end of September was strongly affected by the distortions in the international financial and property markets. This led to significant unrealised changes in market values in the IVG Investment division of €-319 million. As we cannot predict eruptions in the investment markets and the associated effect on profits, we have decided to extend the earnings forecast for the full year 2008 by also giving an operational business forecast which eliminates two effects. This applies to the unrealised changes in market values in the IVG Investment division and also to the effects of the partial sale of the Caverns business, according to which the relevant total income and EBIT forecasts were adjusted.

In 2008, we anticipate total income from operations (adjusted for the unrealised changes in market values in the IVG Investment division and the effects of partial sale of caverns) of between €1.2 billion and €1.3 billion. The EBIT adjusted should be about €430 million to €460 million. After deduction of the expected financial result and the adjusted income taxes the consolidated net operating profit will be between €160 million and €170 million.

Taking into account the anticipated, non-cash, unrealised changes in market values for the full year 2008 totalling €-400 million to €-420 million in the IVG Investment division and the effects from the partial sale of the Caverns business, total income for the financial year 2008 should be €1.1 billion to €1.2 billion. EBIT adjusted is expected to end up at between €300 million and €320 million. Net profit should be between €50 million and €70 million.

In light of the fact that there is still no end in sight to the financial crisis, we are not in the position of making a concrete forecast of the dividend amount for 2008. A decision about the 2008 dividend recommendation will be made in spring 2009 when the annual financial statements have been published.



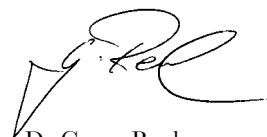
Dr Gerhard Niesslein



Dr Bernd Kottmann



Andreas Barth



Dr Georg Reul

# Interim management report

for the first nine months 2008

## Summary

### Group

In the first nine months of 2008, IVG **total income** fell in comparison with the previous year by €119.5 million to €773.6 million. This was due primarily to a decrease in non-cash, unrealised changes in market values of €221.7 million which could not be compensated for by increases in revenues, changes in inventories and other operating income.

**Revenues** rose by €84.4 million to €450.0 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 €67.3 million to €289.9 million. **Material expenses** rose accordingly by €46.6 million to €314.1 million. Both items were in line with targets.

**Unrealised changes in market values** declined as against the previous year by €221.7 million to €-62.6 million, reflecting the negative trend in property markets. The fall in values in the IVG Investment division could be partially compensated by positive unrealised 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 previous year, falling by €106.9 million to €17.4 million.

**Other operating income** increased by €57.3 million to €78.8 million, consisting mainly of the proceeds from the sale of a project as a share deal and of tax refunds.

**Personnel expenses** fell against the previous year by €11.2 million to €53.1 million. This was due mainly to the reduction in expenses from performance share plans and bonuses and a reduction in the number of employees 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 €9.8 million to €54.5 million.

**Other operating expenses** were reduced against the previous year by €25.9 million to €105.5 million. This includes one-off costs of €28.0 million.

In comparison with the previous year, **EBIT** fell by 34.3% to €252.5 million, **EBIT adjusted** by 42.7% to €228.7 million.

The **financial result** declined over the first nine months of 2008 in comparison with the previous year by €109.0 million from €-85.4 million to €-194.4 million. This is due in particular to portfolio acquisitions over the past 18 months.

**Consolidated net profit** fell by €227.8 million to €+34.1 million.

**Total assets** as of 30 September 2008 increased as against 31 December 2007 by €762.7 million to €9.0 billion. This increase was driven by the increase in investment property (Allianz property portfolio) and inventories, less the disposal of a property portfolio in Luxembourg which was held for sale.

**Financial liabilities** increased in comparison with the previous year by €1.3 billion (of which €125.0 million is current liabilities) to €6.1 billion. These funds were used principally to finance property acquisitions in the first quarter. Correspondingly, the equity ratio at carrying amounts adjusted for dividends fell from 25.0% to 22.3% and the equity ratio at market values adjusted for dividends fell from 34.9% to 28.1%. The reduction in the equity ratio to market values is mainly due to an amended calculation of NAVs.

Despite difficult market conditions, IVG is still well positioned in terms of **liquidity**. In comparison with 31 December 2007, the average interest rate for all financial liabilities has increased only slightly from 5.11% to 5.22% on 30 September 2008. IVG has access to unused credit lines amounting to €1.25 billion. All covenants agreed with banks were met. 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 €-2.4 million in the first nine months was significantly below the previous year's level of €327.4 million. This is due to a large extent to high negative unrealised changes in market values for investment property amount-

ing to €-319.1 million, €150.8 million of which arose in the third quarter alone and which resulted mainly from changes in the interest rates used in external valuations. Expectations of slowing rental growth and a higher vacancy rate also affected valuations. Realised changes in market values in the first nine months amounted to €15.1 million and resulted from various sales that all achieved at least book or market values.

Due to the changes in market values, the total fair value of investment property at the end of the third quarter fell in comparison with the first half-year from €5.8 billion to €5.7 billion. In comparison with the same period in the previous year, portfolio volumes rose by 30% due to the acquisitions made in 2007. For the same reason, net rental income increased significantly by 55% to €241.4 million. Rent yields are the same as in the first half-year at 5.5%. Net operating income (NOI) was €205 million and NOI yields for the portfolio were unchanged on the first half-year at 4.6%. The current situation on the capital markets precludes a stock market listing of the IVG REIT in its present form. Therefore we are currently no longer pursuing the IPO of the REIT portfolio in this form.

EBIT for the first nine months of €-102.9 million was strongly affected by negative unrealised changes in market values and was significantly under the comparable value from the previous year of €211.6 million. EBIT adjusted was €-124.6 million. The adjustments related mainly to income from the reimbursement of property taxes of €23 million arising from the retransfer of properties from our pre-REIT and from interest income from finance lease properties, which are classified as part of the operating result.

Total income of the **IVG Funds** division improved as against the comparable period in the previous year by 14.7% to €143.5 million. A large part of this was due to the significant increase in changes in inventories to €50.2 million that resulted mainly from property still under construction in Milan and net rental income of €22.1 million from property being held prior to placement in funds. However, revenues from transactions, conception and sales of funds were €10.5 million, which as in the previous two quarters was significantly below the same period in the previous year, as those from the funds created for 2008 will in principle not be realised until the fourth quarter.

EBIT for the first nine months was at €44.3 million and therefore below the previous year's level of €59.6 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 €25.1 million (30 September 2007: €45.5 million). The fall in earnings is exclusively due to the low placement volume of the area of private funds.

Assets under management at 30 September 2008 amounted to €14.3 billion, of which €11.0 billion was for institutional investors and €3.3 billion for private investors.

Total income of the **IVG Development** division increased by 9.4% as against the previous year from €320.7 million to €350.7 million. A major contribution to this result was made by positive changes in inventories of €230.1 million (30 September 2007: €223.6 million) from construction progress made in the project pipeline and positive unrealised changes in market values of €32.3 million (30 September 2007: €0.3 million) arising from the external valuation of a project in the City of London recognised as investment property. EBIT rose in comparison with the first three quarters of 2007 by 16.5% from €65.4 million to €76.2 million. EBIT adjusted increased as of 30 September 2008 by 22.9% to €92.3 million as against €75.1 million in the previous year. The increase in adjustments – from €9.7 million in the first three quarters 2007 to €16.1 million in the comparable period in 2008 – is due mainly to the successful completion of project developments of the two French Development Venture funds FDV I and FDV II in Paris. At the end of the third quarter (as at the half-year), the overall project pipeline volume was €2.5. The short term pipeline project to be delivered in 2008, 2009 and 2010 with concrete contracts shows a volume of €1.5 billion.

The total income of the **IVG Caverns** division more than doubled in the first nine months in comparison with the previous year from €110.8 million to €280.0 million. This strong improvement was due mainly to the changes in market values in investment property. During this period three new cavern conversions were completed and two new leases concluded to attractive conditions (unrealised changes in market values of €80.6 million), and due to the transaction involving the sale of 70 leased caverns, an external valuer changed to a valuation method which determines value on the basis of the sales comparison method (unrealised changes in market values of €143.6 million). In addition, rental income increased as against the previous year by 17% from €31.1 million to €36.3 million. EBIT improved in comparison with the previous year from €98.0 million to €251.7 million. EBIT adjusted increased from €98.7 million to €252.7 million and includes additional interest income and expenses from nine caverns which are qualified as finance leases. As such, income and expenses relating to these caverns are recognised in the financial result in accordance with IFRS though they originate from operative lettings and are allocated as such.

## Macroeconomic trends and real estate markets

Economic conditions and prospects have deteriorated during the third quarter, due not least to the worsening bank crisis: interim economic indicators such as the European purchasing managers' index EMI and consumer confidence continue to fall, and unemployment in the European Monetary Union (EMU) rose slightly to 7.5%. Growth forecasts in the euro zone for next year were revised significantly downward over the past few months from +1.3% to -0.2%. This means that the euro zone is sliding towards recession for the first time since 1993.

The fall in the annual inflation rate of 4.0% in June to 3.6% in September due to the weakening economy was the only macroeconomic sign of hope in the third quarter. This gave the European Central Bank and the Bank of England the opportunity to lower their interest rates by 50 basis points to 3.75% and 4.5% respectively on 8 October in light of the grave financial crisis. The freefall on European share markets caused by the near bankruptcy of several large European banks at the beginning of October was halted neither by this reduction in interest rates nor by other government measures to support the banking sector. In mid-October, the 3-month Euribor and the 3-month Libor varied on the ailing interbank market at between 115 and 165 basis points over interest rates.

In some European office letting markets, take-up in the third quarter was relatively low, given the economic situation. This applied in particular to the office letting markets in southern Europe, where slow growth was a result of the residential property crisis in Spain and Portugal and low competitiveness in Italy, and to Central London, Brussels and Frankfurt. Aggregate take-up across all 20 European office letting markets was, however, significantly above long-term averages, even if it was lower than the strong previous comparative quarter and the second quarter 2008.

Average vacancy rates in Europe were relatively unchanged in the third quarter at 7.7%. However, this figure disguises the fact that individual office markets in Europe are currently at different stages of the property market cycle: London, Madrid and central European capitals will all see a wave of new buildings this year, whilst completions in Germany, Amsterdam and Stockholm will not be ready until next year. In the latter locations, vacancy rates were generally continuing to fall, particularly in Frankfurt (-30 basis points to 12.5%), Düsseldorf (-30 basis points to 10.5%), Amsterdam (-30 basis points

to 11.7%) and Stockholm (-50 basis points to 9.4%), Central London (+60 basis points to 4.2%), Madrid (+30 basis points to 4.5%), and Warsaw (+60 basis points to 2.7%), Budapest (+250 basis points to 15.1%) and Prague (+300 basis points to 8.6%) in particular showed a strong rise in vacancy rates. Vacancy rates remained stable in Île-de-France (5.0%), Hamburg (6.6%), Berlin (8.4%) and Munich (8.4%).

Including in the main German real estate centres, prime office rates remained fairly stable in most European cities in the third quarter. One exception was Prague, where prime rates increased by 7.0%. However, there were significant falls in rates in London markets (City and West End each -2.4%) and Barcelona (-3.7%). In some locations, such as Paris, nominal prime rates only remained stable because lessors are currently offering generous incentives to potential new tenants, such as rent-free periods.

Turbulence in the international financial markets also affected the European commercial property investment market in the third quarter. Lending conditions have become more restrictive since the middle of the year and it has become particularly difficult to secure financing for large portfolio acquisitions. Transaction volume on Europe's investment market has fallen by about 57% over the previous year.

In the third quarter initial yields for prime office properties in Europe continued to grow due to high financing costs and lower expectations for rental growth. According to Jones Lang LaSalle, the weighted initial prime yield in Europe increased by about 20 basis points to 5.25% in the third quarter. German office locations grew from 4.88% to 5.09%, in line with the European average. In the City of London the prime yield is now 6.0% and in the West End it is 5.0%.

# Development in the divisions

## IVG Investment

Based on an active buying and selling strategy, the IVG Investment division concentrates on optimising the value of the 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 IVG Asset Management teams. After the full potential of these properties has been realised, the assets are sold.

### Performance in the first nine month 2008

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007	Change in %	01.07.2008 -30.09.2008	01.07.2007 -30.09.2007	Change in %
Total income	-2.4	327.4	>-100	-37.9	53.6	>-100
Net rental income	241.4	155.9	54.8	78.7	52.6	49.6
Unrealised changes in market value of investment property	-319.1	83.4	>-100	-150.8	-59.4	>-100
Realised changes in market value of investment property	15.1	55.0	-72.5	1.8	49.8	-96.4
Others	60.2	33.1	81.9	32.4	10.6	>100
Total operating expenses including profit/loss from associates and income from share investments	-100.5	-115.8	13.2	-37.2	-49.6	25.0
EBIT	-102.9	211.6	>-100	-75.1	4.0	>-100
EBIT adjusted	-124.6	230.4	>-100	-97.5	32.3	>-100
Market value as of the reporting date	5,711.4	4,407.0	29.6	5,711.4	4,407.0	29.6

For details, see segment reporting p. 40 ff.

In the first nine months of the current financial year the **total income** of €-2.4 million was significantly below the previous year's value of €327.4 million. This result was due mainly to high negative unrealised changes in market values of €319.1, of which €-150.8 was in the third quarter. In contrast, in the comparable period of the previous year, high positive changes in market values were achieved. The reimbursement of property taxes in the amount of €23 million arising from the retransfer of property from our pre-REIT helped to improve the balance.

The increase in **Net rental income** in the first nine months as against the previous year by 55% to €241.4 million can be attributed with over €90 million to additions of portfolios (including Allianz, Pegasus, Alster, Düsseldorf Plus) and individual properties in Germany and Paris amounting to over €90 million. However, reductions in rental income linked to the sale of properties and amounting to €-7 million, as well as the new letting of the North Gate property in Brussels at market rates lower than the contractual rates, both had a negative impact. A comparison of the third quarter 2008 and the third quarter 2007 shows that net rental income rose by 50% to €78.7 million.

A like-for-like comparison of rents (annualised nominal rent) as of 30 September 2008 in comparison with the same date in 2007 shows an increase of 2.7%. Whilst the increase in Germany was 3.5% (first half-year 2008: 2.5%), in other countries it was 1.7% (first half-year 2008: 0.3%). A significant impact was made by the partial vacancy of the Place Vendôme property in Paris, caused by a change in tenant and subsequent modernisation of the property. The like-for-like comparison shows a considerable improvement over the half-year figures (+1.5%), due to sound rental figures in Brussels and Frankfurt.

A like-for-like comparison of rents at 30 September 2008 with those from 30 September 2007 shows an increase of 2.9% or €7.5 million to €265.1 million (H1 2008: 2.4% or €6.3 million). The increase was 2.7% in Germany and 3.3% in other countries, due to index-linking and a range of small lettings.

In the first nine months, the IVG Investment division let 158,536 m<sup>2</sup> with an annual rental volume of €21.6 million, of which 47,048 m<sup>2</sup> (annual rental volume €5.2 million) fell upon the third quarter. This included new lettings and re-lettings. As of 30 September 2008, the effective occupancy rate was 92.5% and was thus above the previous year's level of 90.4% to 30 September 2007. Material contracts signed include the lengthening of the contract for 12,000 m<sup>2</sup> (including an extension) in the Vallilan Toimisto property in Finland and the new letting of the entire property at Taubenstrasse in Berlin measuring around 4,400 m<sup>2</sup>. It was also possible to secure a re-letting with a major tenant of the Focus Teleport property in Berlin (8,258 m<sup>2</sup>). In addition, new and re-let contracts were signed for the Place Vendôme property in Paris amounting to 3,841 m<sup>2</sup>. In the third quarter, further large lets were also secured in properties in Helsinki, Frankfurt and Düsseldorf. Also the addition of the almost fully let Allianz portfolio had an effect on occupancy rates in comparison with the previous year.

In the first nine month notice was given for a total of 193,114 m<sup>2</sup> (€28.8 million). Of this, 24,728 m<sup>2</sup> was attributable to Allianz, which was in part exercising its right to termination. These terminations will not come into effect until the end of October and November 2009 and allow ample time for re-letting. The tenant Infineon has given notice to 31 July 2009 with respect to its space in the property in Grasbrunn near Munich (18.604 m<sup>2</sup>).

The current lease volume of the IVG Investment division amounts to around €327 million, of which 61% will not expire until 2012 or later. In Paris and London in particular, the lease periods are very lengthy.

#### Expiry of leases

in € m	2008 Q4	2009	2010	2011	2012 et seq	Unlimited
Germany	3.3	18.0	29.2	25.3	139.0	18.2
London	0.0	1.4	0.8	1.0	13.4	0.0
Paris	0.1	0.3	0.8	0.5	29.0	0.3
Others	6.2	6.3	5.7	2.5	17.1	8.8
<b>Total</b>	<b>9.6</b>	<b>25.9</b>	<b>36.4</b>	<b>29.3</b>	<b>198.5</b>	<b>27.3</b>
Total in %	2.9	7.9	11.1	8.9	60.7	8.3

As of the end of September, 38.7% of nominal rent volume is generated from the ten largest tenants. At the end of 2007, this quota was 29.5%. The increase is due to the acquisition of the Allianz portfolio: part of the property was not acquired until the beginning of 2008. The top 10 tenants consist of well-known, creditworthy companies, mainly insurance and service companies.

Place	Company	Share of nominal rent in %
1	Allianz	21.0
2	Regie Batiments	3.1
3	Siemens	3.0
4	HSBC	2.2
5	THALES	1.9
6	KPMG	1.8
7	PwC	1.6
8	AXA	1.5
9	OMX Technologies	1.4
10	BNP Paribas	1.2
<b>Total Top 10</b>		<b>38.7</b>

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 different countries abroad. These are listed in the table below:

## Assessor

Germany	Jones Lang LaSalle GmbH, Rödl&Partner ImmoWert GmbH
Brussels, Luxembourg	de Crombrughe & 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 nine months of 2008 amounting to €-319.1 million as compared to positive changes in market values in the same period of the previous year of €83.4 million. In the third quarter the amount was €-150.8 million.

## Changes in market values for investment property in the 1<sup>st</sup> nine months 2008

in € m	Market value 30.09.2008	Changes in market value							
		01.01.2008 -30.09.2008	Change in %*	01.07.2008 -30.09.2008	Change in %*	01.04.2008 -30.06.2008	Change in %*	01.01.2008 -31.03.2008	Change in %*
<b>Germany</b>									
Berlin	520	-17.3	-3.2	-7.4	-1.4	-6.3	-1.2	-3.6	-0.6
Düsseldorf	401	-20.9	-4.9	-11.1	-2.5	-10.1	-2.5	0.3	0.1
Frankfurt	598	-45.1	-7.8	-20.6	-3.6	-6.6	-0.4	-17.9	-3.8
Hamburg	794	-39.3	-4.9	-18.2	-2.2	-20.9	-2.6	-0.2	0.0
Munich	1.416	-46.5	-3.3	-26.6	-1.9	-17.1	-1.2	-2.8	-0.2
Stuttgart	407	-14.1	-3.4	-10.8	-2.6	-2.8	-0.7	-0.6	-0.1
	<b>4,135</b>	<b>-183.2</b>	<b>-5.1</b>	<b>-94.8</b>	<b>-3.0</b>	<b>-63.6</b>	<b>-1.5</b>	<b>-24.8</b>	<b>-0.6</b>
<b>International</b>									
Brussels	380	-4.4	-1.1	-1.2	-0.3	-5.2	-1.3	2.0	0.5
Helsinki	242	-4.0	-1.6	-2.4	-0.9	-1.8	-0.7	0.2	0.1
London	218	-68.1	-25.9	-38.5	-15.4	-9.1	-3.3	-20.5	-7.2
Milan	12	0.2	1.7	0.0	0.0	-1.5	-11.8	1.7	13.4
Paris	552	-59.6	-10.2	-13.9	-2.5	-42.0	-7.2	-3.7	-0.6
	<b>1,404</b>	<b>-135.9</b>	<b>-9.0</b>	<b>-56.0</b>	<b>-3.7</b>	<b>-59.6</b>	<b>-4.0</b>	<b>-20.3</b>	<b>-1.3</b>
<b>Total IP</b>	<b>5,539</b>	<b>-319.1</b>	<b>-5.6</b>	<b>-150.8</b>	<b>-2.7</b>	<b>-123.2</b>	<b>-2.2</b>	<b>-45.1</b>	<b>-0.8</b>
<b>Non-IP property</b>	<b>172</b>								
<b>Total</b>	<b>5,711</b>								

\* in % of average market values

The reduction in values in the first nine months is due mainly to changes in the assumed discount rates used in the valuation reports. However, the expectation of a slowdown in rental growth and higher vacancy rates also affects assessed values. In the German portfolio, the value loss in this period came to €183.2 million, of which €94.8 million fell in the third quarter and €88,4 fell in the first half-year. Part of this negative change in market values is due to ancillary acquisition costs that were deducted in the first valuation amounting to €34.1 million. These refer principally to Frankfurt, where ancillary acquisition costs of more than €10 million had to be taken into account in the first quarter from the addition of the Allianz property at Theodor-Stern-Kai. The Frankfurt area was also hit by above-average tenancy terminations.

Due to dependence on the financial markets, the reduction in London was particularly significant in the third quarter. The assessors raised equivalent yields by up to 90 basis points due to market conditions, after they had already raised rates by 70 basis points in the first half-year. Regardless of market conditions, the operational situation of IVG properties are particularly secure due to long-term leases.

Our portfolio in Paris was marked by two contrary effects: yield levels have been rising and the sole tenant in Nanterre, HSBC, did not exercise its special right of termination. This had a positive effect on valuations.

In contrast, IVG's other European locations, Brussels and Helsinki, showed relatively stable values. Whilst the market in Brussels is favourable, not least due to its special EU status, Helsinki has so far shown only a slight downward tendency due to its positive economic development. Reasons for this are new building activity and the consequential falling market rents for older properties.

**Realised changes in market values** amounted to €+15.1 million in the first nine months 2008. These are due to land disposals in the Munich region and the sale to a British investor of a portfolio of ten properties (Taurus) that did not fit the IVG strategy. Two properties in Helsinki were also sold for a total of over €20 million and a Spanish property for €12.9 million. In the third quarter, the sale of a small property in the Netherlands and land sales in Kassel were recognised in the balance sheet. For all transactions, proceeds (totalling €141 million in sales volume) exceeded book values.

In the third quarter, IVG was able to sell 25% of IVG woodland for an amount significantly over fair value. The sale will be recognised in the balance sheet in the fourth quarter of 2008.

**Operating costs including income from associates and income from equity investments** at €100.5 million were 13.2% below that of the same period in the previous year of €115.8 million. This reveals a collision of several contrary effects: other operating expenses in 2008 were not burdened by the setting aside of provisions from the first nine months of 2007 amounting to €33 million (including transfer of REIT properties and dismantling expenses at Dörverden). In contrast, investment property costs increased during portfolio expansion by almost €9 million. Personnel expenses amounted to €0.7 million in the first nine months. A comparison with the previous year (€10.6 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 €-8.9 million (previous year: €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-add properties in the Greater London area. Since 2008 the investment has been allocated to the IVG Investment division, after having previously been in IVG Development. The negative earnings of the Greater London Trust are due mainly to valuation effects.

Compared to the previous year, in the first nine months the IVG Investment division showed a much lower **EBIT**. It fell from €211.6 million to €-102.9 million, caused primarily by the stated high negative unrealised changes in market values. The adjustments to **EBIT adjusted** (€-124.6 million) result from interest income from the €23 million income already described under reimbursement of property taxes. It also includes interest income from finance lease properties which are recognised as part of operating income. Adjusted for the effects of unrealised changes in value in investment property, the EBIT adjusted of €194.5 million is significantly higher than the previous year's value of €147.0 million. The disproportionate increase in relation to portfolio growth is a particular reflection of the lower property-specific expenses as against 2007.

Due to the negative unrealised changes in market values, the **total market value of investment property and other property of the division** at the end of the third quarter fell to €5.7 billion (end of H1 2008: €5.8 billion). This led to an increase of 30% compared with the previous year due to the 2007 acquisitions.

#### Yield by regions

Countries	Market value 30.09.2008 in € m	Average capital tie-up in € m	Rental yield in %	NOI- yield in %	Yield on change in value in %	Total return in %
<b>Germany</b>	<b>4,276</b>	<b>4,336</b>	<b>5.2</b>	<b>4.6</b>	<b>-4.1</b>	<b>0.6</b>
REIT	3,392	3,398	5.2	4.8	-5.0	-0.2
Non-REIT	884	938	5.4	4.2	-0.6	3.6
Income property	468	523	6.2	5.0	-2.1	2.9
Consolidated third-party properties	222	221	6.0	4.8	1.1	5.9
Sites	145	146	3.2	2.1	0.7	2.8
Woodland	49	48	1.7	-0.4	3.0	2.6
<b>France</b>	<b>552</b>	<b>582</b>	<b>5.2</b>	<b>5.0</b>	<b>-10.2</b>	<b>-5.2</b>
<b>Benelux</b>	<b>406</b>	<b>411</b>	<b>5.3</b>	<b>4.0</b>	<b>-0.7</b>	<b>3.2</b>
<b>United Kingdom</b>	<b>218</b>	<b>263</b>	<b>5.7</b>	<b>5.3</b>	<b>-25.9</b>	<b>-20.6</b>
<b>Finland</b>	<b>248</b>	<b>259</b>	<b>9.1</b>	<b>4.7</b>	<b>-0.3</b>	<b>4.3</b>
<b>Others*</b>	<b>12</b>	<b>19</b>	<b>5.0</b>	<b>2.3</b>	<b>1.3</b>	<b>3.6</b>
<b>Total</b>	<b>5,711</b>	<b>5,870</b>	<b>5.5</b>	<b>4.6</b>	<b>-5.2</b>	<b>-0.6</b>

\* Italy and Spain

At 5.5% the rental yield is slightly above the level of the previous half-year. Net Operating Income (NOI) reached €205 million and based on the average fixed capital produces an unchanged NOI yield of 4.6%.

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 fit to the Group strategy were previously bundled in a REIT portfolio. This includes 82 office properties in the target regions with a fair value of €3.4 billion. The slight difference between rental yield and NOI yield (5.2% and 4.8%) can be explained by the high quality and the size of the properties, which lead to relatively low property-related expenses. The current situation in the capital markets precludes a stock market listing of the IVG REIT in its present form. Therefore we are currently no longer pursuing the IPO of the REIT portfolio in this form.

The non-REIT portfolio 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. This part of the portfolio with a volume of €468 million is to be continually reduced after the Taurus portfolio was sold in the first half of 2008 for more than €91 million and thus slightly over fair value.

Consolidated third-party properties (€222 million, NOI yield 4.8%, 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 (€145 million) are developed gradually and then sold. At 2.1%, the NOI yield is disproportionately low as there are only a few buildings on these sites that generate rental income.

Most of the land holdings in the woodland segment (€49 million) are used for forestry purposes. As management costs are higher than income, there is a negative NOI yield of -0.4%. The aim is to gradually sell off these woodland areas. In the third quarter, an important step in this direction was taken with the sale of the land in Dragahn.

The French portfolio consists of seven properties, primarily in top locations in Paris. The relatively small difference between the rental yield of 5.2% and the NOI yield of 5.0% 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 square metre significantly. The high negative yield on changes in value is mainly due to 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. Both rental and NOI yields have increased significantly as against the first half-year. 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). For the same reasons as in France, the spread between rental yield (5.7%) and NOI yield (5.3%) is low.

In Finland, running costs are usually carried by the lessor, who takes this into account by way of a relevant surcharge in the rent. This explains the comparably high rental yield and the above-average spread of NOI yield. As against the first half-year, there has been only a slight change in NOI yield.

IVG structures its active portfolio management around value-based criteria: the cash flow from purchases, ongoing management and sale must generate an internal rate of return (IRR) during the holding period above the weighted capital costs, currently 6%. In order to generate a sufficient cash flow to maintain capacity to meet principal payments, properties are preferred with a high NOI (>5%). As a consequence, properties which are likely to meet both criteria (NOI and IRR) long term are held over a longer period. Properties with a low NOI and depleted value growth potential are sold. Properties with upside potential, but a low NOI, must have their values raised by active management and development. NOI-strong properties with low earning potential can be held temporarily (cashed out).

The potential of properties is derived from the current market situation (rental and yield development) and from the specifics of the property (letting and refurbishment/development). Changes in market conditions and with regards to the specific property – particularly asset management improvements – can justify a sale or investment. IVG Investment continues to develop its portfolio in agreement with IVG Asset Management, IVG Research and relevant expertise from IVG Development.

### **Further development 2008**

The division will continue to concentrate on optimising portfolio structures and improving yields. To this end, we will increase our disposals of properties that do not fit with our strategy and properties which have passed their value growth potential. Suitable properties may also be included in funds or joint ventures. To implement this program, with a total target volume of €500 million for 2008 which will be used to reduce that, it will be necessary to sell additional properties worth a approx. €350 million by the end of 2008. Sales are dependent on the willingness of banks to provide potential investors with liquidity. However, it may be that part of the effect of this disposal programme will not be seen on the balance sheet until the financial year 2009.

For the full year 2008 the IVG Investment division expects to generate rental income of between €320 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 2.3% in rental income. In comparison with the previous year, increase in rental income will thus be due to portfolio expansion and an improvement in like-for-like rents.

In light of the current situation in the financial markets, the original intention of improving our NOI yield during the course of the year by up to 4.75% by selling properties that have a negative or below-average NOI contribution seems ambitious. Nevertheless, we expect that the consistent implementation of the measures identified to cut costs will lead to an NOI yield in the order of 4.7% by the end of the year.

### **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 major 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 the market leader in Germany with its Spezialfonds. It also manages direct mandates for institutional investors.

## Performance in the first nine month 2008

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007	Change in %	01.07.2008 -30.09.2008	01.07.2007 -30.09.2007	Change in %
Total income	143.5	125.1	14.7	52.4	58.5	-10.4
Transactions, development and sales	10.5	49.3	-78.7	6.1	24.4	-75.0
of which: private customers – development and sale of funds	4.5	42.1	-89.3	4.5	21.7	-79.3
of which: institutional customers – transactions	6.0	7.2	-16.7	1.6	2.7	-40.7
Funds and property management	46.9	44.6	5.2	15.6	16.5	-5.5
of which: private customers	3.1	2.2	40.9	1.0	0.7	42.9
of which: institutional customers	43.8	42.4	3.3	14.6	15.8	-7.6
Net rental income	22.1	9.8	>100	3.5	3.6	-2.8
Change in inventories	50.2	0.0	–	19.4	0.0	–
Changes in market values of investment property	0.0	2.7	–	0.0	-1.1	–
Others	13.7	18.7	-26.7	7.7	15.1	-49.0
Total operating expenses including profit/loss from associates and income from share investments	-99.2	-65.5	51.5	-32.3	-27.6	17.0
EBIT	44.3	59.6	-25.7	20.1	30.9	-35.0
EBIT adjusted	25.1	45.5	-44.8	17.9	21.5	-16.7
Assets under management	14,302.0	13,278.4	7.7	14,302.0	13,278.4	7.7

For details see segment reporting p. 40 ff.

**Total income** of the IVG Funds division rose in the first nine months in comparison with the same period in the previous year by 14.7% to €143.5 million. This was due in particular to significantly higher net rental income and changes in inventories.

Revenues from property transactions and from the development and sale of closed-end property funds (**transactions, development and sales**) were – as in the first two quarters – much lower than in the reference period; in the first nine months 2008 they amounted to €10.5 million. This is due mainly to the lack of significant revenues from funds for private investors in the first three quarters.

In August we began marketing of the fund EuroSelect 16 The Square with 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. 93% of fund equity has already been placed.

Revenues from the third quarter for the EuroSelect 16 fund will not be shown until the last quarter.

We are all the more pleased about the marketing success of EuroSelect 16 since the market for closed end property funds is rapidly declining due to lack of investor confidence. Difficult market conditions mean that the marketing of the second fund (IVG Balanced Portfolio Asia) planned for 2008 was not satisfactory. As of 30 September 2008 only US\$13.8 million had been placed with private investors.

Current revenues from the management of open-ended and closed-end funds, from direct mandates and from properties (**portfolio and property management**), were €46.9 million in the first nine months 2008 and thus 5.2% higher than in the same period of the previous year due to the increase in assets under management. This is mainly due to the success of institutional funds. By the end of September, for institutional funds and mandates properties worth €768 million were acquired of which €366 falls in the third quarter. The investment focus was on North America, Germany and Finland. In the first three quarters, active management and structural reorganisation of property portfolios in the Netherlands, Germany and Belgium resulted in property sales totalling €103 million.

Country	Purchase				Sale			
	01.01.2008 -30.09.2008		01.01.2007 -30.09.2007		01.01.2008 -30.09.2008		01.01.2007 -30.09.2007	
	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	2	155	1	8	6	40	29	232
Finland	3	100	0	0	0	0	0	0
France	2	41	0	0	0	0	6	257
United Kingdom	1	56	10	213	0	0	1	39
Italy	1	27	0	0	0	0	0	0
Canada	2	134	1	79	0	0	0	0
Central and Eastern Europe	1	21	8	232	0	0	0	0
Netherlands	2	71	3	32	3	58	6	76
Sweden	2	10	4	29	0	0	0	0
Switzerland	0	0	1	18	0	0	0	0
Spain	2	33	0	0	0	0	0	0
USA	4	120	1	28	0	0	0	0
<b>Total</b>	<b>22</b>	<b>768</b>	<b>30</b>	<b>679</b>	<b>10</b>	<b>103</b>	<b>42</b>	<b>604</b>

IVG Funds has set up 28 Spezialfonds for institutional investors and has over 100 investors and this makes IVG Funds by far the market leader in this sector in Germany. In the third quarter, about €100 million was invested in a new Spezialfonds for German office property. A further Spezialfonds for German office property is under development.

**Net rental income** in the IVG Funds division rose to €22.1 million as of 30 September 2008, a rise of €12.3 million compared to the same period in the previous year. This relates to rental income 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 IVG Funds division, net rental income is recognised in total income and in EBIT but is not taken into account in the calculation of EBIT adjusted.

Furthermore, there were **changes in inventories** amounting to €50.2 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 EBIT adjusted.

**Total operating expenses** including profit/loss from associates and income from equity investments totalled €99.2 million. For details on the expense items see segment reporting on p. 40 ff. Significant contributions were material expenses, personnel expenses and other operating expenses. Material expenses were directly related to changes in inventories. As of 30 September 2008, expenses totalled €54.8 million, of which the vast majority was due to the progress made in construction at the Milan property. Neither changes in inventory nor material expenses are included in the calculation of EBIT adjusted.

Due to the new organisational structure, personnel expenses were reduced to €9.5 million in the first nine months 2008 as against €21.8 million in the previous year. In contrast, other operating expenses rose sharply from €15.4 million in the first three quarters of 2007 to €44.6 million as of 30 September 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 €0.7 million.

**EBIT** declined in the first three quarters of 2008 mainly due to lower income from transactions, conception and sales as against the previous year from €59.6 million to €44.3 million. Material income from fund placement will not be shown until the final quarter 2008. The stated effects from properties acquired for private funds meant that the adjustments to EBIT of €19.2 million are higher than in the first nine months of 2007. As a result, the **EBIT adjusted** fell from €45.5 million to €25.1 million.

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 with fair values totalling €140.8 million, have been recognised since January 2008 as consolidated third-party properties in the IVG Investment division. Proceeds from the rents of these properties (€8.6 million to 30 September 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 for the first nine months or for the full year 2008.

The numerous acquisitions meant that **assets under management** administered for institutional investors increased to 30 September 2008 by €669 million to €11.0 billion. Of the funds managed for private investors, the management of several older funds with lower margins is gradually being transferred to third parties. Assets under management in this area fell from €3.7 billion at the end of 2007 to €3.3 billion at the end of this reporting period. At €14.3 billion as of 30 September 2008, the total amount was higher than at the end of 2007 (€14.0 billion).

### Further development 2008

We expect that the equity of approx. €240 million of the EuroSelect 16 fund with the Luxembourg property portfolio will be fully placed by the end of the year. Due to difficult market conditions, we do not think that significant placement of the Asia fund will be made during 2008. Therefore, the prospective placement period until 30 June 2009 will be used. We also expected to market another EuroSelect fund for private investors involving the property in Milan in the last quarter of 2008. Tax and administrative imponderables regarding the formation and licensing of the Italian companies required caused difficulties for conception. As a result, we are currently looking into an alternative use for the properties. With regard to the current situation, marketing forecasts for private investor funds have been reduced by €50 million as against the previous quarter. The IVG Funds division currently expects to place equity in the amount of approximately €250 million. This is below the record volume of the previous year (€427.4 million) but is still the second-highest placement volume in our history.

The IVG Cavern Fund is being set up in November (for transaction details see p. 32 f. of this report). This marks the extremely successful entry by the IVG Funds division into the infrastructure fund sector. Assets under management have also grown significantly.

## 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.

### Performance in the first nine month 2008

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007	Change in %	01.07.2008 -30.09.2008	01.07.2007 -30.09.2007	Change in %
Total income	350.7	320.7	9.4	120.5	193.6	-37.8
Project sales*	44.5	93.4	-52.4	1.8	12.7	-85.8
Changes in inventories	230.1	223.6	2.9	118.1	192.6	-38.7
Unrealised changes in market value of investment property	32.3	0.3	>100	-9.8	-12.2	-19.7
Other income	43.8	3.4	>100	10.4	0.5	>100
Total operating expenses including profit/loss from associates and income from share investments	-274.5	-255.3	7.5	-121.2	-198.6	-39.0
EBIT	76.2	65.4	16.5	-0.7	-5.0	86.0
EBIT adjusted	92.3	75.1	22.9	-0.5	4.4	>-100
Project pipeline (IVG share)	2,520.0	2,392.1	5.3	2,520.0	2,392.1	5.3

\* Total from project sales and realised changes in market value of investment property  
For details, see segment reporting p. 40 ff.

**Total income** of the division increased in comparison with the comparable period from €320.7 million to €350.7 million. This corresponds to growth of 9.4%. The increase is due to a range of contrary developments as detailed below:

Proceeds from **project sales** fell in line with the budget by 52.4% from €93.4 million in the first nine months of 2007 to €44.5 million in the first nine months of 2008. The 2008 figure is marked by a project in Düsseldorf that was invoiced in the first quarter and a project in Helsinki that was invoiced in the second quarter. Additionally, in the second quarter there was the sale of a project from current assets as a share deal, which is recognised under Other income. Furthermore the 2007 result included the very successful project development sale in London.

**Changes in inventories** increased from €223.6 million at the end of the third quarter 2007 to €230.1 million at the current reporting date. This increase of 2.9% over the comparable period in the previous year reflects the progress made in construction of the project pipeline. Through changes in inventories, IVG creates the basis for earnings in future years, in which the corresponding projects are invoiced.

The increase in **unrealised changes in market values** from €0.3 million in the comparable period of the previous year to €32.3 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 a further lease in the third quarter of 2008 now has an occupancy rate of 81.4% (H1 2008: 79.2%). The profit resulting from the valuation amounts to €32.3 million. As against the second quarter 2008, this represents a reduction of €9.8 million and is due to a further increase in exit yield by 25 basis points in the third quarter over the external half-year valuation.

**Other income** rose from €3.4 million in the first three quarters 2007 to €43.8 million in the comparable period 2008, due to the sale of a project in Paris in the second quarter of 2008 as a share deal. In accordance with IFRS the profits will be attributed to other income. Proceeds from a construction contract recognised in accordance with the percentage of completion method also contributed to the increase.

**Operating expenses including profit/loss from associates and income from equity investments** rose slightly from €255.3 million to €274.5 million in the first three quarters 2008 as against the previous comparable period in 2007. For details on the expenditure items, see segment reporting on p. 40 ff. This was mainly due to the increase in material expenses from €236.2 million to €249.7 million as a result of the progress made in the construction of the project pipeline.

**Personnel expenses** in the division increased from €5.1 million in the first nine months 2007 to €8.1 million for the current period. 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 16.5% in comparison with the first three quarters of 2007 from €65.4 million to €76.2 million. **EBIT adjusted** for the division grew by 22.9% to €92.3 million as of 30 September 2008, as against €75.1 million in the same period in 2007. Growth of the adjustment, from €9.7 million in the first three quarters of 2007 to €16.1 million in the first three quarters 2008, is due mainly to the successful conclusion of project developments in the two French Development Venture funds FDV I and FDV II in Paris. Profits from the projects in these two joint ventures are not recognised in total income of the IVG Development division. After deduction of fund costs, they are mainly paid out to IVG as profit-related interest payments on the IVG shareholder loans 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.

In addition to unrealised changes in market values of investment property, the main income sources are invoiced project sales. The three invoiced IVG office projects in Düsseldorf, Helsinki and Paris were extremely successful: the trading profit<sup>1)</sup> averaged 45%, well above budgeted profits. The yield on cost<sup>2)</sup> was 8.0% and the exit yield<sup>3)</sup> was 5.5%. The total income contribution of these three projects to EBIT adjusted amounts to €43.0 million. In the first three quarters of 2008, as part of the two Paris development funds FDV I and FDV II we also invoiced two projects in Issy-les-Moulineaux and two project developments, one in Colombes and one in Suresnes in the southwest of Paris. The trading profit averaged 42%, which was also well above target, the yield on cost was 8.7% and the exit yield was 6.2%.

The exit yield attained in the 2008 sales of office projects averaged 5.8% and was therefore much better than the exit yield of 6.8% included in our calculations. The yield on cost for the invoiced projects averages 8.3% and the spread between the two yields is therefore 2.5%. This represents a trading profit of €77 million. Of the 11 project sales planned for 2008, 10 have already been realised. This represents €279.3 million or 66% of the scheduled sales volume (IVG share only).

As in the first half-year 2008 the **project pipeline** had a volume of €2.5 billion at the end of the third quarter. At the end of the third quarter €926 million of this had been invested, as against €870 million at the end of the first half-year.

In this interim report IVG provides information about the overall project pipeline as well as the current project pipeline (about €1.5 billion in projects with concrete contractual obligations, whether a construction contract, a rental agreement or a contract of sale, to be realised in the period from 2008 to 2010). Future reports will address only the current project pipeline.

		Lettable area (above ground) in m <sup>2</sup>	Total investment costs in €bn	Of which already invested in €m
<b>Short-term project developments</b>				
Realisation in	2008	26,392		
	2009	145,333		
	2010	161,521		
	<b>Total</b>	<b>333,246</b>	<b>1.5</b>	<b>690</b>
<b>Long-term project developments</b>				
Realisation in	2011	112,218		
	2012/2013	61,137		
	<b>Total</b>	<b>173,355</b>	<b>0.7</b>	<b>158</b>
<b>Project investments (IVG share &lt;= 50%)</b>				
	<b>Total</b>	<b>310,354</b>	<b>0.3</b>	<b>78</b>
<b>Total pipeline</b>		<b>816,956</b>	<b>2.5</b>	<b>926</b>

<sup>1)</sup> 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

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

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

A comparison between IVG's pipeline and that of other, particularly British project developers, needs to take account of the fact that part of our pipeline currently has no concrete contractual obligations. Project volumes amounting to about €700 million are not due to be invoiced before 2011 or later and are therefore of a long-term nature. Another amount of about €300 million is comprised of projects that are joint ventures, with IVG holding a minority interest. For the long-term projects, at most, only investments in land and planning services have so far been made. 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 nine months of 2008 to 67,400 m<sup>2</sup> after 36,700 m<sup>2</sup> in the comparable period in the previous year. Substantial leases were concluded in the third quarter in Hamburg (9,300 m<sup>2</sup>), Warsaw (4,800 m<sup>2</sup>) and Munich (4,500 m<sup>2</sup>).

As a consequence of the improved letting performance, the volume of new leases has also grown – the annual net rental income for all new leases at the end of the past quarter was €15.8 million as against €15.0 million in the previous year. The high figure from the previous year despite lower leased space resulted from the above-average rents for two office projects in London and a shopping centre in Poland. The 2007 average rent was approximately €34/m<sup>2</sup> per month. In 2008, average rent so far is approximately €20/m<sup>2</sup> per month and is at least in line with targets.

The **effective occupancy rate** of the development pipeline remained stable: at the end of September the occupancy rate for the overall pipeline came to 43.2% (end 2007: 42.5%, end June 2008: 45.7%).

For the current project pipeline due to be realised before 2010, the occupancy rate is 45.4%. The occupancy rate for projects scheduled to be invoiced in 2008 has also increased and reached 96.2% (end 2007: 74.9%, end June 2008: 88.1%). The occupancy rate for projects under construction has fallen to 52.9% (end 2007: 58.2%, end June 2008: 58.3%), due to sales having been carried out in the interim.

The AIRRAIL CENTER at Frankfurt Airport is a joint venture between IVG (80%) and Fraport AG (20%) and by far the largest development project of IVG. In the third quarter of 2008, a good year and a half before total completion, the effective occupancy rate had already reached 52.1%. Further promising lease agreements for both retail and office use are currently being negotiated, which, when successfully finalised, will significantly increase the occupancy rate. Construction is progressing quickly. Handover dates agreed with tenants will be met. Overspending of 5% is currently apparent. With the forecast trading profit, however, the project is still likely to fulfil our performance targets.

#### **Further development 2008**

The overall project pipeline will be reduced to about €2.4 billion by planned sales/handovers by the end of 2008 and further cuts to the pipeline are planned. No further acquisitions are scheduled in the remaining months of 2008. We are also investigating all possibilities of reducing the development pipeline.

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: also €1.6 billion). Of this amount totalling €1.6 billion, €238 million relates to IVG minority interests and €790 million to the current project pipeline. This means that €557 million of the outstanding IVG investment (cost to complete) is not currently subject to any contractual commitments. The following table shows planned investments for the current project pipeline:

in € m	Invested by Q3 2008	Cost to complete	2008 (Q4)	2009	2010	2011
Cost to complete for overall pipeline	926	1.586				
of which for current project pipeline	690	790	174	492	117	7

Since the start of 2007 we have been reorganising project development financing from purely Group financing to 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. In the third quarter, six project financings with loan volumes of €139.4 million were concluded with unchanged conditions. External financing for the current project pipeline is guaranteed.

The construction cost increases which became apparent in 2007 have continued into 2008. They have been taken into account in the 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 nine months of 2008 were within budget.

With a total project pipeline of €2.5 billion, we currently anticipate a yield on cost of 6.8% and a planned exit yield of 5.7%. The spread between the yields is 1.1% and corresponds to an expected trading profit (project earnings for the total project portfolio) of approximately €352 million, or 14.0% of the total investment cost. The decline as against the second quarter of 2008 (€435 million project earnings or 17% trading profit) is due to the invoicing of successful projects in the first nine months of the year and adjustments to exit yields as a consequence of the crisis in the financial markets.

For the current project pipeline of €1.5 billion, we currently expect a yield on cost of 6.9% and a planned exit yield of 5.9%. The spread between the yields is 1.0% and corresponds to an expected trading profit (project earnings for the current project portfolio) of approximately €170 million, or over 10% of the total investment cost. As a consequence of adjustment for exit yields following the crisis in the financial markets, the trading profit from the current pipeline is below that from the total pipeline at over 10%, but is still within acceptable bounds for the IVG Development division.

The IVG Development division expects to earn €420 million to €430 million from its shares in 11 projects in 2008. This is slightly less than previously estimated (invoicing volume €440 million to €450 million) as it is thought that proceeds from a development project in the City of London will be lower than anticipated.

## IVG Caverns

The core business of the IVG Caverns division is the construction of storage capacity for crude oil and natural gas in large subterranean salt domes (caverns), their leasing and the operation of technical facilities. Tenants include major European energy companies with a strong credit rating and state-run oil stockholding agencies.

### Performance in the first nine months 2008

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007	Change in %	01.07.2008 -30.09.2008	01.07.2007 -30.09.2007	Change in %
Total income	280.0	110.8	>100	172.7	57.9	>100
Net rental income	36.3	31.1	16.7	12.5	12.7	-1.6
Unrealised changes in market value of investment property	224.2	73.6	>100	143.6	43.5	>100
Others	19.5	6.1	>100	16.6	1.7	>100
Total operating expenses including profit/loss from associates and income from share investments	-28.4	-12.8	>100	-15.8	-5.1	>100
EBIT	251.7	98.0	>100	157.0	52.8	>100
EBIT adjusted	252.7	98.7	>100	156.7	55.0	>100
Fair value	1,712.2	1,331.3	28.6	1,712.2	1,331.3	28.6

For details, see segment reporting p. 40 ff.

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 nine months of 2008. It increased from €110.8 million to €280.0 million. The largest portion of this relates to the unrealised increase in market values of investment property. Three converted caverns were completed during this period and during the cavern fund transaction, the external assessor BDO changed the valuation method used to value a total of 70 leased caverns from the discounted cash flow (DCF) method to determining the market value by using the comparative value method.

In the third quarter, in addition to unrealised changes in market values for the first half-year (€80.6 million), this change in valuation method resulted in a contribution of €143.6 towards the total income of the division.

We are pleased about the performance in the leasing business. **Net rental income** rose by over 17% as against the previous year from €31.1 million to €36.3 million. This is due to full-year rental income from the leasing of six converted caverns, and to the lease commencement of three further converted caverns which had been

converted from oil storage to natural gas (+€5.4 million) in the second quarter 2008. The commencement of a contract for an oil cavern leased to a Belgian state-run oil stockholding agency also contributed to the increase (+€0.4 million). The lessee of one oil cavern did not renew its short-term storage contract (€-0.6 million) and, after a vacant period of three months, the cavern has now been re-let for ten years.

Due to the commencement of a lease for an oil cavern in the third quarter 2008 (+€0.4 million), net rental income rose against the first half-year 2008 (€23.8 million) by €12.5 million to €36.3 million.

Of the 40 existing caverns as of 30 September 2008, a total of 38 were in operation. Two caverns are currently being converted and will be let in the first half-year 2009. Of these 38 caverns, 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 nine months of 2008 to €6.2 million, could not be recognised in net rental income or EBIT.

**Unrealised changes in market values** for investment property amounted in the first nine months of 2008 to €224.2 million. This results principally from the change in valuation made by the assessor BDO from the DCF method to the comparative value method (€+143.6 million) and the increase in value during the first half-year of 2008 of €+80.6 million. Recognition will lead to a lower book profit from the cavern fund transaction in the fourth quarter.

In the same period last year, six caverns were converted on schedule and handed over to tenants. This resulted in an unrealised change in market values of €73.6 million.

In addition to leasing, the division generates income from the management of a gas facility, the leaching facility, the storage and discharging of oil, and from the implementation of measures in connection with bringing converted caverns into operation and expansion for tenants. This income is shown as other income (€19.5 million) and these services generated income of €4.2 million in the first nine months of 2008. The increase of €15.3 million as against the comparable period in the previous year is due mainly to own costs capitalised from the construction of new caverns (€8.9 million) and one-off effects (€6.4 million), such as the release of reserves which are no longer required.

In comparison with the previous year, the division shows an increase in **operating expenses including profit/loss from associates and income from equity investments** of €15.6 million to €28.4 million. For details on the expenditure items see segment reporting on p. 40 ff. Other expenses increased due to higher material costs from the strengthening of the leaching facility to achieve maximum leaching capacity, increased personnel costs arising from organic growth of the Group and increased maintenance costs from intense leaching activities.

The **EBIT adjusted** without value changes of the division increased by 14% in comparison with the previous year from €25.1 million to €28.5 million, of which €13.1 million fell in the third quarter. In addition to one-off effects of €6.4 million, this is due mainly to the leasing of further caverns.

In comparison with the previous year, **EBIT** increased from €98.0 million to €251.7 million and EBIT adjusted increased from €98.7 million to €252.7 million. EBIT adjusted also takes into account additional interest income and expenses from a finance lease for 9 caverns which is recognised according to IFRS in financial earnings but which originates from operative leasing business and is attributed accordingly.

#### Further development 2008

At the beginning of the third quarter, Belgian and Dutch state-run oil stockholding agencies 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 commenced in August 2008 and the remaining lease for 0.6 million cubic metres will start in the second quarter of 2009. Leasing of 0.3 million cubic metres of newly built capacity will be made gradually during 2009 and 2010.

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 undergoing leaching. 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 by 2022. The cavern field consisting of currently 40 caverns will thus be extended to 130 caverns. This year a total of €155 million will be invested in the expansion of cavern facilities, €133.6 million of which had already been invested in the first nine months of 2008.

A total of 70 of the 130 caverns have been let so far. There are options for another 33 caverns and 27 caverns are still available.

Negotiations are currently under way with a number of interested parties with regard to take-up of options in leases and the leasing of further newly constructed caverns.

After the cavern fund transaction, the division is concentrating on the construction of the 30 fund caverns still to be completed, the construction of at least 60 potential caverns to be held by the company, the operation of caverns and the technical facilities for our tenants at Etzel. (For details regarding the transaction, see p. 32 f. of this report).

## Adjustment of EBIT to EBIT adjusted

EBIT calculated in accordance with IFRS for the first nine months amounts to €252.5 million. However, it does not show all effects on profits that need to be taken into account for management of the divisions. These effects of profits are shown in accordance with defined principles under adjustments and in EBIT and EBIT adjusted.

In the Group, adjustments for the first nine months came to €-23.8 million and the EBIT adjusted totalled €228.7 million. The adjustments for this period are shown in the following table:

### Group EBIT adjusted January to September 2008

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	None-core business	IVG Corporate Functions	Consolidation	Group
EBIT	-102.9	44.3	76.2	251.7	0.0	-16.8	0.0	252.5
Adjustments	-21.7	-19.2	16.1	1.0	0.0	0.0	0.0	-23.8
EBIT adjusted	-124.6	25.1	92.3	252.7	0.0	-16.8	0.0	228.7

### Group EBIT adjusted January to September 2007

in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate Functions	Consolidation	Group
EBIT	211.6	59.6	65.4	98.0	-2.1	-48.4	0.1	384.2
Adjustments (including allocations)	18.8	-14.1	9.7	0.7	-0.2	0.0	0.0	14.9
EBIT adjusted	230.4	45.5	75.1	98.7	-2.3	-48.4	0.1	399.1

The negative adjustments for the IVG Investment division of €21.7 million reflects reimbursement of property taxes of €23 million which were released due to the retransfer of property from our pre-REIT, and income from properties in Brussels which are recognised as finance leases of €+1 million.

Adjustments shown for the IVG Funds division of €-19.2 million include deconsolidation effects of the fund property The Square (EuroSelect 16) in the amount of €-16.9 million, and proceeds from the rental and project development of property in Italy (Macciachini) in the amount of €-5.3 million. The adjustment also took account of negative earnings of €+3.0 million from the consolidation of the fund company of the fund of funds Balanced Portfolio Asia.

The adjustment in the IVG Development division of €16.1 million results from payments for profit-related IVG shareholder loans to two joint ventures – the French Development Venture funds FDV I and FDV II in Paris – and from the tax effects of share deals from the sale of the project in Paris.

Finance lease components shown in the financial result of the IVG Caverns division are shown as adjustments worth €1.0 million.

## Net asset value (NAV)

We have taken the current difficulties in the financial and property markets into account in determining adjusted calculation methods for the net asset value (NAV).

Previously, for accounting of investment property in accordance with IFRS, deductible costs of resale were added on to NAV on the basis that resales were normally carried out for more than book values. Due to worsening market conditions, as from the third quarter resale costs in the divisions IVG Investment, IVG Funds and IVG Development are no longer taken into account to increase NAV. The EBIT multiple used to determine enterprise value for the private funds business and direct mandates was reduced from 9 to 4.5, in order to accommodate the share price falls of peer group companies. The anticipated EBIT adjusted 2008 is used as the calculation basis for the private fund business instead of the EBIT adjusted 2007. In light of less favourable economic circumstances, we are no longer using the contribution margins discounted by 12.5% for the total pipeline for the IVG Development division but are now using only 50% of the marginal returns for the current pipeline discounted by 12.5%.

At reporting date 30 September 2008 the net asset value calculated in accordance with the amended calculation method of €23.59 had fallen by €4.03 per share as against the NAV calculated under the old method on 30 June 2008 of €27.62 per share.

The change in the calculation method alone has the effect of reducing NAV as against the half-year figures by €361.8 million or €3.12 per share. The old calculation method would have given an NAV on 30 September 2008 of €3,098.6 million or €26.71 per share and an equity ratio at market values of 30.7%.

Other changes to NAV in the third quarter are insignificant on balance. Negative unrealised changes in market value for the IVG Investment division in the third quarter totalling €-150.8 million (€-1.30 per share) were offset by the increase in value of all caverns from €166.2 million to €1.712 billion (€1.43 per share).

## Reconciliation of NAV from balance sheet

in € m	BALANCE SHEET at 30.09.2008		NAV at 30.09.2008				
	Group	Group	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions
Intangible assets	258.3	258.3	3.5	249.5	0.3	4.9	0.0
Other property, plant and equipment	381.9	381.9	69.5	2.6	2.4	302.4	5.0
Investment property	5,642.5	5,642.5	5,484.2	0.0	158.3	0.0	0.0
Financial assets	288.5	288.5	108.5	170.2	3.2	3.5	3.2
Shares in associated companies accounted for under the equity method	45.0	45.0	21.3	15.5	8.5	0.0	-0.3
Inventories	1,153.7	1,153.7	97.8	291.9	759.6	4.5	0.0
Receivables and other assets	234.6	234.5	106.4	24.4	20.5	9.1	74.0
Income tax receivables	19.0	19.0	0.0	0.0	0.0	0.0	19.0
Derivative financial instruments	36.8	–	–	–	–	–	–
Securities	2.3	2.4	1.1	0.2	0.0	0.0	1.0
Cash and cash equivalents	105.5	105.5	72.1	9.2	11.6	12.7	–
Non-current assets held for sale	755.0	755.0	35.2	0.0	0.0	719.8	0.0
Deferred tax assets	80.7	–	–	–	–	–	–
Non-recognised items	–	805.5	34.6	35.7	64.0	671.2	0.0
<b>Total assets/asset value</b>	<b>9,003.7</b>	<b>9,691.7</b>	<b>6,034.1</b>	<b>799.2</b>	<b>1,028.3</b>	<b>1,728.0</b>	<b>102.1</b>

Debt		
Hybrid capital	EK	400.9
Minority interests	EK	-9.6
Financial liabilities	6,126.1	6,126.1
Derivative financial instruments	1.4	–
Deferred tax liabilities	426.7	–
Pension provisions	10.0	10.0
Other provisions	149.6	149.6
Trade payables/other liabilities	242.7	242.7
Income tax liabilities	35.2	35.2
<b>Total debt</b>	<b>6,991.7</b>	<b>6,954.9</b>
<b>Net asset value</b>	<b>–</b>	<b>2,736.8</b>
<b>NAV per share in €</b>	<b>–</b>	<b>23.59</b>

## NAV assets

In line with EPRA recommendations, derivative financial instruments of €36.8 million and deferred tax assets of €80.7 million are deducted from recognised assets in determining NAV-relevant 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 quarterly by external assessors on the basis of the discounted cash flow method. Resale costs are deducted in accordance with accounting under IFRS. Since in the past resales were normally carried out for more than book values, costs of resale were added on to NAV. Due to worsening market conditions, as from the third quarter resale costs are no longer taken into account in their capacity to increase NAV. In the previous period, additions including resale costs amounted to €149.9 million. This included additional amounts of €38.0 million for properties which are not recognised at market value under IFRS. For these properties there is a mark-up consisting of the difference between the lower recognised value and net market value. In the third quarter, this difference amounted to €34.6 million or €0.30 per share.

Calculation of NAV in the IVG Funds division includes an additional amount for the difference between goodwill and the enterprise values of individual parts of divisions. Business with institutional investors is included in the NAV calculation unchanged at 94% (€292.3 million) of the underlying purchase price. The EBIT multiple used to determine enterprise value for the private funds business and direct mandates was reduced from 9 to 4.5, in order to accommodate the share price falls of peer group companies. Based on the anticipated EBIT adjusted for 2008, this gives an enterprise value of €36.0 million for the private fund business. It was previously based on EBIT adjusted for 2007 (€18.1 million x 9 = €162.9 million). Reduction of the multiple for the direct mandates gives a value of €1.8 million (previously €3.6 million).

As a result of the utilisation of the above enterprise values totalling €330.1 million, the NAV calculation must first deduct the relevant balance sheet figures in the amount of €294.4 million (of which €238 million is intangible assets, primarily goodwill from IVG Institutional Funds, and €11 million is goodwill investment in IVG Private Funds). The resulting positive effect on NAV as against balance sheet values amounts to €35.7 million or €0.31 per share.

The **IVG Development** division no longer uses discounted contribution margins of 12.5% for the full pipeline in addition to balance sheet assets. The effect on NAV now results only from discounted profit margins from the current pipeline on which there is an additional discount of 50%. The addition to NAV amounts to €64.0 million or €0.55 per share.

In the third quarter BDO Deutsche Treuhand AG determined an asset value for the **IVG Caverns** division of €1.712 billion (previous year's value: €1.435 billion). The increase in value of €166.2 million as against the half-year value of €1.546 billion is due primarily to the fact that BDO based their valuation in the third quarter on the comparative value arising in connection with the setting up of the cavern fund. Of this figure, €1.041 billion is shown pursuant to IFRS under assets as fair value or facilities under construction, or finance leases. Accordingly, a further €671.2 million or €5.79 per share is included in the calculation of NAV in addition to balance sheet values.

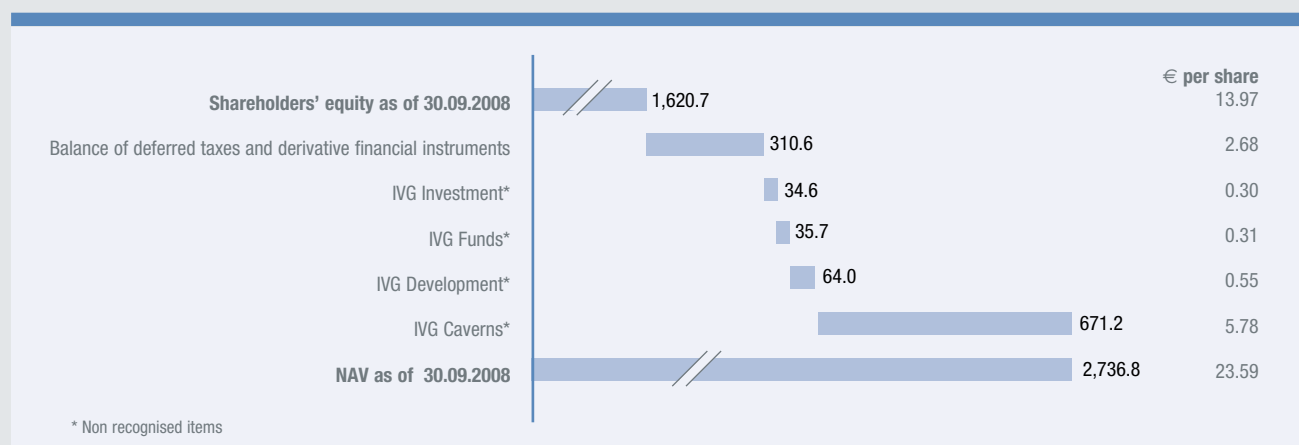
Therefore a total of €805.5 million of non-recognised assets could be included in the NAV calculation in the third quarter, whereas under the previous calculation method at the half-year, the amount had been €1,298 million.

#### 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 €-9.6 million are allocated to debt as they do not relate to assets attributable to Group shareholders. Continuing the previous approach, derivative financial instruments worth €1.4 million and deferred tax liabilities of €426.7 million were not taken into account, pursuant to EPRA. The NAV-relevant debt thus amounts to €6.954 billion as against balance sheet debt of €6.992 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 €80.7 million and deferred tax liabilities of €426.7 million are eliminated from the NAV. The same applies to derivative financial instruments of €36.8 million on the assets side and €1.4 million on the liabilities side. The total balance amounts to €310.6 million.

In the IVG Investment division, properties not recognised at market value under IFRS are included at net market value; this represents a difference of €34.6 million.

In the IVG Funds division, a further enterprise value of €35.7 million in addition to recognised values is added.

Discounted contribution margins of 12.5% from short term project developments in the current pipeline are taken into account only to 50% in the IVG Development division and are valued at €64.0 million.

The difference between the recognised values for the caverns and the expert valuation leads to an additional amount of €671.2 million.

In total, this leads to an NAV of €2,737 billion or €23.59 per share and an equity ratio at market prices of 28.1%. Without amendments to the calculation, on 30 September 2008 there would have been an NAV of €26.71 per share and an equity ratio at market values of 30.7%.

## Income, assets and financial position of the Group

### Development of key items on the income statement

**Total income** in the first nine months fell by €119.5 million to €773.6 million compared with the previous year. This is due to negative changes in market values (€-328.6 million) that could not be compensated by the rise in revenues (€84.4 million), changes in inventories (€67.3 million) or other operating income (€57.3 million).

The increase in **revenues** of €84.4 million to €450.0 million was due mainly to the IVG Investment and IVG Development divisions, contrasted against a contrary development in the IVG Funds division due to low placement volumes. The IVG Investment division saw a rise in net rental income of €85.5 million following the acquisitions of the previous year. The invoicing of projects by the IVG Development division in the first half-year 2008 amounting to €17.2 million was also contributed to the climb in revenues.

**Changes in inventories** and other own work capitalised have increased on balance by €67.3 million to €289.9 million due to progress made in construction.

**Unrealised changes in market values** reflect negative growth of property markets. The change of €-221.7 million over the previous year results from positive unrealised changes in market values in the first three quarters of 2007 of €+159.1 million which contrast against negative unrealised changes in market values from 2008 of €-62.6 million. Of the latter, €-319.1 million stems from the IVG Investment division, €+32.3 million from the IVG Development division and €+224.2 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 three quarters of 2007 – in comparison with the previous year there was a decline of €106.9 million to €17.4 million. This was due mainly to the proceeds received in the comparable period in 2007 from the sale of the project development Caxton Hall in London and the Immo-bilie Parc Avenue in Paris.

The increase in **other operating income** by €57.3 million to €78.8 million is due mainly to the sale of a project in Paris as part of a share deal. It also shows reimbursement of property taxes which were released as a result of the retransfer of property from our pre-REIT.

As with changes in inventories, **material expenses** also rose by €46.6 million to €314.1 million. This reflects scheduled construction progress being made in line with budgets for following projects: AIRRAIL CENTER FRANKFURT (€98.1 million), Hackescher Markt in Berlin (€27.8 million), Am Frankfurter Bahnhof (€23.0 million), Asnières in Paris (€16.0 million), Broadway in Glasgow (€18.0 million), three project developments in Hungary (€10.1 million), Cap Sud in Paris (€9.6 million), Willy-Brandt-Strasse in Hamburg (€8.4 million), Artquadrat in Frankfurt (€7.7 million) and Macciachini in Milan (€50.3 million). Except for the project in Milan, which belongs to the IVG Funds division, the projects mentioned all relate to the IVG Development division.

Compared with the first three quarters 2007, **personnel expenses** fell by €11.2 million to €53.1 million. This was for the most part due to the decline in expenses from performance share plans and bonuses and reduced staff numbers as a consequence of the concentration on core business and efficiency improvements.

**Expenses from investment property** increased by only €9.8 million to €54.5 million, despite the strong growth in property portfolio. This item primarily includes maintenance, preparation for letting of property, administrative and operating costs.

Other **operating expenses** were successfully reduced in the first nine months of 2008 by €25.9 million to €105.5 million as against the previous year. These include one-off expenses of €28.0 million which can primarily be attributed to losses from the deconsolidation of an associated company (€6.5 million), EDP projects (€6.0 million), the preparation of the sale of caverns (€3.4 million) and of the REIT (€2.5 million). In addition, other operating expenses also include legal consultancy costs (€6.3 million), valuation costs (€1.1 million), tax consultancy costs (€1.3 million) and ongoing consultancy costs (€6.6 million).

Due to the above effects, **EBIT** fell by 34.3% in the first nine months of 2008 to €252.5 million as against the comparable period in 2007.

**Financial earnings** fell by €109.0 million from €-85.4 million to €-194.4 million in the first nine months of 2008 in comparison with the same period in the previous year. This item was composed as follows:

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007
Income from foreign currencies	40.5	11.7
Expenses from foreign currencies	-49.5	-9.3
<b>Net foreign currency result</b>	<b>-9.0</b>	<b>2.4</b>
Interest income	21.2	37.4
Recognised interest (AV)	4.2	3.8
Interest expense	-240.5	-131.9
<b>Net interest result</b>	<b>-215.1</b>	<b>-90.7</b>
Income from hedging transactions	30.5	5.9
Expenses from hedging transactions	-0.5	-0.3
<b>Net result from hedging transactions</b>	<b>30.0</b>	<b>5.6</b>
<b>Other financial expenses</b>	<b>-0.3</b>	<b>-2.7</b>
<b>FINANCIAL RESULT</b>	<b>-194.4</b>	<b>-85.4</b>

The **net interest expense** rose by €124.4 million to €-215.1 million. This was due mainly to the increase in financial liabilities in connection with acquisitions for the portfolio over the past 18 months.

The **net result from hedging transactions** increased in the third quarter from €+5.6 million in the previous year to €+30.0 million. This increase is primarily due to positive changes in the market values of interest derivatives. Where there were changes to the underlying transactions of these interest derivatives, 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.

The **tax rate** rose from 12.3% at the end of September 2007 to 41.3% this year. This is due in particular to the fact that negative changes in market values, in particular for the REIT portfolio, could not be partially compensated for through the recognition of deferred taxes.

**Consolidated net profit** fell by €227.8 million to €34.1 million.

### Development of key balance sheet items

**Total assets** as of 30 September 2008 increased as against 31 December 2007 by €762.7 million to €9.0 billion, driven by the increase in investment property and inventories, less the disposal of a property portfolio in Luxembourg shown under assets held for sale following the successful marketing of the EuroSelect 16 fund.

**Investment Property** increased as against 31 December 2007 by €280.7 million to €5.6 billion. This was due mainly to the Allianz property portfolio transferred in the first quarter, less the reclassification to non-current assets held for sale made in the third quarter of the caverns held for sale (€-719.8 million) and negative unrealised changes in market values.

The completion of a project development in London and the corresponding transfer to investment property (€-121.9 million) caused a reduction in **other property, plant and equipment** of €30.5 million to €381.9 million. This is countered by the investment-related rise from the IVG Caverns division of €+98.6 million.

The increase in **financial assets** by €49.6 million to a total of €288.5 million results mainly from the purchase of participation certificates in select Asian property funds which were acquired in the course of developing the Asia fund.

**Inventories** rose as against 31 December 2007 by €187.7 million to €1.2 billion. This item reflects progress in the construction of project developments and takes into account the sales of invoiced projects and reclassifications to the investment property sector of the IVG Investment division.

**Derivative financial instruments** shown as assets decreased by €7.4 million to €36.8 million (of which €28.1 million current) due to negative changes in market values.

**Non-current assets held for sale** and disposal groups have risen by €369.4 million to €755.0 million in comparison with 31 December 2007. Balanced against the reclassification of the caverns held for sale (+€719.8 million) are the disposal of a property portfolio in Luxembourg (€-361.5 million) which was realised due to the successful placement of the EuroSelect 16 fund.

Over the first nine months of the year, **financial liabilities** increased by €1.3 billion (of which €125.0 million are current) to €6.1 billion. This was mainly due to the financing of property acquisitions in the first quarter. Correspondingly, the balance sheet equity ratio adjusted for dividends fell from 25.0% to 22.3% and the market value equity ratio adjusted for dividends fell from 34.9% to 28.2%.

**Liabilities from non-current assets held for sale** decreased in comparison with 31 December 2007 by €360.6 million to €0.0 million. This is also due to the successful placement of the EuroSelect 16 fund.

## Financing

Maturity for fixed and variable interest rate loans (excluding commercial paper programme and convertible bonds) as of 30 September 2008 is as follows:

	Nominal in €m
Up to 1 year	1,204.6
1 to 2 years	701.7
2 to 3 years	435.3
3 to 4 years	214.8
4 to 5 years	1,163.6
Over 5 years	1,833.9
<b>Book value total</b>	<b>5,553.9</b>

Current liabilities to banks include €182 million in equity bridging loans for EuroSelect funds, which are consolidated by IVG until successful placement of the equity.

As of 30 September 2008 IVG held open credit lines totalling €1.25 billion, of which €0.39 billion refers to the commercial paper programme. All open credit lines have a maturity of between 4 months and 6 years and those that expired during the past nine months in this financial year have been renewed successfully. In addition, €0.78 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 decreased slightly as at 30 September 2008 to €208 million, after €269 million at the end of the year. The average interest rate of the programme in the first nine months of 2008 is 4.91%.

Average interest rates across all financial liabilities (including interest hedges) as of 30 September 2008 amounted to 5.22% (31 December 2007: 5.11%). This means that financing terms remain generally stable for IVG despite difficult current market conditions. 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, which allow for a loan to value ratio of up to 75%. According to bank calculations, at the end of September IVG had a loan to value ratio of about 59.1% and therefore IVG expects that it will continue to fulfil the agreed covenants in the future.

## Employees

In comparison with the previous year, the number of employees decreased by 97 from 816 to a total of 719 employees, owing in particular to the sale of the tank farm business, whose employees fell under the IVG Caverns division.

### Number of employees

	30.09.2008	31.12.2007*	30.09.2007
<b>Total</b>	<b>719</b>	<b>816</b>	<b>697</b>
IVG Investment	4	5	6
IVG Funds	148	94	80
IVG Development	82	69	72
IVG Caverns	74	154	51
Asset Management	248	254	250
IVG Corporate Functions	140	212	210
Trainees	23	28	28

\* adjusted; includes reduced working contracts (e.g. partial retirement, parental leave)

## 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 30.09.2008	€788 million
Free float market capitalisation 30.09.2008	€622 million
Number of shares 30.09.2008	116 million
Share price (Xetra closing price) 30.09.2008	€6,79
First listed	1 October 1986
Last capital increase	2000

The falling share price in the first six months of the financial year 2008 tumbled even further during the third quarter, due to the difficult circumstances on international financial markets. The inter-bank market basically shut down between September and October due to uncertainties in the financial markets. Governments were forced to intervene to avoid further destabilisation. The most important economic countries provided support in the form of state guarantees and liquidity and some companies were fully or partly nationalised.

The most important German indices, DAX and MDAX, fell in the first nine months of the financial year 2008 by -28% to 5,831 points and by -29% to 6,957 points respectively. In the third quarter alone, the DAX fell by -9% and the MDAX by -23%.

The values of the 70 largest European property companies in EPRA Europe also fell sharply in this period by -25%. The regional EPRA Germany showed an even stronger fall of -43%. If we look at the third quarter on its own, EPRA Germany, with its -13% drop, fared worse than EPRA Europe, which lost -5%.

The price of the IVG share fell by -71% from €23.58 at the beginning of the year to €6.79 at 30 September 2008. In the reporting period from July to September 2008, it fell by -46% from €12.52 to €6.79. Due to the credit crunch, capital-intensive companies with high debt levels fared particularly badly.

In the third quarter the IVG share showed a high average daily trading volume of 1.4 million in comparison with previous quarters. In September 2008 the average daily trading volume was as high as 2.4 million.

### Shareholder structure

The IVG Immobilien AG shareholder structure changed after the end of the reporting period. Bankhaus Sal. Oppenheim notified us on 8 October 2008 that it had raised its share of voting share capital from 10.1% to 15.76% and on 23 October 2008 it notified us that this share had been raised to 20.00% plus one share. This makes the company the largest single shareholder. Santo Holding GmbH still holds 10.97% and the free float is 69.03%.

## Significant events after reporting date

### Management Board members

With effect from 1 November 2008, the Supervisory Board of IVG Immobilien AG appointed Dr Gerhard Niesslein (55) as the new Chief Executive Officer of the Management Board of IVG. Niesslein has many years of experience in all aspects of the property business. From 1999 to September 2008, the native Austrian was Chief Executive Officer of DeTe Immobilien GmbH. Prior to this, the law graduate was a member of the Management Board of the Landesbank Hessen-Thüringen (Helaba) with responsibility for the property division.

### Sale of caverns

IVG investigated the sale of its caverns business during the course of the year, during which it considered a sale of the whole business, a partial sale and the sale of caverns to a fund set up by IVG. In September, the Management Board and the Supervisory Board decided to sell 70 caverns to a Spezialfonds designed and managed by IVG. This strategic decision allows for the generation of long-

term stable contributions of value. This allows for the commitment of capital to the caverns to be reduced whilst the value potential of caverns that have not yet been developed is retained. The sale process demonstrated that IVG itself is able to extract the highest level of value from the development of the caverns. After the transaction, the IVG Caverns division is concentrating on the construction of the 30 fund caverns that are still to be completed and the construction of at least 60 further potential caverns, as well as on the operation of the caverns and technical facilities for customers at Etzel in northern Germany.

The establishment of the fund sets IVG on a new path. The fund is the first Spezialfonds which invests in caverns in accordance with the German Investment Act. The fund will have equity of over €910 million, of which about 60% has been called in for the first 40 caverns. Around €300 million has been borrowed. As well as IVG, around 12 German institutional investors are participating in the fund, with a minimum subscription volume of €50 million, which is the amount that IVG has contributed. The fund is distinguished by its long-term stable cash flows from tenants of excellent credit standing. The average distribution forecast is 7.8%. The fund buys completed caverns and leaves development and management to IVG, which means that IVG is involved in the fund for the long term as project developer, operator and investor. The fund can use synergies from the integrated business model.

The transaction is being completed in November, and 40 existing caverns transferred to the fund. By 2014 IVG will receive nominal proceeds of around €1.7 billion from the transaction, of which €836 million will be generated by the 40 caverns. 38 caverns will be recognised as income in 2008, and the other two caverns in 2009. The remaining purchase price will be generated gradually between 2009 and 2014 as the caverns are completed and transferred to the fund. Optimal structuring of the transaction means that the tax burden can be minimised. In the course of the transaction, IVG has already optimally revealed hidden reserves from potential caverns, so as to generate a lower cash tax charge in the future.

In 2008 the transaction generates a net profit before tax of €273 million, a contribution to consolidated net profit of €236 million and a cash inflow of €598 million. The sales process established the market values that accrued during the external value assessment in the third quarter, so that €143.6 million of the net profits from the transaction are already included as unrealised changes in market values in the third quarter earnings.

In the coming years, IVG will generate earnings not only from sales proceeds, but also from operations, from management of the fund and from the share of ownership. IVG bears the development costs of the 30 fund caverns and around €150 million will be required to complete further investment by 2014. In addition, as from 2008 the first investment will be made in infrastructure and the construction of 60 potential caverns.

In total, the fund transaction will generate EBIT contributions for IVG between 2008 and 2014 of a nominal amount of €0.8 billion and cash inflows of €1.3 billion. The potential of at least 60 further caverns should generate EBIT contributions and cash inflows after investment between 2014 and 2022 of €1.4 billion. The cash value of the potential is already well above €300 million. As part of the transaction, hidden reserves for all caverns were lifted, so that future cash tax charges for the IVG Cavern division are reduced significantly. The transaction has been a huge success from both strategic and financial viewpoints and will contribute in the long term to consistent earnings.

## Risks and opportunities

Taking account of the previous statement about current economic circumstances, we refer to the risks and opportunities described in the Annual Report 2007 on pages 94 to 100.

## Project cost optimisation

The cost savings programme started by IVG at the half-year and designed to boost earnings by reducing costs in the amount of €30 million per year is proceeding according to schedule. The realisation target of at least 25% for 2008 remains unchanged and all measures are to be implemented by the end of 2009.

Intensive cooperation of Asset Management with IVG Investment saw the implementation of the initial measures for the optimisation of property-specific expenses. A reduction of €5 million is the target for the full year. Personnel changes and a reduction in material costs in Asset Management should bring savings for the financial year of €2 million. The branch office of IVG Development in Düsseldorf has been closed and measures to reduce material and personnel costs in IVG's corporate functions have been started. As well as reducing costs for data processing, this also targets communication expenses.

We are also currently looking into the branch office network of IVG Asset Management and IVG Development with the aim of uniting cost and market synergies.

## Outlook

In light of the international financial market crisis and its effects on the real economy in general and on the property markets in particular, it is extremely difficult at the moment to make reliable forecasts about changes in market values of property. In any case, the resulting valuation effects do not represent direct earnings from operational activities. Therefore, the Management Board of IVG has decided to extend the earnings forecast for the full year 2008 with a forecast for operational activities that eliminates two effects relevant at both Group and divisional level. These are the unrealised changes in market values of the IVG Investment division and the effects from the partial sale of the caverns business; the total income and EBIT adjusted were modified to accommodate them. For improved comparability, the half-year forecast values were also adjusted.

For the individual divisions, the outlook is as follows:

The **IVG Investment** division will probably generate total income adjusted for unrealised changes in market values of between €400 million and €420 million (forecast half-year 2008: €380 million to €400 million) and an EBIT adjusted amended for unrealised changes in market values of between €240 million and €250 million (forecast half-year 2008: €240 million to €250 million) in the financial year 2008. The adjustment includes elimination of unrealised changes in market values for the first three quarters in the amount of €319 million and forecast unrealised changes in market values for the fourth quarter of a further €80 million to €100 million. This means that the current forecast is at the same level as the full-year forecast published under the same premises in the half-year report.

Taking into account anticipated changes in value for the full-year 2008 in the amount of €-400 million to €-420 million, we expect to generate a total profit in the low single-digit millions of euros and a negative EBIT adjusted of between €-160 million and €-170 million.

The **IVG Funds** division expects to generate total income of between €200 million and €230 million and an EBIT adjusted of between €30 million and €35 million for the financial year 2008. No adjustments for effects as described above were made for the IVG Funds division. In contrast to the forecasts at the half-year, the spread of profit forecasts have been adjusted slightly due to current reduced sales forecasts, particularly for the Asia funds (forecast half-year 2008: total income: €200 million to €230 million, EBIT adjusted: €35 million to €40 million).

The **IVG Development** division expects to generate total income of between €500 million and €520 million (forecast half-year 2008: €620 million to €650 million) and EBIT adjusted should be between €80 million and €85 million (forecast half-year 2008: €90 million to €95 million) for the financial year 2008. No adjustments had to be made in the IVG Development division. The lower forecast as against the half-year figures results from the reduction in investment in new projects and the attendant changes in inventories by about €100 million, and from probable lower sales proceeds for the project development in the City of London.

In order to show the operational result of the **IVG Caverns** division, the effect on earnings of the partial sale of caverns was eliminated from the key figures for the third quarter. This means that the total income of the IVG Caverns division, adjusted for the sales effect of €293 million, should be between €140 million and €150 million (forecast half-year 2008: €130 million to €135 million). EBIT adjusted, amended for the EBIT effect of the cavern sale of €273 million, should be between €120 million and €130 million (forecast half-year 2008: €110 million to €115 million). The reason for the improvement of the EBIT adjusted forecast is increased changes in inventories and other own costs capitalised as against the comparable forecast in the amount of €12 million.

Including the effects of the partial sale of caverns, the total income of the IVG Caverns division should be between €430 million and €440 million, and the EBIT adjusted between €390 million and €400 million.

For the **IVG Group** operations, we anticipate a total income (adjusted for unrealised changes in market values of the IVG Investment division and effects from the partial sale of caverns) of between €1.2 billion and €1.3 billion (forecast half-year 2008: €1.3 billion to €1.4 billion). The EBIT adjusted should be between €430 million and €460 million (forecast half-year 2008: €430 million to €460 million). After deduction of the expected financial result and the adjusted income taxes the consolidated net operating profit will be between €160 million and €170 million.

Taking into account the anticipated, non-cash, unrealised changes in market values of the IVG Investment division totalling €-400 million to €-420 million and effects from the partial sale of caverns, total income for the financial year 2008 should be €1.1 billion to €1.2 billion (forecast half-year 2008: €1.2 billion to €1.3 billion). We expect a figure of between €300 million and €320 million for EBIT adjusted (forecast half-year 2008: €270 million to €300 million). The consolidated net profit, taking into account the above effects, should be between €50 million and €70 million.

In light of the fact that there is still no end in sight to the financial crisis, we are not in the position of making a concrete forecast of the dividend amount for 2008. A recommendation for the 2008 dividend will be made in spring 2009 when the annual financial statements have been published.

# Interim financial statements

as at 30 September 2008

## Consolidated income statement

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007	01.07.2008 -30.09.2008 <sup>1)</sup>	01.07.2007 -30.09.2007 <sup>1)</sup>
Revenues	450.0	365.6	138.6	128.2
Changes in inventories and other own work capitalised	289.9	222.6	147.2	192.6
Unrealised changes in market value of investment property	-62.6	159.1	-17.0	-30.0
Realised changes in market value of investment property	17.4	124.3	1.8	61.6
Other operating income	78.8	21.5	39.8	15.4
<b>Total income</b>	<b>773.6</b>	<b>893.1</b>	<b>310.4</b>	<b>367.8</b>
Material expenses	-314.1	-267.5	-145.7	-207.1
Personnel expenses	-53.1	-64.3	-16.0	-19.4
Depreciation and amortisation of intangible assets, property, plant and equipment	-3.9	-4.4	0.9	-1.6
Expenses from investment property	-54.5	-44.7	-17.1	-15.1
Other operating expenses	-105.5	-131.4	-38.5	-60.9
Profit/loss from associates accounted for using the equity method	2.2	1.9	0.9	-2.6
Income from share investments	7.9	1.5	7.3	0.6
<b>EBIT</b>	<b>252.5</b>	<b>384.2</b>	<b>102.3</b>	<b>61.7</b>
Financial earnings	-194.4	-85.4	-126.4	-28.9
<b>Net profit before tax</b>	<b>58.1</b>	<b>298.8</b>	<b>-24.1</b>	<b>32.8</b>
Income taxes	-24.0	-36.9	7.2	44.1
<b>Consolidated net profit</b>	<b>34.1</b>	<b>261.9</b>	<b>-17.0</b>	<b>76.9</b>
Share of net profit attributable to Group shareholders	13.7	238.9	-12.7	68.5
Share of net profit attributable to providers of hybrid capital	24.0	22.3	8.0	8.0
Share of net profit attributable to minority interests	-3.6	0.7	-12.3	0.4
Undiluted earnings per share in €	0.12	2.06	-0.11	0.59
Diluted earnings per share in €	0.13	1.98	-0.11	0.59

<sup>1)</sup> Previous year's figures adjusted

## Consolidated balance sheet

in € m	30.09.2008	31.12.2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	258.3	258.7
Investment property	5,642.5	5,361.8
Other property, plant and equipment	381.9	412.4
Financial assets	288.5	238.9
Shares in associated companies accounted for under the equity method	45.0	71.7
Derivative financial instruments	8.7	41.2
Deferred tax assets	80.7	73.9
Receivables and other assets	33.8	73.1
<b>Total non-current assets</b>	<b>6,739.4</b>	<b>6,531.7</b>
<b>Current assets</b>		
Inventories	1,153.7	966.0
Receivables and other assets	200.7	220.2
Income tax receivables	19.0	17.4
Derivative financial instruments	28.1	3.0
Securities	2.3	11.4
Cash and cash equivalents	105.5	105.7
	<b>1,509.3</b>	<b>1,323.7</b>
Non-current assets held for sale	755.0	385.6
<b>Total current assets</b>	<b>2,264.3</b>	<b>1,709.3</b>
<b>Total assets</b>	<b>9,003.7</b>	<b>8,241.0</b>

in € m	30.09.2008	31.12.2007
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Subscribed capital	116.0	116.0
Capital reserve	561.0	561.1
Treasury shares	-0.9	-0.3
Other reserves	-17.5	5.8
Retained earnings	962.1	1,030.9
<b>Equity attributable to Group shareholders</b>	<b>1,620.7</b>	<b>1,713.5</b>
Hybrid capital	401.0	400.9
Minority interests	-9.7	2.7
<b>Total equity</b>	<b>2,012.0</b>	<b>2,117.1</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities	4,708.6	3,496.7
Derivate financial instruments	0.0	0.0
Deferred tax liabilities	426.7	419.4
Pension provisions	10.0	9.6
Other provisions	30.5	48.8
Liabilities	12.1	58.0
<b>Total non-current liabilities</b>	<b>5,187.9</b>	<b>4,032.5</b>
<b>Current liabilities</b>		
Financial liabilities	1,417.5	1,292.5
Derivate financial instruments	1.4	1.8
Other provisions	119.1	132.0
Liabilities	230.6	261.1
Income tax liabilities	35.2	43.4
	<b>1,803.8</b>	<b>1,730.8</b>
Liabilities included in disposal groups	0.0	360.6
<b>Total current liabilities</b>	<b>1,803.8</b>	<b>2,091.4</b>
<b>Total equity and liabilities</b>	<b>9,003.7</b>	<b>8,241.0</b>

## Consolidated cash flow statement

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007
Consolidated net profit	34.1	261.9
+/- Depreciation and amortisation/appreciation	3.9	4.4
-/+ Changes in market value of investment property	62.6	-159.1
+/- Other non-cash expenses/income	-19.4	13.2
- Earnings from disposal of assets	-30.3	-129.4
Changes to current assets and liabilities:		
Receivables and other assets (+decrease/-increase)	72.7	-90.0
Trade payable/other liabilities (+increase/-decrease)	-130.3	-46.5
<b>Cash flows from business activities</b>	<b>-6.7</b>	<b>-145.5</b>
Increase in inventories in IVG Funds division	-52.0	0.0
Increase in inventories in IVG Development division	-255.0	-242.6
<b>Cash flows from current and medium-term investments in operational divisions</b>	<b>-307.0</b>	<b>-242.6</b>
<b>Cash flows from business activities</b>	<b>-313.7</b>	<b>-388.1</b>
<b>Cash flows from investment activities</b>	<b>-987.3</b>	<b>-1,623.4</b>
<b>Cash flows from financing activities</b>	<b>1,300.3</b>	<b>1,562.0</b>
Net change in cash and cash equivalents	-0.7	-449.5
Currency effects	0.0	-0.2
Cash and cash equivalents at start of period	106.2	551.2
<b>Cash and cash equivalents at end of period</b>	<b>105.5</b>	<b>101.5</b>
Less cash and cash equivalents held by disposal groups	0.0	-0.8
<b>Cash and cash equivalents reported on balance sheet</b>	<b>105.5</b>	<b>100.7</b>

The cash outflow from business activities consists of €307.0 million from investment in the inventories of the IVG Funds and IVG Development divisions as a result of progress in the construction of projects. In addition, the cash outflow from business activities of €6.7 million represents a considerable improvement on the previous year (30 September 2007: €-145.5 million). Non-cash expenses and income include mainly effects from currency exchange of financial liabilities.

The cash outflow from investment activities refers mainly to the portfolios of the IVG Investment division acquired in the first quarter. The following quarters saw cash inflows from divestments.

The cash inflows balance of the first nine months from financing activities was mainly used to finance property acquisitions in the first quarter.

## Statement of recognised income and expenses

in € m	01.01.2008 -30.09.2008	01.01.2007 -30.09.2007
<b>Market valuation of available-for-sale securities</b>		
- Changes to other consolidated net profit recognised as income	0.5	0.8
<b>Market valuation of hedging instruments</b>		
- Changes to other consolidated net profit recognised as income	-29.5	9.8
Adjustment for currency translation of foreign subsidiaries	-13.7	1.4
Changes due to gradual sales and acquisitions and changes to group of consolidated companies	-1.4	1.5
Deferred taxes on value adjustments set off directly against equity	6.7	-0.1
<b>Income and expenses recognised directly in equity</b>	<b>-37.4</b>	<b>13.4</b>
<b>Consolidated net profit</b>	<b>34.1</b>	<b>261.9</b>
<b>Recognised income and expenses</b>	<b>-3.3</b>	<b>275.3</b>
Share of Group shareholders	-17.0	249.0
Share of providers of hybrid capital	24.0	22.3
Share of minority interests	-10.3	4.0

# Segment reporting

01.01.2008 - 30.09.2008 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions	Consolidation	Total
External revenues	272.2	79.6	56.6	39.5	2.2	0.0	450.0
Internal revenues	1.5	0.7	0.2	0.0	25.4	-27.8	0.0
<b>Total revenues</b>	<b>273.7</b>	<b>80.2</b>	<b>56.8</b>	<b>39.5</b>	<b>27.6</b>	<b>-27.8</b>	<b>450.0</b>
Net rental income from investment property	233.6	0.0	1.2	36.1	0.0	-0.2	270.7
Other net rental income	7.8	22.0	4.0	0.2	0.3	-1.5	32.8
Proceeds from service charges	30.6	0.1	1.3	0.0	0.1	-0.1	31.9
Proceeds from project sales	0.0	0.0	42.2	0.0	0.0	-0.2	42.0
Proceeds from construction contracts	0.0	0.0	5.9	0.0	0.0	0.0	5.9
Proceeds from transactions, development and sales	0.0	10.5	0.0	0.0	0.6	0.0	11.1
Proceeds from funds and property management	0.0	46.9	0.1	0.0	5.8	-5.5	47.3
Other revenues	1.7	0.7	2.2	3.2	20.8	-20.3	8.4
Changes in inventories and other own work capitalised	-0.9	50.2	230.1	10.4	0.0	0.0	289.9
Unrealised changes in market value of investment property	-319.1	0.0	32.3	224.2	0.0	0.0	-62.6
Realised changes in market value of investment property	15.1	0.0	2.3	0.0	0.0	0.0	17.4
Other operating income	28.8	13.0	29.1	5.9	23.9	-21.9	78.8
<b>Total income</b>	<b>-2.4</b>	<b>143.5</b>	<b>350.7</b>	<b>280.0</b>	<b>51.5</b>	<b>-49.7</b>	<b>773.6</b>
Material expenses	-2.8	-54.8	-249.7	-6.6	-1.1	0.8	-314.1
Personnel expenses	-0.7	-9.5	-8.1	-5.6	-29.2	-0.1	-53.1
Depreciation and amortisation	-0.3	-0.6	-0.7	-1.8	-0.7	0.0	-3.9
Expenses from investment property	-49.5	0.0	-3.5	-1.1	-0.3	0.0	-54.5
Other operating expenses	-38.4	-44.6	-14.0	-13.3	-44.3	49.2	-105.5
Profit/loss from associates accounted for using the equity method	-8.9	9.7	1.4	0.0	0.0	0.0	2.2
Income from share investments	0.1	0.7	0.0	0.0	7.1	0.0	7.9
<b>Total operating expenses including profit/loss from associates and income from share investments</b>	<b>-100.5</b>	<b>-99.2</b>	<b>-274.5</b>	<b>-28.4</b>	<b>-68.3</b>	<b>49.9</b>	<b>-521.0</b>
<b>EBIT</b>	<b>-102.9</b>	<b>44.3</b>	<b>76.2</b>	<b>251.7</b>	<b>-16.8</b>	<b>0.1</b>	<b>252.5</b>
Financial earnings							-194.4
<b>Net profit before tax</b>							<b>58.1</b>
Income taxes							-24.0
<b>Consolidated net profit</b>							<b>34.1</b>
Segment assets	5,799.4	681.2	952.8	1,041.0	33.9		8,508.3
thereof from associated companies	15.7	15.5	8.5	0.0	0.0		39.7
Segment debt	97.1	72.3	39.2	27.6	106.4		342.6
Investments	989.0	65.1	42.4	133.6	2.5		1,232.6
<b>Additional voluntary disclosures</b>							
EBIT	-102.9	44.3	76.2	251.7	-16.8		252.5
Adjustments	-21.7	-19.2	16.1	1.0	0.0		-23.8
<b>EBIT adjusted</b>	<b>-124.6</b>	<b>25.1</b>	<b>92.3</b>	<b>252.7</b>	<b>-16.8</b>		<b>228.7</b>

The quarterly results of the individual divisions for 2007 and 2008 are not comparable since the IVG Investment and IVG Funds divisions and the 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 also charges the divisions for the services it provides. Intra-Group services were not offset in the previous year.

01.01.2007 - 30.09.2007 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate functions	Consolida- tion	Total
External revenues	183.1	105.0	27.8	36.6	12.9	0.2	0.0	365.6
Internal revenues	0.4	3.8	0.3	0.0	0.0	0.1	-4.6	0.0
<b>Total revenues</b>	<b>183.5</b>	<b>108.8</b>	<b>28.1</b>	<b>36.6</b>	<b>12.9</b>	<b>0.3</b>	<b>-4.6</b>	<b>365.6</b>
Net rental income from investment property	148.9	7.3	0.9	31.0	0.0	0.0	-2.2	185.9
Other net rental income	7.0	1.7	1.0	0.1	3.2	0.2	-1.3	11.9
Proceeds from service charges	22.5	0.8	0.8	0.0	0.0	0.0	-0.3	23.8
Proceeds from project sales	1.2	0.0	25.0	0.0	0.0	0.0	-0.1	26.1
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	93.9	0.0	0.0	0.0	0.0	0.0	93.9
Other revenues	3.9	5.1	0.4	5.5	9.7	0.1	-0.7	24.0
Changes in inventories and other own work capitalised	-1.0	0.0	223.6	0.0	0.0	0.0	0.0	222.6
Unrealised changes in market value of investment property	83.4	1.8	0.3	73.6	0.0	0.0	0.0	159.1
Realised changes in market value of investment property	55.0	0.9	68.4	0.0	0.0	0.0	0.0	124.3
Other operating income	6.5	13.6	0.3	0.6	0.5	5.4	-5.4	21.5
<b>Total income</b>	<b>327.4</b>	<b>125.1</b>	<b>320.7</b>	<b>110.8</b>	<b>13.4</b>	<b>5.7</b>	<b>-10.0</b>	<b>893.1</b>
Material expenses	-2.6	-28.7	-236.2	-0.3	-0.6	0.0	0.9	-267.5
Personnel expenses	-10.6	-21.8	-5.1	-3.0	-3.9	-19.9	0.0	-64.3
Depreciation and amortisation	-0.3	-1.0	-0.5	-0.7	-1.5	-0.4	0.0	-4.4
Expenses from investment property	-40.7	-0.9	-0.6	-2.9	0.0	0.0	0.4	-44.7
Other operating expenses	-60.8	-15.4	-14.8	-5.9	-9.5	-33.8	8.8	-131.4
Profit/loss from associates accounted for using the equity method	0.0	0.0	1.9	0.0	0.0	0.0	0.0	1.9
Income from share investments	-0.8	2.3	0.0	0.0	0.0	0.0	0.0	1.5
<b>Total operating expenses including profit/loss from associates and income from share investments</b>	<b>-115.8</b>	<b>-65.5</b>	<b>-255.3</b>	<b>-12.8</b>	<b>-15.5</b>	<b>-54.1</b>	<b>10.1</b>	<b>-508.9</b>
<b>EBIT</b>	<b>211.6</b>	<b>59.6</b>	<b>65.4</b>	<b>98.0</b>	<b>-2.1</b>	<b>-48.4</b>	<b>0.1</b>	<b>384.2</b>
Financial earnings								-85.4
<b>Net profit before tax</b>								<b>298.8</b>
Income taxes								-36.9
<b>Consolidated net profit</b>								<b>261.9</b>
Segment assets	4,484.5	418.2	666.7	589.8	42.6	51.7		6,253.5
thereof from associated companies	38.9	2.0	8.2					49.1
Segment debt	120.7	41.1	44.1	44.0	13.9	135.4		399.2
Investments	1,730.0	4.7	47.4	87.3	8.3	0.1		1,877.8
<b>Additional voluntary disclosures</b>								
EBIT	211.6	59.6	65.4	98.0	-2.1	-48.4	0.1	384.2
Adjustments and allocations	18.8	-14.1	9.7	0.7	-0.2			14.9
<b>EBIT adjusted</b>	<b>230.4</b>	<b>45.5</b>	<b>75.1</b>	<b>98.7</b>	<b>-2.3</b>	<b>-48.4</b>	<b>0.1</b>	<b>399.1</b>

01.07.2008 - 30.09.2008 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	IVG Corporate functions	Consolidation	Total
External revenues	91.3	25.5	7.2	14.0	0.7	0.0	138.6
Internal revenues	-1.3	-0.1	0.2	0.0	16.9	-15.7	0.0
<b>Total revenues</b>	<b>90.0</b>	<b>25.3</b>	<b>7.4</b>	<b>14.0</b>	<b>17.6</b>	<b>-15.7</b>	<b>138.6</b>
Net rental income from investment property	76.4	0.0	-0.1	12.6	0.0	1.6	90.5
Other net rental income	2.3	3.5	1.2	-0.1	0.1	-0.4	6.6
Proceeds from service charges	10.6	0.0	0.4	0.0	0.1	-0.1	10.9
Proceeds from project sales	0.0	0.0	1.8	0.0	0.0	-0.2	1.6
Proceeds from construction contracts	0.0	0.0	3.3	0.0	0.0	0.0	3.3
Proceeds from transactions, development and sales	0.0	6.1	0.0	0.0	0.6	0.0	6.7
Proceeds from funds and property management	0.0	15.6	0.1	0.0	1.8	-1.5	16.0
Other revenues	0.7	0.1	0.8	1.5	15.0	-15.1	3.1
Changes in inventories and other own work capitalised	-0.9	19.4	118.1	10.4	0.0	0.0	147.1
Unrealised changes in market value of investment property	-150.8	0.0	-9.8	143.6	0.0	0.0	-17.0
Realised changes in market value of investment property	1.8	0.0	0.0	0.0	0.0	0.0	1.8
Other operating income	22.0	7.6	4.7	4.7	-0.8	1.6	39.8
<b>Total income</b>	<b>-37.9</b>	<b>52.4</b>	<b>120.5</b>	<b>172.7</b>	<b>16.8</b>	<b>-14.1</b>	<b>310.4</b>
Material expenses	-0.8	-23.5	-115.1	-6.2	-0.3	0.1	-145.7
Personnel expenses	-0.3	-3.5	-2.4	-3.4	-6.4	0.0	-15.9
Depreciation and amortisation	-0.1	-0.2	-0.2	1.5	-0.2	0.0	1.0
Expenses from investment property	-18.0	0.3	0.1	0.4	0.2	0.0	-17.1
Other operating expenses	-15.1	-8.6	-4.4	-8.1	-16.3	14.1	-38.5
Profit/loss from associates accounted for using the equity method	-2.9	3.1	0.7	0.0	0.0	0.0	0.9
Income from share investments	0.0	0.2	0.0	0.0	7.1	0.0	7.3
<b>Total operating expenses including profit/loss from associates and income from share investments</b>	<b>-37.2</b>	<b>-32.3</b>	<b>-121.2</b>	<b>-15.8</b>	<b>-15.7</b>	<b>14.2</b>	<b>-208.0</b>
<b>EBIT</b>	<b>-75.1</b>	<b>20.1</b>	<b>-0.7</b>	<b>157.0</b>	<b>1.1</b>	<b>0.0</b>	<b>102.3</b>
Financial earnings							-126.4
<b>Net profit before tax</b>							<b>-24.1</b>
Income taxes							7.1
<b>Consolidated net profit</b>							<b>-17.0</b>
Investments	51.1	10.8	-3.6	54.5	-19.6		93.2
<b>Additional voluntary disclosures</b>							
EBIT	-75.1	20.1	-0.7	157.0	1.1		102.3
Adjustments	-22.4	-2.2	0.2	-0.3	0.0		-24.7
<b>EBIT adjusted</b>	<b>-97.5</b>	<b>17.9</b>	<b>-0.5</b>	<b>156.7</b>	<b>1.1</b>		<b>77.6</b>

The quarterly results of the individual divisions for 2007 and 2008 are not comparable since the IVG Investment and IVG Funds divisions and the 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 also charges the divisions for the services it provides. Intra-Group services were not offset in the previous year.

01.07.2007 - 30.09.2007 in € m	IVG Investment	IVG Funds	IVG Development	IVG Caverns	Non-core business	IVG Corporate functons	Consolida- tion	Total
External revenues	61.3	45.6	3.0	13.7	4.5	0.3	-0.2	128.2
Internal revenues	0.2	1.4	0.0	0.0	0.0	-0.1	-1.5	0.0
<b>Total revenues</b>	<b>61.5</b>	<b>47.0</b>	<b>3.0</b>	<b>13.7</b>	<b>4.5</b>	<b>0.2</b>	<b>-1.7</b>	<b>128.2</b>
Net rental income from investment property	50.2	2.6	0.4	12.6	0.0	0.0	-0.9	64.9
Other net rental income	2.4	0.8	0.4	0.1	1.1	0.1	-0.5	4.4
Proceeds from service charges	7.6	0.2	0.2	0.0	0.0	0.0	-0.1	7.9
Proceeds from project sales	0.2	0.0	1.8	0.0	0.0	0.0	0.0	2.0
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	40.9	0.0	0.0	0.0	0.0	-0.1	40.8
Other revenues	1.1	2.5	0.2	1.0	3.4	0.1	-0.1	8.2
Changes in inventories and other own work capitalised	0.0	0.0	192.6	0.0	0.0	0.0	0.0	192.6
Unrealised changes in market value of investment property	-59.4	-2.0	-12.2	43.5	0.0	0.0	0.1	-30.0
Realised changes in market value of investment property	49.8	0.9	10.9	0.0	0.0	0.0	0.0	61.6
Other operating income	1.7	12.6	-0.7	0.7	0.0	3.2	-2.1	15.4
<b>Total income</b>	<b>53.6</b>	<b>58.5</b>	<b>193.6</b>	<b>57.9</b>	<b>4.5</b>	<b>3.4</b>	<b>-3.7</b>	<b>367.8</b>
Material expenses	-1.4	-14.4	-191.3	-0.1	-0.2	0.1	0.2	-207.1
Personnel expenses	-3.0	-7.6	-1.8	-0.9	-1.3	-4.8	0.0	-19.4
Depreciation and amortisation	-0.1	-0.3	-0.2	-0.3	-0.5	-0.1	-0.1	-1.6
Expenses from investment property	-13.9	0.1	-0.2	-1.2	0.0	0.0	0.1	-15.1
Other operating expenses	-31.2	-6.1	-2.5	-2.6	-7.8	-16.4	5.7	-60.9
Profit/loss from associates accounted for using the equity method	0.0	0.0	-2.6	0.0	0.0	0.0	0.0	-2.6
Income from share investments	0.0	0.7	0.0	0.0	0.0	0.0	-0.1	0.6
<b>Total operating expenses including profit/loss from associates and income from share investments</b>	<b>-49.6</b>	<b>-27.6</b>	<b>-198.6</b>	<b>-5.1</b>	<b>-9.8</b>	<b>-21.2</b>	<b>5.8</b>	<b>-306.1</b>
<b>EBIT</b>	<b>4.0</b>	<b>30.9</b>	<b>-5.0</b>	<b>52.8</b>	<b>-5.3</b>	<b>-17.8</b>	<b>2.1</b>	<b>61.7</b>
Financial earnings								-28.9
<b>Net profit before tax</b>								<b>32.8</b>
Income taxes								44.1
<b>Consolidated net profit</b>								<b>76.9</b>
Investments	562.3	-54.9	15.3	14.0	5.3	0.0		542.0
<b>Additional voluntary disclosures</b>								
EBIT	4.0	30.9	-5.0	52.8	-5.3	-17.8	2.1	61.7
Adjustments and allocations	28.3	-9.4	9.4	2.2	0.4			30.9
<b>EBIT adjusted</b>	<b>32.3</b>	<b>21.5</b>	<b>4.4</b>	<b>55.0</b>	<b>-4.9</b>	<b>-17.8</b>	<b>2.1</b>	<b>92.6</b>

# 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 in the IVG Annual Report 2007 on page 110 ff. 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 euros.

## Treasury shares/Convertible bond

As of 30 September 2008 IVG held 70,000 treasury shares, which were purchased at a price of €9.61 in the third quarter as part of the future employee share ownership scheme. This represents 0.0603% of the share capital.

During the first half-year, 6,280 treasury shares which were no longer required for the employee share ownership scheme 2007 were sold. This corresponds to 0.0054% of the share capital. Further information on this can be found on page 149 f. of the IVG Annual Report 2007.

On 31 March 2008 IVG also bought back a tranche of shares 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 payed

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 on 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 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, 13.11.2008

Dr Gerhard Niesslein

Dr Bernd Kottmann

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# IVG financial calendar and contact

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## IVG financial calendar

25.03.2009	Publication of the year end figures 2008
14.05.2009	Annual General Meeting for financial year 2008

### Note

The 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 that they are published.

### Imprint

Published by: Management Board of IVG Immobilien AG, Bonn  
Concept and design: Berichtsmanufaktur GmbH, Hamburg

Status: November 2008  
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