

## *Company Profile 2007*



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**Investitionsbank  
Berlin**

Performing for Berlin.



## *Company Profile 2007*



Performing for Berlin.



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## To our business associates

*Ladies and Gentlemen,*



**Prof. Dr. Dieter Puchta**  
Chairman of the Board  
of Management

For years now, business promotion by Investitionsbank Berlin has aimed to provide Berlin-based companies with the funds they need to set up and expand their business operations. One important goal in this respect is to support structural change and to provide tailored products to finance companies investing in future technological fields. This is why we were pleased to see our work confirmed in the results of a survey published by the Deloitte consultancy firm in October 2007 which showed that eleven of Germany's 50 strongest growing technology companies have their place of business in Berlin. Deloitte examined percentage sales growth among German technology companies over the past five years. Nine of the companies from Berlin's growth fields of information and communication technology, biotechnology and environmental technology have received support from IBB. The challenge facing us now is to provide these companies and others who have successfully mastered structural change or have gained a foothold on a new market with additional funds to finance their investments in growth. After all, compared to the national average, companies in Berlin are still relatively small.

These companies who require a highly qualified and creative environment can find the ideal conditions in Berlin. In its survey titled "Talent, technology and tolerance – where Germany's future lies", which was sponsored by Robert Bosch Foundation, Berlin-Institut discovered that Berlin has a leading position in Germany here.

Berlin's ability to win the favour of creative people is also good for the "creative economy" which is becoming increasingly important in Berlin. According to information provided by Deutsches Institut für Wirtschaftsforschung (DIW), the number of companies working in the creative sector in Berlin rose by 30% between 2000 and 2005; twice as fast as in other German cities. This sector in Berlin now boasts almost 23,000 companies and provides jobs for more than 167,000 people, including mini-jobs, and work for freelancers and the self-employed. IBB believes that companies in Berlin's creative sector will have a high potential for development. This is why in the year under review, we developed a special fund for the creative sector which we have been offering since early 2008 via IBB Beteiligungsgesellschaft mbH. This fund has a volume of EUR 30 million and offers equity of up to EUR 1.5m for each round of investment, however, EUR 3 million maximum. For companies in the creative sector, we have opened up our existing financing offers, such as "Berlin Start" or "Berlin Kredit" in order to uphold our claim in relation to this new economic sector, i.e. to provide suitable financing to companies during all phases of their corporate lifecycle.

The situation and mood among small and medium-sized enterprises (SMEs) has improved across the board so that much investment was made in 2007. This meant that we recorded an extraordinarily good result especially with our "Berlin Kredit" instrument designed to finance growth. Financing commitments were in the order of around EUR 75 million and hence three times higher than the previous year's figure. The good investment climate is also confirmed by the result achieved with the common task "Improvement of regional economic structures" where subsidies amounting to EUR 73 million were approved for investment projects. According to the Chamber of Industry and Commerce (IHK), more than 50% of Berlin's industrial companies even want to increase their investments in 2008, so that we are also expecting demand for our related financing offers to increase.

The lending markets were hit by growing uncertainty in the second half of 2007 due to the global crisis triggered by the US mortgage market. This led to fears about a bottleneck in financing for small and medium-sized enterprises in Germany. IBB's customers, however, can rest assured in the knowledge that through a risk-conscious and conservative lending and liquidity policy in business on the money and capital markets, IBB has once again taken the necessary precautions for 2008 to ensure unrestricted liquidity for granting loans to its customers at all times.

The foundation for this was a once again a very successful financial year in 2007. With the sale of Gewerbesiedlungs-Gesellschaft mbH, the economic result reached an all-time high. In addition to recording a balance sheet profit of EUR 123.4 million, which is to be transferred to Berlin, this result enables us to offer an additional EUR 109.1 million in subsidies for Berlin. This would provide the federal state with more than EUR 230 million in additional services which would be channelled into promoting Berlin's economy. This is more than four times the previous year's amount.

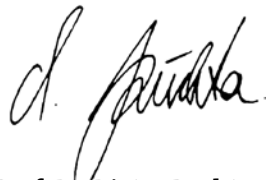
The end of 2007 marked the successful completion of IBB's reorganisation. This meant that despite high inflation, increases in wages and VAT, we were able to sustainably reduce personnel and material costs by more than 10% compared to 2003. A feasible business field strategy was established parallel, the product portfolio was adapted to customer needs, and subsidies were successfully replaced by revolving and primarily loan-based support instruments. The bank is now well positioned, in terms of organisation and staff, to master the tasks of the future.



**Dr. Birgit Roos**  
**Member of the Board**  
**of Management**

The year under review brought a number of changes for our customers in the real-estate sector. We now have a clear assignment of staff to each customer. This provides our customers with a "direct line" to IBB when it comes to financing matters. Two pilot projects were launched in the year under review (i.e. homes for the elderly and energy-related refurbishment) and, when brought to a successful conclusion, they could become a permanent feature in our portfolio. This means that we would then have additional financing offers to meet the latest demands of Berlin's real-estate market. Finally, we have entered into an agreement with Berliner Energieagentur within the scope of an EU project. The purpose of this agreement is to optimise energy-saving measures in and at residential buildings.

The purpose of our activities is to benefit the customer and the federal state of Berlin. That was in 2007 and will continue to be so in the future too. With this in mind, we look forward to continued good work together!



**Prof. Dr. Dieter Puchta**  
*Chairman of the Board  
of Management*



**Dr. Birgit Roos**  
*Member of the Board  
of Management*



## Statement by the Chairman of the Administrative Board

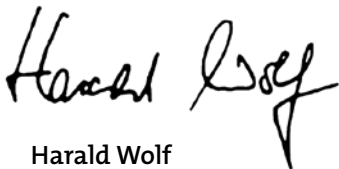
2007 was a successful year for the majority of Berlin's entrepreneurs. Their work, the production of goods and services in Berlin resulted in solid economic growth compared to the previous year. One particularly positive aspect is that this growth has led to a significant increase in the number of jobs in the city.

But it must be remembered that for companies growth first means investing – in new machines, production sites, in new technologies, new distribution channels and also in new employees. Many of these projects were only possible because they were accompanied by Investitionsbank Berlin in the form of a subsidy loan, allowance or shareholding.

This means that Investitionsbank Berlin is a pillar of support in the economic policy of the federal state of Berlin. At its Business Customer Centre, it advises customers on the support services available, discusses finance plans and when necessary provides information about other institutions in Berlin's consultancy network who accompany investment, technology and start-up projects in Germany's capital city. Investitionsbank Berlin also fosters close ties with Berlin's private banks in its determination to continually improve customer information, application procedures and decision-making processes. The success of these efforts can be seen, for instance, in the growing number of approvals issued, especially for IBB's "house product", the "Berlin Kredit" loan.

Small and medium-sized companies are also optimistic about the coming year 2008. Many are planning to expand their business and also hire new staff. Whenever possible, Investitionsbank Berlin will support these projects too and hence contribute towards the ongoing positive development of the city's economy.

I wish you all every success.



**Harald Wolf**

*Senator for Business, Technology and Women  
of the Federal State of Berlin*



**Harald Wolf**  
**Chairman of the  
Administrative Board**



**Susanne Philipppson**  
Product designer



### *Susanne Philipppson Design*

*Susanne Philipppson is neither Swedish nor English, but a young German designer who, after studying in London and Eindhoven, came upon Berlin as the creative centre of her self-employment. Her lamp and furniture designs are very detailed, in both material and form, they offer a sense of emotion and have attracted producers such as Pallucco, Habitat or Droog Design.*

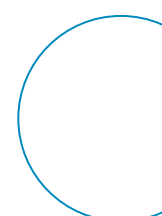
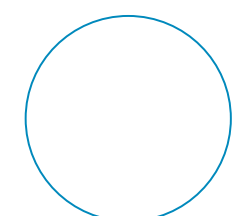
<http://www.philippson.org>

## Berlin – A Creative Capital

If there is one location advantage which has always been undisputed in Berlin then it has to be the city's culture scene and its enormous artistic and creative potential. In all applicable location studies, this advantage has always been assigned to Berlin as a "soft" location factor. This referred primarily to the many different companies working in the creative industries as well as the large field of public culture with its vast range of museums, theatres and music venues.

In recent years, a different view of the creative industries has increasingly gained ground. Like environmental technology in the seventies and eighties, the creative industry is now recognised as an economic factor to be taken seriously and which provides jobs and economic performance. Contrary to environmental technology where new restrictions and requirements trigger product innovation, the creative industry has to make do with a less stimulating effect by the legislator but can to a large extent respond to the needs of the information and leisure society. This is the reason why the economic importance of the culture and creative industry has shifted more and more into the focus of national and international politics. Additional impetus was generated by a study published in November 2006 by the European Commission. The EU Culture Council confirmed that the industry is becoming increasingly important, especially for the development of economic growth and the creation of jobs in Europe.

This is why in autumn 2007 the Federal Ministry of Economics and Technology launched "The federal government's culture and creative industry initiative". Within the scope of this initiative, strategic recommendations for effective and sustainable culture sector policy is to be drafted by April 2009. The goal of the initiative is to strengthen expertise and to optimise networking of the culture and creative industry. A uniform definition of the term culture and creative industry is also to be drafted. The initiative will also examine whether existing support programmes are sufficient to exploit the potential of this industry with its very fractional business



structure. Other tasks named include the analysis of interdependencies between publicly financed culture and the commercially orientated culture and creative industry, as well as advice and assistance for freelancers in the process of going into business.

The creative industry in Berlin is of outstanding importance. In 2005, around 22,600 mostly small and medium-sized companies generated a sales volume of around EUR 18.6 billion. This meant that the creative industry accounted for more than 20% of the city's gross domestic product. With around 90,000 registered jobs, the creative industry is a relevant labour market factor in Berlin, accounting for 8% of jobs. If we add this to the number of marginally employed, freelancers and self-employed, then the total number of people working in Berlin's creative sector amounts to around 167,000. And Deutsches Institut für Wirtschaftsforschung (DIW) confirms that the creative sector is growing faster in Berlin than in other German urban regions. Between 2000 and 2005, the number of companies in Berlin's creative sector rose by 30%, and hence more than twice as fast as in the comparable regions.

Berlin's economic policy was quick to recognise the importance of the creative sector and had already launched a global culture/business initiative back in 2004. In the Conference of Ministers of Economics, Berlin together with North Rhine-Westphalia has for some time now been working more towards focusing on this area and thus helped considerably to trigger the initiative by the federal government. The Senate Department for Business, Technology and Women created value chains for the creative





### Motor Music

*Motor Music was founded in 1994 as an "off the beaten track" label by Tim Renner on behalf of the PolyGram Music Group (later to become Universal Music). In the years that followed, the company, which was spun off by Germany's biggest player, became a leader in the local independent scene producing its own artists, such as Element of Crime, Tocotronic, Virginia Jetzt, Sportfreunde Stiller and many more. Motor Music also made it to international fame with Rammstein. Early in 2004, Renner and Universal went their separate ways, as did Universal and Motor Music. But of course the Group reserved the right to hold on to or continue Motor's old contracts. In 2005, Motor Music was simply relaunched by Renner and Co.*

<http://www.motormusic.de>

*Motor Music presents: Polarkreis 18*

<http://www.polarkreis18.de>



**Tim Renner**  
CEO of Motor Music



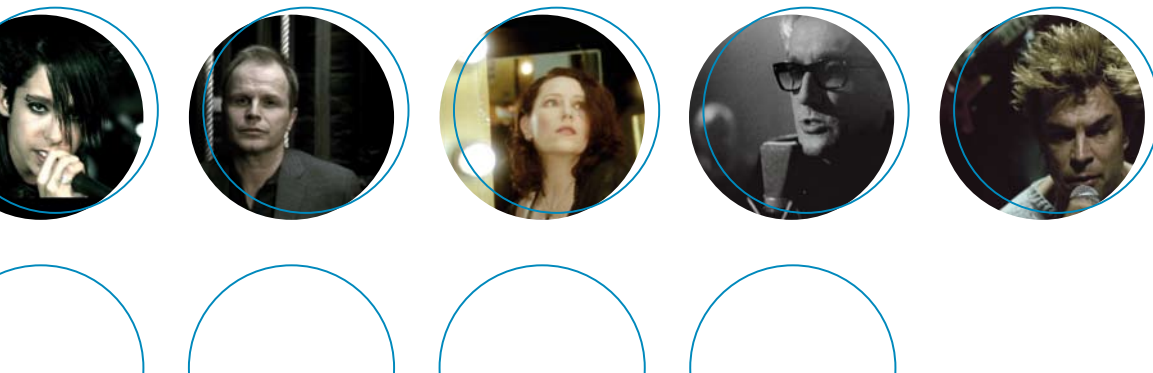
sector and hence the preconditions for networking similar to the competence fields. Since the culture and creative sector can only be developed and promoted with an approach that is not limited to politics, a steering group was established at the end of 2007 comprising representatives from politics and personalities from the creative sector. This steering group advises the government and offers a forum for the necessary coordination between the senate departments.

Investitionsbank Berlin has accepted the enormous and growing importance of the creative sector and, in the year under review, expanded its financing portfolio to include the target group companies and self-employed individuals in the sub-sectors of the creative sector.

A unique programme in Germany is "VC Fonds Kreativwirtschaft Berlin" which IBB devised in the year under review and which has been on offer since the beginning of 2008 via IBB Beteiligungsgesellschaft mbH. This product, which was jointly developed by IBB and the Senate Department for Business, Technology and Women, is a venture capital fund with a volume of EUR 30 million; half of this sum was contributed via the Senate Department for Business in the form of ERDF funds. This fund is designed for growth-orientated companies. Five to seven venture capital commitments are planned for each year.

Monetary support for companies in the creative sector is one thing. Coaching companies operating in this sector is another. IBB is active here too. Its subsidiary "Technologie Coaching Center GmbH" (TCC), for instance, has now expanded its services to include companies in the creative sector and to create the capacity to coach up to 40 companies each year. Up to now, TCC has operated exclusively in the technology sector. IBB has hence become a pioneer in the promotion of creative companies and creative self-employed individuals in Berlin.

What is clear is that Berlin is an outstandingly attractive location for companies in the creative sector setting up business or relocating. This offers a considerable potential for jobs because in the years to come many of these new companies are likely to grow and create more jobs. Promoting this development, on the other hand, is the goal pursued by both the federal-state's government and especially by IBB.





### **KATAPULT Filmproduktion GmbH**

KATAPULT Filmproduktion GmbH is a German film production company based in Berlin's Kreuzberg district. KATAPULT Filmproduktion focuses on music videos. KATAPULT was founded early in 2003 by producers Ingo Georgi and Alexander Kiening and directors Joern Heitmann and Daniel Lwowski. The aim from the very beginning was to achieve as high a level of quality as possible despite ever-tighter budgets. Almost all KATAPULT videos are shown on MTV and VIVA. Customers include, for instance, Herbert Grönemeyer, The Rasmus, a-ha, Rammstein, Bushido, Rosenstolz, Paul van Dyk, Tokio Hotel, Sarah Connor, Reamonn, UB40, Marilyn Manson, Ben Becker, Fettes Brot, Sportfreunde Stiller, the television stations ProSieben, MDR and ZDF, Germany's football association DFB, TUI travel company, and many more. Since 2007, KATAPULT has also been producing the "Halt die Klappe" [Shut your mouth] comedy podcast.

<http://www.katapult-film.com>



**Alexander Kiening und Ingo Georgi**  
CEOs of KATAPULT Filmproduktion GmbH

## Management Report

### *Economic factors*

Berlin's economy developed well in 2007. A positive economic impact was generated not just by the processing industries and the building sector, but also by the labour market. In addition to this, Berlin benefited significantly from international economic growth. Not just with regard to services, but also increasingly in conjunction with innovative industry products. It was especially here that Berlin was able to benefit from its good networks between science and business and from its excellent infrastructure. On the whole, Berlin's economic performance in the past year rose considerably compared to 2006 and for the second time since 2000. Most indicators available up to date show an intact economic upswing for the capital city in 2008.

Thanks to the strong expansion of the world economy last year, Berlin's industry was able to record more orders than for some time now. Foreign orders, in particular, improved considerably. Sales were also on the up and by the end of the year were higher than in 2006. The metals, chemicals and engineering sectors fared particularly well. The strong increase in orders on hand over the course of 2007 are a good indication of sustainable growth in sales in the months to come.

Early indicators for the core construction industry, which has been hard-hit for many years, also show a positive trend for 2007. Orders on hand increased against the previous year, although commercial construction benefited particularly well from the good economy. This increasingly reflects the contracts awarded for Berlin's new Berlin Brandenburg International airport (BBI). It will still take some time, however, until this strong growth in orders on hand is reflected in sales. Surprisingly, sales in housing construction in Berlin have risen strongly despite the discontinuation of the home-owners allowance; this increase, however, did not compensate for the decline in commercial and public construction. The high level of orders on hand in commercial construction are, however, cause for cautious optimism. The ongoing construction of BBI Airport will generate considerable economic impact in the months to come.

Despite the revaluation of the euro, Berlin's export sector can still look back on a very good year. Exports once again reached a much higher figure than in 2006. The most important trade partners for Berlin's exporters in 2007 continued to be the EU member states. More than every second euro earned in export business came from an EU member state. Berlin's export companies continued to specialise in 2007 and were able to gain a good position on the global markets, including technological markets. Foreign business now accounts for 34% of turnover by Berlin's industrial companies. In 2000, this figure was just 23%.



Despite the burden on consumers resulting from higher VAT, high energy prices and higher rates for public services, the retail sector still managed to record higher sales. This meant that Berlin's retail sector once again recorded a better result than the national average. One important factor for the recovery of consumption in Berlin is the gradual stabilisation of the labour market along with the tourist boom. The fall in unemployment in Berlin in 2007 was stronger than in the rest of Germany as a whole. Job growth is also higher in Berlin than the national average.

The ongoing improvement of the economic environment, which can be generally noted, also had positive implications for Investitionsbank Berlin, especially in loan-based new business within the scope of the IBB Berlin INVEST product family as well as in the net result thanks to once-again reduced expenditure for precautionary measures in the lending business.

## *General Business Development in 2007*

### *Sale of Gewerbesiedlungs-Gesellschaft mbH successfully closed*

The sale of Gewerbesiedlungs-Gesellschaft mbH (GSG), which was launched in the previous year, was brought to a successful close in the year under review. IBB-Holding GmbH (a wholly owned subsidiary of Investitionsbank Berlin (IBB) and owner of the share in GSG) was able to achieve a cash selling price of EUR 302 million and hence a very good sales result. After deducting expenses, taxes and the required provisions for risks, this revenue enabled IBB-Holding GmbH to transfer a high net income to the bank.

The sale of GSG was contingent upon the provision of a new administration structure for the common-task funds granted by the GSG. The task of "administering" assistance has been assumed by BTGI Berliner Trägergesellschaft für Gewerbe-Infrastrukturmaßnahmen mbH (BTGI), a wholly owned subsidiary of IBB-Holding GmbH. BTGI has entered into an "administration agreement" with GSG which sets forth the mutual rights and obligations. GSG is particularly obliged to secure the use of the common-task supported programmes in compliance with subsidy law by way of easements and to obtain approval for each and every renting of areas which are subject to restrictions due to the funds granted.

Sufficient provisions have been made for all risks in conjunction with the sale of GSG and the new administration structure.

### *Business promotion and subsidies*

With its government assistance and financing offers, IBB offers sustainable support in partnership with banks in Berlin for business start-ups, as well as small and medium-sized enterprises operating in Berlin, thus promoting the creation and protection of jobs through business start-ups and expansion and strengthening Berlin as an economic centre.

With a holistic approach, already started in 2006, that targets business assistance more towards the needs of customers and away from a purely product and programme orientated approach, IBB in partnership with Berlin's banks has been able to expand its promotional activities significantly in almost all areas. In this context, IBB has participated increasingly in the financing risks borne by the private banks. In the field of business promotion, funds totalling EUR 323 million were distributed in the year under review.

EUR 100 million of this sum was granted for purely grant-related business whilst EUR 223 million was for dormant and open partnerships, as well as loans and guarantees.

In recent years, IBB was not only able to successfully expand the total volume of business promotion, it was particularly able to increase significantly the relative share of loan-based and equity financing.

In addition to promotional measures involving the appropriation of grants to the amount of more than EUR 100 million (previous year: EUR 135 million) in classical promotional products, such as the common task "improvement of the regional economic structure" and technology orientated programmes, such as ProFIT and Berlin Future Fund, the focus of business promotion measures in 2007 was on loan-based and equity-based financing programmes, such as the "Berlin Kredit", "Berlin Start", "Berlin Kapital", as well as the growth and consortium loan programme with an overall appropriation volume of EUR 209 million (previous year: EUR 96 million).

IBB also responded to the needs of business start-ups and small and medium-sized enterprises (SMEs) with an optimised product range designed to support growth. This led to brisk demand for loan products by this customer group. The "Berlin Start" programme, which was successfully shaped by Berlin's commercial banks and BBB Bürgschaftsbank Berlin-Brandenburg, saw the volume of financing rise by more than 50% compared to the previous year. At the same time, the appropriation volume for loans from the SME fund increased significantly against the previous year. In the case of the "Berlin Kredit", an increase of 230% against the previous was recorded.

The start of a new EU subsidy period in 2007 meant that IBB had to face special challenges when granting funds from the common task "Improvement of the regional economic structure". Since assistance levels for Berlin declined considerably compared to the previous subsidy period, many companies had brought their projects forward to 2006, so that the volume of appropriation was lower compared to the previous year. Despite the clear reduction in assistance rates with an appropriation volume of EUR 73 million, it was still possible to make an important contribution towards the implementation of investment projects in Berlin.

In addition to the products offered by IBB Beteiligungsgesellschaft mbH and the equity variants within the scope of the technology promotion programmes, IBB introduced in 2007 the "Berlin Kapital" programme, the bank's first-ever independent mezzanine financing product in order to specifically accompany with junior loans the growth and improvement of the capital structure among Berlin-based companies, especially in the federal state's competence fields. In the first year, 3 equity capital commitments were entered with an equity volume of EUR 1.2 million.

Berlin's banks and its customers have increasingly drawn Investitionsbank into more complex consortium financing in an effort to close financing loopholes and take on risks. Appropriations rose by 84% compared to the previous year.

In addition to traditional promotional business, IBB also supports companies with modern financing and capital market instruments, such as global loans. The advantage for private banks lies not just in the lesser burden on liquidity but also in the refinancing which they pass on to Berlin-based companies on a pro-rata basis.

### *Real-estate promotion*

Efficient management of existing customers and loans continues to be the aim of real-estate promotion. Together with the senate departments, IBB is also focusing on value-enhancing and energy-related measures in existing residential buildings, the conversion of existing buildings as a result of demographic change, and selectively on urban development issues.

In the 2007 financial year, the development of the existing volume continued to be influenced by the consolidation of the federal state budget. In addition to the discontinuation of follow-up subsidies on the first subsidy level, most expenditure grants on the second subsidy level in the case of a change in ownership were not passed on. Other reasons for consolidation include the possibility to redeem expenditure loans at their cash value in certain years of the programme.

The customers affected by the discontinuation of the follow-up subsidies and/or cash-value redemption were supported – in as far as possible – through follow-up financing at their own risk. In this context, IBB responded at the beginning of the year to requests by customers for special financing instruments such as EURIBOR or forward loans and interest rate hedging instruments. With a stock of subsidy loans to customers in real-estate promotion to the amount of EUR 12.0 billion (previous year: EUR 12.8 billion), real-estate promotion continues to account for more than 50% of the bank's overall volume of business.

Support in the form of rent compensation and/or moving assistance was given to tenants with lower incomes in buildings that were affected by the discontinuation of the follow-up subsidies. In 2007, 490 (212) applications and hence more than twice the number of applications received in 2006 were approved with a total grant volume of EUR 1.3 million (previous year: EUR 0.8 million).

Within the scope of "qualification on site" together with a co-operation partner, unemployed tradesmen were given the opportunity to work on building facades and thereby re-enter the world of employment. Just like in the previous year, grants were earmarked to the amount of EUR 3.0 million.

### *Refinancing*

Business activities were refinanced via the national and international money and capital markets. Individual promotion offers were additionally financed by programmes from other subsidy institutes (e.g. KfW, EIB).

In the past financial year, a total of EUR 3.1 billion in refinancing funds were taken out with capital market instruments. These funds were exclusively taken out in EUR. Through intensive market cultivation activities, IBB warrants the liquidity of its bonds on the secondary market, thus making the title very attractive for investors.

As a subsidy bank with public-sector responsibility and the explicit refinancing guarantee of the federal state of Berlin, the bank has the same credit rating as the federal state of Berlin.

## Income statement and earnings development

In the fourth year following its establishment as an independent entity, IBB can once again look back on a successful financial year.

The economic result recorded by the bank totalled EUR 235.1 million and was hence up EUR 86.4 (58%) against 2006, providing the federal state of Berlin with subsidy programmes to the amount of EUR 109.1 million (previous year: EUR 56.1 million). These programmes included subsidy activities by IBB on behalf of the federal state which – taking into account all the costs incurred in their implementation as well as income generated – resulted in an economic loss for the bank. The obligations undertaken in 2007 to effect corresponding payments in the years 2008 to 2012, which almost doubled subsidies for Berlin compared to the previous year, made it possible in the past financial year to pave the way for a successful subsidy policy in the years to come.

Despite burdening developments on the money and capital markets, the improvement in result was made possible by the successful conclusion of the sale of the share in GSG by our subsidiary IBB-Holding GmbH.

We have reached the goals set during the course of restructuring the bank and have fulfilled the expectations in conjunction with the project initiated at the end of the previous year to optimise the result.

EUR million	2007	2006	Change	
			absolute	In %
Net interest income	240.2	150.8	89.4	59.3
Net commission income	15.7	17.6	-1.9	-10.6
Net other operating income / expenses	78.0	103.3	-25.3	-24.5
<b>Total income</b>	<b>333.9</b>	<b>271.7</b>	<b>62.2</b>	<b>22.9</b>
Total administrative expenses	87.1	86.3	0.8	1.0
<b>Operating result before risk provisioning</b>	<b>246.8</b>	<b>185.5</b>	<b>61.3</b>	<b>33.1</b>
Risk provisioning	2.3	10.5	-8.2	-78.2
<b>Operating result</b>	<b>244.5</b>	<b>175.0</b>	<b>69.5</b>	<b>39.7</b>
Net extraordinary result	-9.5	-26.3	16.8	64.0
<b>Economic result</b>	<b>235.1</b>	<b>148.7</b>	<b>86.4</b>	<b>58.1</b>
IBB government assistance payments	109.1	56.1	53.0	94.4
<b>Net income for the year</b>	<b>126.0</b>	<b>92.6</b>	<b>33.4</b>	<b>36.1</b>

Net interest income, including the distribution of profits from the share in IBB-Holding GmbH, which was made possible by the sale of GSG, totalled EUR 240.2 million and was up EUR 89.4 million against the previous year. Adjusted by the once-off effect of the sale of GSG, net interest income developed in line with original expectations for the 2007 financial year. Net commission income fell by EUR 1.9 million compared to the previous year.

Other operating income and expenses totalled EUR 78.0 million and remained, as expected, EUR 25.3 million below the previous year's figure. This decline is largely due to lower revenue from the public law agreement with the federal state of Berlin according to which the bank is entitled to payments resulting from interest on the federal state's dormant equity in Landesbank Berlin. As a result of the partial repayment of this equity by Landesbank Berlin at the beginning of the year and the tax-related effects, this revenue declined by EUR 30.4 million.

Administrative expenses totalled EUR 87.1 million (previous year: EUR 86.3 million), remaining in the region of the previous year's figure. This was made possible by the restructuring strategy pursued with determination by the bank and through the development of additional potential within the scope of the net income optimisation programme launched the previous year.

In the year under review, the subsidy cost/income ratio, which is defined as the ratio of administrative expenses to revenues, increased to 26.1% (previous year: 31.7%) as a result of higher revenues.

Net risk provisioning for loans, securities and investments improved and was up EUR 8.2 million against the previous year and resulted in a burden of EUR 2.3 million on the net result. The bank has formed specific and general provisions for all recognisable risks, however, the liquidation of allowances no longer required increased compared to the previous year.

The net extraordinary result was up EUR 16.8 million against the previous year and includes expenditure in conjunction with the restructuring of the bank.

After deduction of subsidies for Berlin, the bank recorded net income amounting to EUR 126.0 million (previous year: EUR 92.6 million). Taking into consideration an advance appropriation of EUR 2.5 million to the special-purpose reserve, the balance sheet shows a profit of EUR 123.4 million.

Compared to the previous year, IBB's business volume rose by 11.9% or EUR 2.4 billion, respectively, to EUR 22.9 billion; this increase was almost exclusively due to growth in balance-sheet variables. In 2007, growth totalled EUR 2.3 billion or 11.5%, respectively, so that as per the balance sheet date a balance sheet sum of EUR 22.6 billion was recorded.

This development was primarily due to the EUR 1.2 billion increase in loans to banks as well as the further expansion of the portfolio in the case of bonds and other fixed-income securities to the amount of EUR 1.8 billion. Despite the expansion of lending business in the field of business promotion, loans to customers declined by 3.5% or EUR 0.5 billion, respectively, due to payments from financing in real-estate promotion, and totalled EUR 14.2 billion as per the balance-sheet cut-off date. Shares in affiliated companies declined as a consequence of the sale of the shares in GSG by EUR 150.8 million to EUR 27.1 million.

The expansion of business was refinanced by loans from lending institutes which increased by a total of EUR 1.2 billion or 18.9%, respectively, to EUR 7.3 billion, as well as the emission of securitised liabilities which, following last year's figure of EUR 4.1 billion, now increased to EUR 5.3 billion.

Shareholder's equity shows a balance-sheet profit of EUR 123.4 million. In accordance with the profit appropriation proposal, this sum is to be distributed to the federal state. Following reinvestment of the part of net income not to be transferred to Berlin to the amount of EUR 2.5 million (previous year: EUR 92.6 million), the special-purpose reserve as per the balance-sheet cut-off date totalled EUR 242.0 million (previous year: EUR 239.5 million).

Following transfer of the balance-sheet profit, equity totalled EUR 542.0 million (previous year: EUR 539.5 million). The balance-sheet capital ratio, which is calculated as the ratio of capital to the balance-sheet sum, thus totals 2.4% (previous year: 2.7%).

## Balance sheet as per 31 December 2007

Assets (EUR thousand)	31 December 2007	31 December 2006
<b>1. Cash</b>	<b>25,766</b>	<b>19,823</b>
b) Balances with central banks of which:	25,766	
at Deutsche Bundesbank: 25,766,000		
(31 December 06: 19,823,000)		
<b>3. Loans and advances to banks</b>	<b>2,931,996</b>	<b>1,694,562</b>
a) Payable on demand	446,410	132,272
b) Other loans and advances	2,485,586	1,562,290
<b>4. Loans and advances to customers</b>	<b>14,248,018</b>	<b>14,758,008</b>
of which:		
Secured by liens: 8,409,887,000 (31 December 06: 9,469,661,000)		
Public-sector loans: 4,119,349,000		
(31 December 06: 3,32,796,000)		
<b>5. Bonds and other fixed-income securities</b>	<b>5,095,087</b>	<b>3,266,931</b>
a) Money market paper		
ab) from other issuers	162,087	24,138
b) Bonds and notes		
ba) Issued by public institutions	151,309	126,223
of which: eligible as collateral at Deutsche Bundesbank	151,309	126,223
bb) from other issuers	4,781,591	3,115,852
of which: eligible as collateral at Deutsche Bundesbank	4,635,011	2,976,213
c) Own bonds	100	718
Nominal amount	100	718
<b>7. Participations</b>	<b>11,440</b>	<b>11,440</b>
of which:		
In banks EUR o thousand (31 December 06: EUR o thousand)		
<b>8. Shares in affiliated companies</b>	<b>27,130</b>	<b>178,004</b>
of which:		
In banks EUR o thousand (31 December 06: EUR o thousand)		
<b>9. Trust assets</b>	<b>95,433</b>	<b>101,246</b>
of which: Trust loans	95,433	101,246
<b>11. Intangible assets</b>	<b>1,556</b>	<b>10,038</b>
<b>12. Tangible assets</b>	<b>43,388</b>	<b>46,863</b>
<b>15. Other assets</b>	<b>91,305</b>	<b>141,626</b>
<b>16. Prepaid expenses</b>	<b>14,816</b>	<b>17,804</b>
<b>Total assets</b>	<b>22,585,935</b>	<b>20,246,345</b>



Liabilities and shareholders' equity (EUR thousand)	31 December 2007	31 December 2006
<b>1. Liabilities to banks</b>	<b>7,330,650</b>	<b>6,164,119</b>
a) Payable on demand	291,208	268,789
b) With an agreed term or notice period	7,039,442	5,895,330
<b>2. Liabilities to customers</b>	<b>8,437,136</b>	<b>8,568,073</b>
b) Other liabilities		
ba) Payable on demand	547,963	341,542
bb) With an agreed term or notice period	7,889,173	8,226,531
<b>3. Securitised liabilities</b>	<b>5,328,803</b>	<b>4,136,404</b>
a) Bonds issued	5,328,803	4,136,404
<b>4. Trust liabilities</b>	<b>95,433</b>	<b>101,246</b>
of which: Trust loans	95,433	101,246
<b>5. Other liabilities</b>	<b>73,708</b>	<b>115,211</b>
<b>6. Deferred income</b>	<b>220,631</b>	<b>250,498</b>
<b>7. Provisions</b>	<b>214,799</b>	<b>152,004</b>
a) Provisions for pensions and similar obligations	72,328	69,033
c) Other provisions	142,471	82,971
<b>9. Subordinated liabilities</b>	<b>75,000</b>	<b>75,000</b>
<b>11. Funds for general banking risks</b>	<b>144,311</b>	<b>144,311</b>
<b>12. Shareholders' equity</b>	<b>665,464</b>	<b>539,479</b>
a) Share capital	300,000	300,000
c) Revenue reserves		
cd) Other revenue reserves (special-purpose reserve)	242,019	239,479
d) Net retained profit	123,444	0
<b>Total liabilities and shareholders' equity</b>	<b>22,585,935</b>	<b>20,246,345</b>
<b>Off-balance sheet items</b>		
<b>1. Contingent liabilities</b>	<b>98,023</b>	<b>18,508</b>
b) Liabilities in relation to guarantees and warranties	98,023	18,508
<b>2. Other obligations</b>	<b>233,422</b>	<b>187,176</b>
c) Irrevocable loan commitments	233,422	187,176
	<b>331,445</b>	<b>205,684</b>

## Profit and loss account for the period 1 January 2007 to 31 December 2007

Expenses	EUR thousand	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest expenses			635,626	511,691
2. Fee and commission expenses			3,512	1,175
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	38,962			38,304
ab) Social security contributions and expenses for pensions and other benefits of which:	<u>9,514</u>			32,893
For pensions EUR 2,589,000 (previous year: EUR 24,730,000)		48,476		71,197
b) Other administrative expenses		<u>28,001</u>		19,632
			<u>76,477</u>	90,829
4. Depreciation, amortisation and write-downs on intangible assets and tangible assets			10,639	17,666
5. Other operating expenses			97,763	37,536
6. Amortisation and write-downs on Receivables and specific securities, as well as provisions for loans			6,278	10,460
7. Extraordinary expenses			9,475	4,096
8. Other taxes not report under item 5			8	12
9. Net income for the year			125,985	92,579
<b>Total expenses</b>			<b>965,763</b>	<b>766,044</b>
1. Net income for the year			125,985	92,579
2. Appropriation to other revenue reserves (special-purpose reserve)			<u>2,541</u>	<u>92,579</u>
3. Net retained profit			123,444	0

Income	TEUR	TEUR	Vorjahr TEUR
<b>1. Interest income from</b>			
a) Lending and money market transactions	575,024		580,010
b) Fixed-income securities and Book-entry securities	<u>190,644</u>		82,471
		<u>765,668</u>	<u>662,481</u>
<b>2. Current revenue from</b>			
c) shares in affiliated companies	110,124	110,124	0
<b>3. Fee and commission income</b>		19,259	18,793
<b>4. Revenue from additions to investments, shares in affiliated companies and securities handled as fixed assets</b>		4,000	0
<b>5. Other operating income</b>		66,707	84,770
<b>6. Extraordinary income</b>		5	0
<b>Total income</b>		<b>965,763</b>	<b>766,044</b>

## *Notes on the Profit and Loss Account of Investitionsbank Berlin as per 31 December 2007*

### *General notes*

Investitionsbank Berlin prepared the annual accounts as per 31 December 2007 in line with the German Commercial Code and in adherence to the Ordinance Regulating Reporting by Banks (RechKredV). The generally accepted accounting standards were observed.

The format of the balance sheet and of the profit and loss account is in line with the forms of the Ordinance Regulating Reporting by Banks.

The subsidiaries of Investitionsbank Berlin are individually and together of minor importance. This is why no consolidated accounts were drawn up.

### *Accounting and valuation methods*

Assets, liabilities and pending transactions were valued in accordance with the regulations of articles 252 seq. of the German Commercial Code in conjunction with sections 340 seq. of the German Commercial Code. The Ordinance Regulating Reporting by Banks (RechKredV) was observed.

Loans and advances to banks and customers are generally carried at their nominal amount. Zero bonds are carried at market value.

Premiums and discounts are appropriated to prepaid expenses and deferred income, respectively, and written back as scheduled.

Pro-rata interest on interest rate swaps is recognised on an accruals or deferrals basis, respectively. It is reported under loans and advances to banks and liabilities to banks. Income resulting from interest rate derivatives is reported in the bank's interest result.

Adequate account was taken of identifiable lending risks through the establishment of itemised allowances for bad debts and provisions. General allowances were made for bad debts in the receivables portfolio.

Irrecoverable interest payments were not received.

Financial assets are valued at their cost of acquisition. If sustained impairment of value is expected, write-downs are always performed to the strict lower of cost or market principle. If impairment of value is only temporary, the value is retained pursuant to Section 253 (2) of the German

Commercial Code in conjunction with Section 340 e of the German Commercial Code.

The securities of the liquidity reserve are valued at the strict lower of cost of market principle.

Scheduled write-downs are made on assets with a limited useful life. Low-value assets are written off immediately.

Liabilities are carried at their repayment amount.

Reserves for pension obligations were calculated using Prof. Dr. Heubecks 2005 G tables and based on the rules of the so-called Defined Benefit Obligation according to IAS 19. Future salary and pension developments were also considered. The interest rate, which was reduced to 4.5% last year in consideration of the development of long-term capital market interest rates, was used again.

The interest share of the sum added to pension reserves is recorded in the 2007 financial year for the first time in interest expenditure.

Other provisions are carried at the amount required in line with prudent business consideration.

### *Principles of currency translations*

All transactions of Investitionsbank Berlin are shown in euro.

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