

**Report of the Board of Management to the General Meeting on agenda item 6 in accordance with article 203 (1) and (2) sentence 2 in conjunction with article 186 (4) sentence 2 AktG**

The report of the Board of Management on agenda item 6 in accordance with article 203 (1) and (2) sentence 2 in conjunction with article 186 (4) sentence 2 AktG will be available for inspection from the date on which the General Meeting is convened onwards at the premises of IVG Immobilien AG at Zanderstrasse 5, 53177 Bonn, Germany, and at the General Meeting itself; the report can also be accessed via the company's website at <http://www.ivg.de/en/generalmeeting2010.html>. On request, a copy will be issued and sent to each shareholder free of charge.

The report is announced as follows:

In accordance with article 3 (3) of the Articles of Association, the Board of Management was authorised, with the approval of the Supervisory Board, to issue new shares against cash contributions up to an amount of €10,000,000 and to disapply shareholders' pre-emption rights under certain conditions, including in particular in accordance with article 186 (3) sentence 4 AktG (Authorised Capital II). The Board of Management has utilised this authorisation in full. The authorisation in article 3 (3) thereby became obsolete. The Board of Management and the Supervisory Board therefore propose to the General Meeting to repeal this provision of the Articles of Association and to create new Authorised Capital II with an adjusted amount.

Under the proposed authorisation, shareholders of the company shall have pre-emption rights in principle. However, in utilising Authorised Capital II, the Board of Management shall have the option to fully disapply pre-emption rights in accordance with articles 203 (1) sentence 1, 203 (2) in conjunction with article 186 (3) sentence 4 AktG.

Pre-emption rights shall be disappplied if, in accordance with the regulation in article 186 (3) sentence 4 AktG, the shares are issued at a price that is not significantly less than the market price of the shares of the company. This option for the Board of Management to disapply pre-emption rights with the approval of the Supervisory Board enables the company to adjust its equity flexibly in line with the respective business requirements and to react quickly and flexibly to favourable stock exchange situations. For instance, shares can be issued to institutional investors, and additional German and international investors can be gained. In contrast to an issue with pre-emption rights, a capital increase with pre-emption rights disappplied allows the issue price to be determined directly before placement, thereby avoiding an elevated risk of price changes for the period of a remaining subscription period. However, when granting pre-emption rights, the subscription price must be published by the third-to-last day of the subscription period in accordance with article 186 (2) sentence 2 AktG. In light of the volatility frequently observed on the equity markets, there would be a market and share price risk over several days, which would lead to security discounts when determining the conditions of issues and therefore to conditions unrepresentative of the market. Also, granting pre-emption rights can pose a threat to successful placements with third parties or can entail additional expenses if there is uncertainty as to the

exercise of pre-emption rights. Overall, therefore, the disapplication of pre-emption rights serves the purpose of generating as high and secure a cash inflow as possible through appropriate pricing and thereby achieving the greatest possible boost to the company's funds.

The asset and voting right interests of shareholders are safeguarded appropriately in spite of the proposed disapplication of pre-emption rights. The interests in respect of assets, in particular the protection against the dilution of the value of their investment, is taken into account in that the new shares issued can only be sold at a price that is not significantly less than the stock exchange price of shares in the company of the same class. The discount on the stock exchange price shall be less than 3% if possible, but always less than 5%. The definitive stock exchange price is the current officially quoted price at the time that the Board of Management sets the selling price. As the volatility of the markets means that market fluctuations can occur within a very short space of time, it should not be determined in advance whether a current average price over a period of several days or a current price at a fixed point in time should be used as a point of reference. This should be determined on a case-by-case basis. The Board of Management will endeavour to achieve the maximum possible selling price and allocate a discount on the price at which the current shareholders can buy shares on the stock exchange as low as possible.

Furthermore, the authorisation is limited to a maximum of 10% of the company's share capital. This ensures that the total number of shares issued does not exceed 10% of the share capital of the company; this is in accordance with the requirements of article 203 (1) sentence 1, (2) in conjunction with article 186 (3) sentence 4 AktG. In addition, the Board of Management shall only exercise this authorisation in such a way that the limit of 10% of share capital as regulated in article 186 (3) sentence 4 AktG is not exceeded during the period of the authorisation to issue Authorised Capital II including all the measures to which article 186 (3) sentence 4 AktG directly or indirectly applies. Given the limitation of the volume to 10% of share capital and the possibility of purchasing additional shares on the market at approximately identical conditions, there is no relevant deterioration of the shareholders' shareholdings.

If the Board of Management does not exercise the above authorisations to disapply pre-emption rights, shareholders will have pre-emption rights in principle. However, the Board of Management is to be authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights for fractional amounts. The purpose of this is to allow the utilisation of the authorisation with full amounts, thereby facilitating the technical implementation of the share issue. The shares excluded as fractional shares from the shareholders' pre-emption rights shall be utilised to best effect either on the stock exchange or in some other way. Restrictions on such fractional amounts shall not cause the shareholders to sustain any significant loss in terms of their shareholdings. The asset interests of the shareholders shall also be protected by virtue of the obligation in respect of best possible utilisation of the shares. The Board of Management shall also endeavour to keep the volume of fractional shares to a minimum.