

Report of the Board of Management to the General Meeting on agenda item 7 in accordance with article 221 (4) sentence 2 in conjunction with article 186 (4) sentence 2 AktG

The report of the Board of Management on agenda item 7 in accordance with article 221 (4) 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 contents of the report is announced as follows:

We propose to the General Meeting an authorisation and contingent capital for the issue of convertible bonds or bonds with warrants (referred to collectively as "bonds"). Issuing bonds (or combinations of these instruments) can offer opportunities in addition to conventional options for borrowing and raising equity that can be used as an attractive alternative source of financing depending on the market situation.

By way of resolution of the General Meeting of 24 May 2007, the Board of Management of the company was already authorised, with the approval of the Supervisory Board, to issue convertible bonds or bonds with warrants with a total nominal amount of up to €1,500,000,000 ("Authorisation I"). Article 3 (6) of the Articles of Association of the company provides Contingent Capital of up to €22,000,000 ("Contingent Capital 2007") to grant shares to the bearers or bearers or creditors of convertible bonds or bonds with warrants issued on the basis of Authorisation I. However, Authorisation I was based on rulings by some courts of instance and higher courts that demanded the stipulation of a specific conversion or option price for such resolutions rather than – in line with standard practice at that time – merely determining the basis of calculation for a minimum issue price. Authorisation I therefore grants the company only limited latitude in designing its bonds. The administration of justice by the German Federal High Court and legislation have since clarified that legal provisions grant companies greater reasonable latitude. To allow the company to take advantage of this greater latitude, we propose a new authorisation to issue convertible bonds or bonds with warrants of a total nominal amount of up to €2,000,000,000 and the creation of associated contingent capital of up to €30,000,000.

However, Authorisation I, under which no convertible bonds or bonds with warrants have been issued to date, is to be retained in addition to the new proposed authorisation. However, the total volume of bonds that can be issued under Authorisation I and Authorisation II combined, is limited to a total nominal amount of €2,000,000,000; bonds with conversion or option rights that have or will be issued on the basis of Authorisation I must be added to the total nominal amount of Authorisation II.

Issuing bonds permits the borrowing of capital at attractive conditions – particularly compared to conventional borrowing – and, under certain conditions, this capital can be converted to equity and thereby retained by the company on maturity. The option also provided for of establishing conversion

or option obligations in addition to granting conversion and option rights increases the latitude in designing this finance instrument. The authorisation grants the company the flexibility needed to place the bonds itself or through a Group company under its management ("Group company"). In addition to euro, the bonds can be issued in other legal currencies, such as that of an OECD state, and with or without restrictions on maturity.

In principle, shareholders will be granted pre-emption rights when bonds are issued. If placed via a Group company, the company must also ensure that shareholders of the company are granted their statutory pre-emption rights. In order to facilitate settlement it is intended to allow the bonds to be placed with one or more banks with the obligation that shareholders are offered pre-emption rights to the bonds.

However, the Board of Management is also to be authorised, with the approval of the Supervisory Board, to disapply the pre-emption rights of shareholders to the extent that the issue of shares on account of conversion or option rights or obligations is limited to up to 10% of the share capital of the company. This option to disapply pre-emption rights allows the company to retain the flexibility needed to take quick advantage of favourable capital market situations and, by setting market-driven conditions, achieving better terms and conditions when stipulating the interest rate and issue price of the bonds. The key factor for this is that unlike when issuing bonds with pre-emption rights, the issue price can be determined directly before placement, thereby avoiding an elevated risk of price changes for the duration of a subscription period. However, when granting pre-emption rights, the subscription price would have to 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, this would mean a market risk for several days, which would lead to security discounts when determining the bond conditions. The subscription period also makes it difficult to react to favourable market circumstances quickly. In addition, with bonds in particular, granting pre-emption rights can pose a threat to successful placements with third parties or can entail additional expenses on account of uncertainty regarding how they will be exercised.

Shareholders' need for protection against the dilution of their shareholdings is taken into account by stipulating an issue price that is not significantly less than the market value of the bonds as calculated using recognised financial and mathematical methods. With an issue price at market value the value of the pre-emption rights falls to practically zero. Thus, shareholders do not suffer any significant economic disadvantage as a result of the disapplication of their pre-emption rights. The Board of Management will endeavour to achieve the maximum possible issue price and keep the difference from the price at which the current shareholders can buy shares on the stock exchange as low as possible. Shareholders who wish to maintain their share of share capital in the company can do so by buying shares on the market at virtually the same conditions.

There is also no relevant deterioration of the shareholders' shareholdings. The authorisation is limited to the issue of conversion or option rights (including with conversion or option obligations) accounting for up to 10% of the share capital of the company. This 10% of share capital takes into account other shares issued against cash contributions or the disposal of treasury shares if pre-emption rights are disappplied in accordance with article

186 (3) sentence 4 AktG during the term of the proposed authorisation for the purposes of these transactions. This ensures that convertible bonds or bonds with warrants are not issued if this would lead to shareholders' pre-emption rights being disapplied for more than 10% of share capital directly or indirectly in accordance with article 186 (3) sentence 4. This further restriction is in the interests of shareholders who wish to maintain their shareholding as much as possible throughout these capital measures; in such cases their additional investment can be limited to a maximum of 10% of their shareholding.

The Board of Management is also authorised, with the approval of the Supervisory Board, to disapply pre-emption rights for fractional amounts. Such fractional amounts can arise from the amount of the respective issue volume and the presentation of a practical subscription ratio. The disapplication of pre-emption rights for fractional amounts in such cases facilitates the settlement of the capital measure. The fractional amounts for which shareholders' pre-emption rights are disapplied shall be utilised to best effect for the company either by selling them on the stock exchange or in some other way. Owing to the restriction on fractional amounts and the duty to make the best possible use of them, shareholders will not suffer any notable dilution of their assets or shareholdings; the Board of Management considers this to be objectively justified and appropriate.

The Board of Management should also be authorised, with the approval of the Supervisory Board, to disapply the pre-emption rights of shareholders in order to grant the bearers of conversion or option rights or bonds with conversion or option obligations pre-emption rights to the extent they would be owed after exercising their conversion or option rights or fulfilling their conversion or option obligations. This avoids causing a disadvantage to the bearers/creditors of conversion or option rights (conversion or option obligations); they are protected against dilution in line with capital market practice, the placement of the convertible bonds or bonds with warrants is facilitated and it is possible for the company to generate a greater inflow of funds as the conversion or option price in such cases is not reduced and no other dilution protection is required. The full extent of the disadvantage to existing shareholders is limited to the fact that the bearers/creditors of conversion or option rights (conversion or option obligations) are granted pre-emption rights that they would be owed anyway if they had already exercised their conversion or option rights or already fulfilled their conversion or option obligations. Weighing up the advantages and disadvantages, the disapplication of pre-emption rights therefore appears justified in this case.