

Report of the Board of Management to the General Meeting on agenda item 8 in accordance with article 71 (1) no. 8 sentence 5 in conjunction with article 186 (4) sentence 2 AktG

The report of the Board of Management on agenda item 8 in accordance with article 71 (1) no. 8 sentence 5 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:

a) General information

The General Meeting held on 14 May 2009 had authorised the company to acquire treasury shares up to a maximum of 10% of the share capital by 13 November 2010. As this authorisation granted on 14 May 2009 expires before the 2011 ordinary General Meeting, it is to be replaced by the proposed new authorisation which will run for the term now permitted by law of five years to 19 May 2015.

The proposed authorisation allows for the acquisition and resale of treasury shares – in various ways and in the interest of the company and its shareholders – amounting to 10% of the company's share capital at a price based on the current market price. When acquiring and selling treasury shares, the principle of equal treatment of shareholders in accordance with article 53a AktG shall be maintained. The acquisition of treasury shares in accordance with article 71 (1) no. 8 AktG shall not serve the purpose of trading in treasury shares or of ongoing price support for shares. When exercising the authorisation to acquire treasury shares, the limit stipulated in article 71 (2) AktG shall be observed. Accordingly, the acquired treasury shares, together with the other treasury shares that the company has acquired and still holds, shall not amount to more than 10% of the share capital. The acquisition is also only permitted if the company could recognise a reserve at the time of the acquisition in the amount of the expenses for it without reducing the share capital or a reserve required by law or the Articles of Association that cannot be used for payment to shareholders.

The Board of Management shall use its due discretion in deciding whether it is to exercise the proposed authorisation and use the treasury shares acquired. It shall observe its obligations under article 71 (3) sentence 1 AktG to report to the next general meeting.

b) Acquisition of treasury shares and disapplication of any right of tender

It should be possible to acquire treasury shares on the stock exchange, by way of a public purchase offer to all of the company's shareholders or by way of a public invitation to all shareholders to submit tenders.

In the case of a public purchase offer or public offer to submit tenders, it may be that the quantity of shares offered by the shareholders exceeds that demanded by the company. In such a case, the shares must be allocated on a pro rata basis. In this respect it should be possible to make provision for the preferential acceptance of bids up to a maximum of 100 units. The purpose of this is to avoid small remaining amounts; it can also counteract a de facto disadvantage to minor shareholders. Furthermore, the shares can be allotted in proportion to the tendered shares (tender ratios) rather than by the percentage of shares held as by doing so the technical aspect of the acquisition procedure can be kept within reasonable economic limits. In addition, a rounding facility should be provided based on business principles in order to avoid mathematical fractions of shares. To that extent, the number of shares acquired by individual tendering shareholders can be rounded as required to represent the acquisition of whole shares.

In accordance with the Supervisory Board, the Board of Management considers an exclusion of any further right of tender of the shareholders as objectively justified and appropriate as regards the shareholders.

c) Use of acquired treasury shares and disapplication of pre-emption rights

According to the proposed authorisation, the treasury shares acquired by the company can either be retired – with or without reducing the share capital – or they can be resold on the stock exchange or by way of a public offer to all shareholders. Accordingly, the shareholders' right to equal treatment will be observed when selling the shares. While shareholders will have no pre-emption rights when treasury shares are sold on the stock exchange, article 71 (1) no. 8 sentence 4 AktG states that the disposal of treasury shares on the stock exchange satisfies the equality principle of article 53a AktG.

Where treasury shares are sold by way of a public offer to all shareholders, the Board of Management shall be authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights for fractional amounts. The purpose of this when selling shares is to ensure that the subscription ratios are as free from fractional amounts as possible, thereby facilitating the technical implementation of the sale of the shares. The fractional amounts for which shareholders' pre-emption rights are disappplied shall be utilised to best effect for the company either on the stock exchange or in some other way. The Board of Management shall endeavour to keep the volume of fractional shares to a minimum. 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.

In accordance with the legal regulations in article 71 (1) no. 8 sentence 5 AktG, the proposed authorisation makes provision not only for the treasury shares acquired to be sold on the stock exchange or by way

of an offer to all shareholders, but also allows such shares to be used for the following purposes while disapplying pre-emption rights:

- aa) Under the proposed resolution, the company would be able to sell treasury shares other than on the stock exchange or by way of an offer to all shareholders against payment in cash, disapplying pre-emption rights, and at a price that is not significantly less than the market price of shares of the company. In particular, this would enable the company to offer institutional investors shares of the company and therefore gain additional shareholders both within and outside Germany. At the same time, this 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. Appropriate pricing allows the company to generate as great a gain on disposal as possible through and thereby achieve the greatest possible boost to the company's funds. Where there is an offer of sale to all shareholders, the subscription price could be published no later than three days prior to expiry of the subscription period in accordance with article 186 (2) sentence 2 AktG. However, even if this latitude is exploited, there would be a risk of a change in prices for several days, which would lead to security discounts when determining the selling price. In addition, the length of the subscription period would prevent the company from reacting to favourable market circumstances quickly.

The interests of shareholders in respect of assets and voting rights are safeguarded appropriately. 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. Any discount on the stock exchange price would probably be less than 3% but definitely no more than 5%. The definitive stock exchange price is the current officially quoted price at the time that the Board of Management stipulates 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 keep the difference from 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 acquired that can be sold in this way does not exceed 10% of the share capital of the company; this is in accordance with the requirements of article 71 (1) no. 8 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 including all the measures to which article 186 (3) sentence 4 AktG directly or indirectly applies. Given the limitation of the volume and the possibility of purchasing additional shares on the market at approximately identical conditions, there is no relevant deterioration of the shareholders' shareholdings.

- bb) In addition, the company should be able to have its treasury shares so that it can grant them, disapplying pre-emption rights, as payment in business combinations or in the acquisition of companies, parts of companies or participating interests in companies or other assets relating to such acquisition projects. This enables the company to use its treasury shares as currency for acquisitions. This type of performance is often required in national and international competition. The proposed authorisation should therefore enable the company to quickly and flexibly take advantage of opportunities to acquire companies, parts of companies or participating interests in companies.

The interests of the shareholders are suitably protected. The volume of the sale without pre-emption rights as provided for here is limited to 10% of the share capital. While the company could also issue new shares with pre-emption rights disapplying as currency for acquisitions from Authorised Capital III provided for under article 3 (3) of the Articles of Association, Authorised Capital III provides for a volume of 24 million shares equivalent to around 19% of the share capital. The company is therefore given a total acquisition volume, disapplying pre-emption rights, of around 29% of the share capital. However, only an acquisition volume of this magnitude is able to guarantee that the company can operate flexibly and remain competitive. In the current banking crisis, the conditions for the granting of loans have become considerably more restrictive and as a result it has become particularly difficult to finance company acquisitions with borrowed capital.

The interests of shareholders in respect of assets are protected through the obligation placed on the Board of Management, when exercising its authorisation, to issue new shares in accordance with article 255 (2) AktG in amounts which are on a scale commensurate with the value of the contribution in kind. The Board of Management will base its calculation of the value of the shares granted as payment on their market price. However, provision is not made for a diagrammatic link to a market price; this is in order to avoid a situation in which any results of negotiations are called into question as a result of fluctuations in the market price.