

Report of the Supervisory Board



Detlef Bierbaum,

Chairman of the Supervisory Board

Dear Shareholders,

During the period under review, in accordance with the law and the company's Articles of Association the Supervisory Board conscientiously carried out its duties of advising and monitoring the Management Board as it led the company's business.

Appropriate monitoring of business conduct and effective liaison with the Management Board

We regularly advised the Management Board on directing the company and continuously monitored its conduct of the company's business. We were involved in all decisions of major importance to IVG Immobilien AG and the Group. The activities of the Management Board gave no cause for complaint.

The Management Board reported to us fully, regularly and punctually both verbally and in writing on all relevant issues relating to corporate planning and strategic development, in accordance with § 90 (1) (2) of the German Stock Corporation Act (AktG). We were kept informed on the economic situation of the company, business dealings, and the situation of the Group as a whole, its subsidiaries and associates, including their risk position and risk management.

The Management Board fully explained any departures from the planned or targeted course of business and consulted with us on the company's strategic orientation. We discussed in detail all transactions important to the company on the basis of the Management Board's written and verbal reports.

In addition, I, the Chairman of the Supervisory Board, personally maintained permanent contact with the Management Board and in particular its Chairman to keep abreast

of current business developments, about which I informed the Supervisory Board. We also discussed in detail with the Management Board the reorganization begun in 2006 as part of the refocussing of the divisions and continued in 2007. No use was made of the right of inspection or of the audit privilege according to § 111 (2) (1) and (2) of the German Stock Corporation Act (AktG) as there were no facts that needed explanation. Where our approval was required by law or the Articles of Association, we cast our votes accordingly after careful examination and deliberation of all reports and motions submitted by the Management Board.

Supervisory Board and committees

The Supervisory Board met eight times during financial year 2007. One of these ordinary meetings, on 20 December 2007, was held as a telephone conference. An extraordinary meeting was held on 11 May 2007 to discuss the acquisition of a large portfolio. A further extraordinary meeting was held as a telephone conference on 29 January 2007 regarding the purchase of “The Gherkin” property in London. In addition to resolutions passed at meetings, the Supervisory Board adopted three resolutions outside of meetings by written vote or by way of votes cast in writing.

At the constitutive meeting held on 24 May 2007, the Supervisory Board confirmed Detlef Bierbaum as Chairman and Peter Rieck as Deputy Chairman.

At four of the eight ordinary meetings of the Supervisory Board held in 2007, one member was unable to attend each time. At the extraordinary meeting held on 11 May 2007, one member was unable to attend and another participated by telephone. At the extraordinary meeting held on 29 January 2007, two members could not attend. No member of the Supervisory Board participated in less than half of the meetings of the Supervisory Board. At two meetings of the Audit Committee, in which no resolutions were made, one member of the Committee was not present at each meeting.

Three committees have been formed so that we may perform our duties more proficiently.

Pursuant to the current German Corporate Governance Code, on 24 September 2007 the Supervisory Board elected Detlef Bierbaum and Peter Rieck to the newly formed **Nomination Committee**, which shall propose suitable candidates for impending Supervisory Board elections to the Annual General Meeting. The Nomination Committee did not meet during the reporting period.

There is still a **Personnel Committee** and an **Audit Committee**, which prepare topics and resolutions for Supervisory Board meetings and sometimes exercise decision making powers when duly authorized by the Supervisory Board. This year the Audit Committee made decisions about the issuance of convertible bonds. The Chairman of the Audit Committee directed the auditors appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements for 2007 after the relevant authority was granted by the Supervisory Board.

The Personnel Committee comprises Detlef Bierbaum (Chairman), Friedrich Merz (Deputy Chairman) and Claus Schäffauer. The Audit Committee is made up of Peter Rieck (Chairman), Rudolf Lutz and finally Dr Hans Michael Gaul as Deputy Chairman. Dr Gaul replaced Friedrich Merz as Deputy Chairman in the constitutive meeting held on 24 May 2007. Mr Merz had been a member of the Audit Committee since 8 February 2007 when he replaced Paul William Marcuse as Deputy Chairman after his early retirement from the post.

The Personnel Committee met twice in the financial year just ended, on 23 May and 19 July 2007. The Audit Committee met three times, on 28 March, 24 September and 22 November 2007. The Audit Committee and the Supervisory Board held a joint meeting on 23 May 2007.

Key topics of discussion and committee resolutions

We addressed business developments at IVG Immobilien AG and the Group in detail at each meeting. In particular, we regularly discussed the Group's financial and assets position, its results, and developments in the size of its workforce. The relevant committee chairmen reported the substance of committee meetings that preceded meetings of the Supervisory Board.

Key topics and resolutions in 2007 were as follows:

Changes to IVG organizational structure

At its meeting held on 8 February 2007 the Supervisory Board agreed with the proposal of the Management Board to change the organizational structure of the IVG Group. These changes to the organizational structure were designed to position IVG as a European investment house with ambitious growth targets in its four divisions, Investment, Funds, Development and Caverns. In the future, the organizational structure will consist of these four divisions, two operational functions and the corporate functions. The corporate functions are divided into Human Resources/Executive Office/Audits, Communications/Marketing/Research, Finance, Tax, Legal, Investor Relations, Controlling and Accounting/ITP. The operational functions are Asset Management and Transaction. Implementation of the new structure will continue to be carried out in line with the requirements of employment legislation and the Works Council Constitution Act (BetrVG) and involving the relevant employee representatives.

IVG Investment

We approved the planned purchase of property portfolios in Germany and of individual office properties, including properties in Hamburg, Düsseldorf and Paris.

Disposals of properties and shares appeared a total of seven times on the agenda of the Supervisory Board meetings. Among other things we passed resolutions on the sales of two property portfolios in Germany and Finland and the sale of properties in Paris and Milan.

IVG Funds

The Supervisory Board also approved the acquisition of property funds in Asia, Luxembourg and Italy. Of particular note is the acquisition of 50% of the London property The Gherkin – one of the landmarks of the British capital. After its acquisition by IVG in February, the property was able to be fully placed on the market within five weeks in September and October for the property fund EuroSelect 14. The sale of the Berlin-Konzept Immobilien Verwaltungsgesellschaft mbH was decided on 23 May 2007.

Furthermore we approved the transfer of a property in France from Funds to Investment and the transfer of a property in Brussels from Investment to Funds.

IVG Development

In 2007 we authorised the realisation of project developments in Munich, Paris, Budapest, Prague, Warsaw and London. In November we approved the sale of the third phase of the Global Gate project development in Düsseldorf.

We were also kept informed regularly at meetings of the Supervisory Board regarding the progress of the AIRRAIL project at Frankfurt airport, two projects in Budapest, Caxton Hall in London and Cowcaddens Road in Glasgow, Cap Sud in Paris, Horizon Plaza in Warsaw, Cornhill in London and Galeria Astoria in Bromberg.

IVG Caverns

On 30 March 2007, we approved the construction of a further 37 new caverns as part of the extension of the storage cavern site at Etzel.

Planning

Following the reorganisation of the Group's organisational structure, we revised the original medium-term planning for the years 2007 to 2009. At the request of the Supervisory Board, a revised medium-term planning for this period was presented to the Board for consideration on 19 July 2007. On 22 November 2007 we discussed medium-term planning for the years 2008 to 2010 in detail.

Management Board and managing directors (Group companies), performance share plan

On 30 March, 23 May and 22 November 2007 the Supervisory Board passed resolutions on the appointment of managing directors for Group companies. On the recommendation of the Personnel Committee, on 19 July 2007 the Supervisory Board passed a resolution to issue virtual shares by way of a performance share plan as an additional remuneration component for members of the Management Board and other managers when defined targets are reached. At the meeting held on 19 July 2007, the Personnel Committee approved the updating of remuneration for the Management Board. On the same day the Supervisory Board approved the updated remuneration for the Management Board.

On 19 July 2007 the Supervisory Board approved the establishment of a German REIT, to which IVG intends to transfer its domestic office property holdings ahead of a stock market listing. By resolution of 24 September 2007, Dr Volker Hahn and David Canals were appointed founding directors of this newly formed AG company. On 20 December 2007 Moritz Webeler and Dr Harald Gude were appointed members of the Management Board of IVG Immobilien Management Holding AG (the future IVG Office REIT).

Compliance with corporate governance standards

The Management Board and Supervisory Board operate in the knowledge that good corporate governance is important for the company's long-term success. In 2007 we therefore again discussed in detail the further evolution of the company's own corporate governance principles. The Management Board and Supervisory Board report on this in accordance with § 3.10 of the German Corporate Governance Code in the Corporate Governance Report for 2007, which can be found on pages 60 et seq. of this Annual Report.

In order to avoid a conflict of interest, Mr Rieck did not take part in the vote on 19 July 2007 concerning the acquisition of a property portfolio in Hamburg. Apart from this, no member of the Supervisory Board had any conflict of interest within the meaning of § 5.5.3 of the German Corporate Governance Code.

At the meeting held on 8 February 2007, we examined the efficiency of our work. We paid particular attention to Supervisory Board procedure, the provision of information by the Management Board, the working relationship between the two boards and the work of the committees. The results were presented on 30 March 2007. The responses from Supervisory Board members to the individual issues did not indicate any need for changes to be made.

The Auditors submitted a declaration of impartiality in accordance with § 7.2.1 of the German Corporate Governance Code and in our opinion this declaration gives no cause for doubt. The requirements of § 7.2.3 of the German Corporate Governance Code regarding the professional relationship between company and auditors are fulfilled.

On 8 February 2007 the Management Board and Supervisory Board issued an updated Declaration of Compliance with the German Corporate Governance Code. This had to be updated again on 22 November 2007 to take account of the new legal requirements from 14 June 2007. The Declaration of Compliance was made available to shareholders on the Group's website. In 2007 IVG Immobilien AG complied with all recommendations of the German Corporate Governance Code in the version issued in June 2007 and demonstrated its commitment to exemplary corporate governance and control. The Declaration can be seen on the website and on page 61 of this Annual Report.

Audit Committee deliberations on the annual financial statements and consolidated financial statements

At its meeting on 10 March 2008, the Audit Committee analysed in detail and in the presence of the auditors the IVG Immobilien AG annual financial statements for 2007 and the consolidated financial statements for IVG to 31 December 2007. After examining the financial statements and discussing them fully, the Audit Committee recommended that the Supervisory Board approve the IVG Immobilien AG annual financial statements and management report for 2007, the consolidated financial statements and the Group management report, the Supervisory Board report, and the Management Board's proposal for the appropriation of net profit.

Annual financial statements and consolidated financial statements 2007 approved

Before the financial statements meeting on 10 March 2008 and the preceding meeting of the Audit Committee, all members were provided in good time with the annual financial statements, the consolidated financial statements, the management report and the Group management report of IVG Immobilien AG and the audit reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditors took part in discussions about the annual financial statements and the consolidated financial statements at the Audit Committee meeting and at the meeting of the Supervisory Board on 10 March 2008. They reported in detail on the course of the audit and remained on hand to provide additional information. As permitted by the exemption under § 315a of the German Commercial Code (HGB), the company refrained from preparing the consolidated financial statements on the basis of the German Commercial Code (HGB). The auditors certified that they had no objections to the IFRS consolidated financial statements or the Group management report as presented.

The annual financial statements to 31 December 2007 prepared by the Management Board on the basis of the German Commercial Code (HGB) and the management report of IVG Immobilien AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, pursuant to the resolution of the Annual General Meeting held on 24 May 2007 and the subsequent appointment made by the Audit Committee. The auditors certified that they had no objections. Following our own examination of the annual financial statements, the consolidated financial statements, the management report and the Group management report, we concur with the audit findings. We also have no objections to raise after our final examination. We agree with the appraisal of the Management Board set out in the management report and the Group management report. At our meeting held on 10 March 2008, we followed the recommendation of the Audit Committee and approved the annual financial statements and the consolidated financial statements. The annual financial statements are therefore deemed final in accordance with § 172 of the German Stock Corporation Act (AktG). We have examined and concur with the proposals of the Management Board for the appropriation of net profit.

Changes to the Supervisory Board

The following personnel changes in the Supervisory Board took place during the reporting period:

On 8 February 2007 Paul William Marcuse resigned his office as shareholder representative on the Supervisory Board due to him taking up a new professional commitment and to avoid any possible related conflict of interest. The Annual General Meeting elected shareholder representative Dr Hans Michael Gaul to the Supervisory Board on 24 May 2007. Franz-Xaver Baumgartner left the Group after the sale of the tank park activities and also gave up his seat as employee representative on the Supervisory Board as of 30 September 2007. By judicial order, Mr Baumgartner was replaced as employee representative effective 25 October 2007 by David D. Günther. The Supervisory Board would like to take this opportunity to thank Mr Marcuse and Mr Baumgartner for their achievements and their commitment to IVG and wishes them all the best for the future.

Mr Marcuse was replaced in the Audit Committee by Friedrich Merz with effect from 9 February 2007, until he was replaced as Deputy Chairman by Dr Hans Michael Gaul at the constitutive meeting held on 24 May 2007.

We would like to thank the Management Board, all the employees and the employee representatives for their dedication and success in 2007.

Bonn, 10 March 2008



On behalf of the Supervisory Board
Detlef Bierbaum, Chairman