2011

Annual Report

Passion for Real Assets

IVG

Passion for Real Assets

Passion for Real Assets

in € m	2011	2010	Change in %
Key operational figures			
Revenues	517.6	821.8	-37.0
thereof net rents	*247.1*	*266.2*	*-7.2*
thereof from project sales	*119.9*	*396.9*	*-69.8*
thereof fees for fund and property management, development and sales	*91.5*	*102.8*	*-11.0*
EBIT	43.3	256.2	-83.1
EBT	-217.6	21.1	-
Consolidated net profit	-126.0	23.2	-
thereof unrealised changes in value	*-116.6*	*-14.6*	-
Funds from Operations I (FFO I)	14.9	15.0	-0.4
Funds from Operations II (FFO II)	-62.2	10.0	-
Key balance sheet figures			
Total assets	6,904.2	7,292.4	-5.3
Equity (carrying amounts)	1,386.3	1,286.1	+7.8
Equity ratio at carrying amounts in %	20.1	17.6	+13.9
Net asset value (NAV)	985.3	884.8	+11.4
NAV adjustment potential of caverns	325.3	356.3	-8.7
NAV adj. (incl. value potential of caverns)	1,310.6	1,241.1	+5.6
Equity ratio at NAV adj. in %	19.2	17.1	+12.1
EPRA NAV	781.7	797.9	-2.0
EPRA NNNAV	1,131.4	985.9	+14.8
Key figures per share in €			
Number of shares at reporting date	207.9	126.0	+65.0
Average number of shares	142.1	127.9	+11.1
NAV [1]	4.74	7.02	-32.5
NAV adj. [1]	6.30	9.85	-36.0
EPRA NAV [1]	3.76	6.33	-40.6
EPRA NNNAV [1]	5.44	7.82	-30.4
FFO I [2]	0.10	0.12	-10.4
FFO II [2]	-0.44	0.08	-
Earnings (EPS), undiluted [2]	-1.11	-0.07	-
EPRA EPS [2]	-0.99	-0.20	-
Diluted earnings [2]	-1.11	-0,07	-
Dividend per share	0.00	0.00	-
Segments			
IVG Real Estate: Fair value	3,776	4,266	-11.5
IVG Development: Invested capital (IVG share)	1,534	1,379	+11.2
IVG Caverns: Value of caverns under development	1,143	1,123	+1.8
IVG Funds: Assets under Management	15,054	15,096	-0.3
Employees at end of year (FTE)	586	590	-0.7

[1] On the basis of the number of shares at reference date (31.12. 2011: 207.9 m shares/31.12.2010: 126.0 m shares)
[2] On the basis of the average number of shares (31.12.2011: 142.1 m shares/31.12.2010: 127.9 m shares)

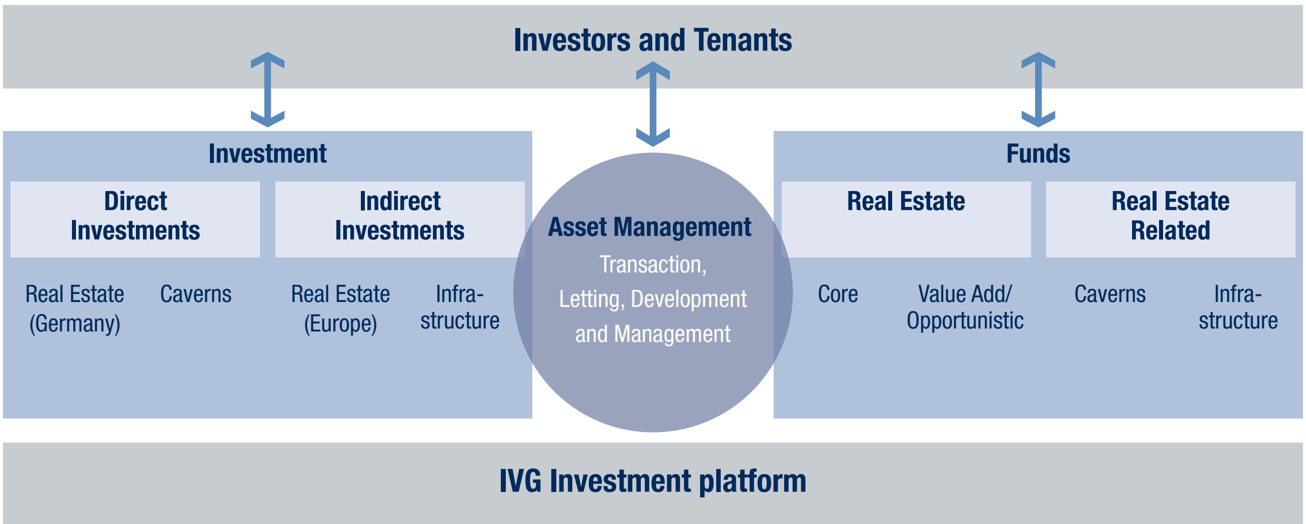
What does IVG stand for today? What makes us strong and successful in the future? Following our realignment, we addressed these questions in depth with the employees in our company. The result are new guiding principles centring on a key idea: Passion for Real Assets.

In connection with this key phrase we have developed a self-assured vision: "We are passionate asset and investment managers with international expertise. We deliver our customers tailor-made solutions. We build relationships which create sustainable value. We are all united behind our vision so that we can rightly look upon IVG with pride – as an international, integrated investment platform specialised in real estate and infrastructure combining tradition, sustainability and success."

IVG Immobilien is one of Europe's leading

Asset and Investment Managers

Our business model is geared towards generating **sustainable income** while maintaining a **balanced risk profile**. At the same time, we are positioning our company as an **investment platform** with an integrated value chain.



Our business is founded on two pillars – Investment and Funds – and supported operationally by our internationally positioned Asset Management unit.

- IVG Investment: Investments in real estate and caverns with equity – direct investments in Germany and indirect investments in real estate and infrastructure projects throughout Europe
- IVG Funds: Structuring, distribution and management of investment products for institutional and private investors with a focus on core real estate throughout Europe and real-estate-related investments such as caverns and logistics
- IVG Asset Management: Management of properties held by IVG in its own portfolio and in funds, as well as the purchase and sale of properties throughout Europe focusing on value increase


Helsinki
Stockholm
London
Etzel
Hamburg
Amsterdam
Berlin
Dusseldorf
Warsaw
Brussels
Bonn
Frankfurt a. M.
Wiesbaden
Paris
Munich
Vienna
Budapest
Milan
Madrid
Locations and branches of IVG
(as per January 2012)

Contents

Passion for Real

Experiencing Real Assets: THE SQUAIRE – Working on the pulse

Developing Real Assets: Leveraging expertise as an integrated real estate investment platform

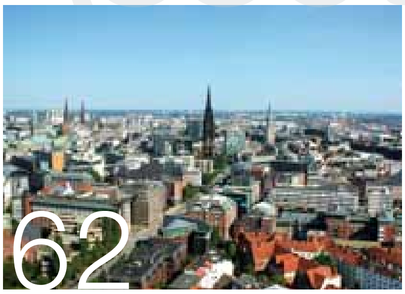
Professional Support of Real Assets: Operating business – keeping a promise for day-to-day performance

62 Group Management Report

102 Consolidated Financial Statements

168 Additional Information

Assets



Positioning Real Assets:
Strategy – being in the right markets

Preserving Real Assets:
Sustainability – performing in the long term as well

Safeguarding Real Assets:
Stability – knowing your options

Experiencing Real Assets:

The SQUAIRE – Working on the pulse

It's hard to imagine a better way of designing and developing an office and commercial complex. THE SQUAIRE at Frankfurt Airport shows how the working world in Europe will look in the future: with a high quality of life, a diverse range of opportunities for communication, and optimum transport connections. The "NEW WORK CITY" is coming to life.

Shareholders

The Year 2011

IVG launches debt reduction programme as planned

IVG receives proceeds of around €87 million from an accelerated capital increase

Positive consolidated net profit for the 2010 financial year

IVG presents sustainability report

IVG posts positive consolidated net profit in Q1 2011

Dr Gerhard Niesslein does not extend his contract – Professor Dr Wolfgang Schäfers appointed as his successor

01 02 03 04 05 06

LEED Silver, Gold and Platinum for IVG office properties ("An den Brücken", "ARTQUADRAT", "IVG-Infopark E")

IVG launches new Paris fund for institutional investors

IVG awarded sustainability Oscar for "An den Brücken" project in Munich

IVG Warsaw fund initiates acquisition programme

KPMG moves in at THE SQUAIRE

IVG Caverns again transfers seven caverns to clients in line with planning

IVG share is included in the FTSE EPRA/NAREIT Global Real Estate indices

IVG earnings squeezed by extraordinary effect in Q2 2011

Finalisation of IVG guiding principles: “Passion for Real Assets”

IVG completes Management Board with Dr Hans Volkert Volckens and Mr Christian Kühni – formation of a Group Executive Committee

Open day: “40 years of cavern construction in Etzel”

IVG reassigned from MDAX to SDAX

Successful, early prolongation of €2.6 billion loans

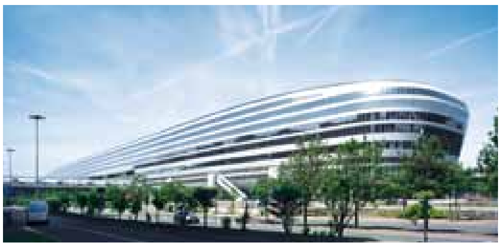
IVG returns to profitability in Q3 2011

Successful placement of ordinary capital increase generates proceeds of around €145.5 million

IVG triples transaction volume in 2011 to €2.25 billion

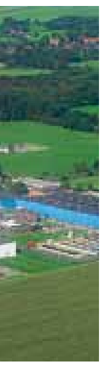
07 08 09 10 11 12

Major lease signed for THE SQUAIRE with Deutsche Lufthansa AG – occupancy rate rises to over 80%



Investor group led by IVG acquires landmark “Silberturm” building in Frankfurt’s banking district

LEED Gold awarded for “Hackesches Quartier” in Berlin



Letting performance for 2011 with 800,000 sqm up significantly on previous year

Hotel highlight to finish the year – Hilton and Hilton Garden Inn open in THE SQUAIRE

Christian Kühni
Member of the
Management Board (COO)

Professor Dr Wolfgang Schäfers
Chief Executive Officer (CEO)

Dr Hans Volkert Volckens
Member of the
Management Board (CFO)

Foreword by the Management Board

Dear shareholders,
Ladies and Gentlemen,

The 2011 financial year was not an auspicious one on the financial markets. The financial and economic crisis led on to the sovereign debt and euro crisis. The interdependence between politics and business became increasingly clear with the intensive negotiations on the euro bailout fund and the repeated fierce debate over the role of the rating agencies. Despite being at the interface with the financial sector, the European real estate sector held its ground in this environment – with a differentiated situation in the countries particularly impacted by the debt crisis.

Increased transaction volume on the real estate investment market

In spite of the high level of economic uncertainty resulting from the sovereign debt crisis, the real estate investment market was characterised by persistently high sales activities in 2011. The European transaction volume amounted to €115 billion in 2011, exceeding the 2010 level by 10%. IVG itself generated a transaction volume in 2011 that was three times higher than in the previous year. The figure of €2.25 billion generated includes purchases and sales on IVG's own account and for third parties. Initial yields for office properties in top locations saw a largely stable development on average in Europe. The largest German real estate markets, in contrast, displayed a slightly positive trend from 5.07% to 4.95%.

Slight recovery on real estate rental market

A moderate recovery could be observed on the real estate rental market in 2011 up to the end of the year. Prime rents rose by an average of 2.2% over the course of the year in the European office markets examined. The German key markets performed even better, with growth of 2.5%. IVG itself concluded new leases or prolonged existing ones for a total of around 800,000 sqm in its own properties and fund properties. The average vacancy rates for office properties in Europe and in the seven German key markets were 9.5% and 9.6% respectively as at the end of the year. The rate in IVG's own portfolio was 11.1%.

Key milestones at IVG in 2011

In spite of the difficult general conditions, 2011 was a year of key milestones on the real estate market for IVG. The largest of the development projects still to be completed, THE SQUAIRE at Frankfurt Airport, began operation. The first anchor tenant KPMG moved in in May 2011, the two Hilton hotels opened in December 2011, and restaurateurs, retailers and other service providers have gradually been starting business. After concluding a lease for Deutsche Lufthansa AG as the third anchor tenant in September 2011, the occupancy rate of THE SQUAIRE is currently around 82%. A spectacular elevated railway to the car park THE SQUAIRE Parking has provided access to approximately 2,500 parking spaces for THE SQUAIRE since February 2012. We are convinced that the more THE SQUAIRE fills up and changes over to regular operations, the more it will grow into one of Europe's most interesting real estate investment properties.

In the Frankfurt banking district, we came out on top in the bidding process for the fully-let former Dresdner Bank headquarters ("Silberturm") together with a group of investors in October 2011. The acquisition of this landmark property – which took place under our leadership – tangibly confirmed the effectiveness of our investment platform approach. In successfully raising external funds entirely from outside the banking sector in this transaction, IVG attracted particular attention on the market and demonstrated its resilience even in a difficult financial market environment.

In 2011, Germany once again confirmed the status it acquired during the economic crises of the past years as a comparatively robust real estate market. In December 2011, we therefore brought out a product suited to this market perception in the form of our new fund for private investors, IVG EuroSelect 21 Munich. The fund is characterised by strong stability on the basis of its location Munich, the tenant Allianz and the quality of the properties. The subscription period, which continues into the current year, has seen a very promising start.

We marked another impressive milestone in 2011 with the 40th anniversary of the IVG caverns facility in Etzel. It is no mean feat to have operated the cavern business purposefully and with great economic success over 40 years in a constantly evolving infrastructure sector. And the caverns business model has a promising future ahead of it. With the indirect storage of renewable energies, it can make a major contribution to a climate-friendly energy mix. Here, economics and sustainability point in the same direction. Our new IVG slogan is "Passion for Real Assets". In addition to our real estate activities, this also explicitly covers our activities in related infrastructure, such as the energy infrastructure. We intend to apply our increased expertise in this sector to other new projects in the future.

IVG achieves major financing successes in 2011

Two key business issues in the past year were the extension of major credit blocks and two capital increases. The extensions and new financing amounting to total external funds of approximately €2.6 billion considerably improved our financing and maturities profile. With the two capital increases in February and December 2011, we generated new equity totalling around €232 million. The funds will be used for investments in the very stable Caverns segment and to further improve the ratio of assets to liabilities, among other uses.

Consolidated net profit: two positive and two negative quarters in 2011

With two positive and two negative quarters, we closed the 2011 financial year with a consolidated net loss of €126.0 million. This is largely due to impairment losses of €116.6 million on the project THE SQUAIRE resulting from cost increases as part of the finalisation. In comparison to the previous year, sales executed in the past year were at market prices. This confirms the carrying amount of the existing portfolio. The unrealised changes in market value in the amount of €35.7 million were again very positively impacted by the Caverns segment. Net asset value (NAV) on the balance sheet was €4.74, while NAV including future cavern business (adjusted NAV) amounted to €6.30. Detailed information on the figures can be found in the financial section of the annual report. The separate financial statements of IVG Immobilien AG in accordance with the German Commercial Code (HGB) reported a loss of €300.7 million. There will therefore be no dividend payment for the past financial year 2011.

Highly unsatisfactory performance by IVG shares

The performance of IVG shares in the financial year was very disappointing for us and for our shareholders. Over the year as a whole, the share price fell by around 70%. This negative development was due to both internal and external factors. The share price was adversely affected by the changes in the Management Board, a further cost overrun for the major project THE SQUAIRE, and the capital market's critical response to the capital increase at the end of the stock market year. External influences were the sovereign debt crisis and the volatility of the financial markets.

Sustainability and guiding principles as strategic framework

Sustainable business is increasingly growing from a secondary economic condition into an independent corporate goal. Although the turbulence on the financial markets has ostensibly overshadowed this recently, the trend also continued in 2011. This also applies to the real estate sector, as documented by a study by our Research department in September 2011. In May 2011, IVG was one of the first real estate companies in Germany to issue an extensive independent sustainability report. This report served to take stock transparently of the variety of measures already taken within the Group with regard to the whole spectrum of targets (economy, ecology, society and governance). It also serves as a yardstick for further steps planned for the future. The first sustainability report will be followed by a second report in the first half of 2012. In dealing intensively with the issue, it also became clear that the successful implementation of a sustainability strategy will be a process made up of small steps that must be pursued persistently and patiently.

Another step of fundamental importance was the development of our corporate guiding principles in 2011. The guiding principles consist of the above-mentioned slogan "Passion for Real Assets", a vision and a mission, and is published on page 36 of this annual report. It is intended to serve as a guide for action without restricting business creativity. It is also intended to help organise "diversity in unity" in a business context. Anchoring the corporate guiding principles is likewise a process that must take effect over time and demands perseverance. We are confident that the groundwork completed for this in the past year will bear fruit in the future.

Management team completed and expanded

In October 2011, Dr Hans Volkert Volckens and Christian Kühni completed the company's top governing body as CFO and COO respectively. Furthermore, the management was supplemented by a Group Executive Committee consisting of three division managers from the areas of Investment, Funds and Asset Management in addition to the Management Board. This contributes to a broad professional exchange and fast information channels, both of which are particularly important for IVG's integrated strategic approach as an investment platform.

Successful progress on our company's path is possible only with the cooperation of all those involved. We are pleased that we can count on the cooperation of the different stakeholders. We would like to express our gratitude to our shareholders, investors and financial backers for their continued trust. We are much obliged to our tenants for another year of reliable business relationships. And last but not least, we would like to express our deep appreciation to all employees for their commitment.

Bonn, March 2012
The Management Board

Professor Dr Wolfgang Schäfers

Christian Kühni

Dr Hans Volkert Volckens

Report of the Supervisory Board

Dear shareholders,

Ladies and Gentlemen,

Owing to the lingering difficulties in the market environment – including as a result of the debt crisis – and the obligations from project developments begun in previous years, particularly THE SQUAIRE, the company again faced major challenges in the 2011 reporting year. As a result, the company expediently continued the measures of the restructuring programme initiated in 2009 and also laid the foundations for future growth.

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

Work performed by the Supervisory Board and liaison with the Management Board

We advised the Management Board regularly and extensively 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 comprehensively, regularly and punctually, both verbally and in writing, on all relevant issues relating to corporate planning and strategic development, in accordance with section 90(1) and (2) of the German Stock Corporation Act (AktG). We were given extensive information on the economic and financial situation of the company, business dealings, and the situation of the Group as a whole, its subsidiaries and associated companies, including their risk position, risk management and compliance. The Management Board agreed the strategic direction of the company with us on a regular basis. The Management Board fully and promptly explained and justified any departures from the planned or targeted course of business. We discussed in detail all transactions important to the company on the basis of the Management Board's written and verbal reports and presentations.

As Chairman of the Supervisory Board, I was also in constant close contact with the Management Board in order to inform myself about current business transactions and to discuss the company's strategy, business development and risk management with the Management Board. I immediately informed my colleagues on the Supervisory Board about events which were important for an assessment of the condition and development of the company and for its management. Rights of inspection and control pursuant to section 111(2) sentence 1 and 2 of the German Stock Corporation Act (AktG) were not exercised, as there were no matters requiring clarification. After thorough review and discussion, we cast our vote on reports and proposed resolutions of the Management Board where approval was required by law or under the Articles of Association.

Supervisory Board meetings and focus of discussion

Twelve Supervisory Board meetings were held in the financial year 2011, four of which were extraordinary meetings. No member of our Supervisory Board attended less than half of the Supervisory Board meetings.

At the meetings, we dealt in detail with the current business development of IVG Immobilien AG and the Group. In particular, we regularly discussed the Group's net assets, financial position and results of operations and the development of employee numbers. Market and share price performance, key Group projects and the ongoing strategic development of IVG's business model as an investment platform for real estate and infrastructure were discussed. We also paid particular attention to the extensive prolongation of loans in the reporting year.

We resolved to increase the size of the Management Board to three members and to introduce three division managers to improve the focus on operating business and growth prospects. We passed resolutions on the appointment of managing directors for Group companies and approved powers of attorney for IVG Immobilien AG. In the 2011 financial year, we again resolved to have the efficiency of our own work reviewed by PricewaterhouseCoopers. Specific funds and investment products, as well as markets and growth potentials were also discussed. When the meetings were preceded by a committee meeting, the chairman of the committee in question reported on its key content.

1 Detlef Bierbaum
Chairman of the Supervisory Board

2 Frank F. Beelitz
Deputy Chairman of the
Supervisory Board

3 Rudolf Lutz

4 Klaus R. Müller

5 David C. Günther

6 Dr Bernd Thiemann

7 Thomas Neußer-Eckhoff

8 Wolfgang Herr

9 Klaus-Joachim W. Krauth

In addition to these and other general and company-wide issues, our discussions and resolutions also focused on the following projects:

Investment

In the reporting year we approved a total of six property sales in Berlin, Munich, Nanterre, Paris and Vélizy-Villacoublay. The Management Board kept us informed about the current status of all sales on an ongoing basis.

The Management Board regularly informed us in detail about current projects in the rest of the development pipeline. Current developments, including in particular the expansion and letting progress, cost and risk management of the major property THE SQUAIRE at Frankfurt Airport were discussed in each ordinary meeting.

We were kept informed about the progress in expanding the cavern field and about important developments in the operation of the cavern site. As the sale of completed caverns, particularly to the IVG Cavern Fund launched in 2008, is a matter of high importance for the debt reduction of the company, we discussed developments in this area regularly.

Funds

In the area of fund investments for both private and institutional investors, we monitored and advised the Management Board in developing new investment ideas and in inspecting properties. We also monitored the acquisition of the Frankfurt property "Silberturm" by a group of investors led by IVG.

Amendments to the Articles of Association

In the reporting year, the Annual General Meeting on 18 May 2011 resolved an amendment of Article 12 of the Articles of Association (election of the Chairman and his deputy) and Article 23(2) of the Articles of Association (profit participation). In addition, the Annual General Meeting resolved Authorised Capital II of up to €21,299,999 and a corresponding amendment to the Articles of Association.

The Supervisory Board discussed these proposals to the Annual General Meeting at its meeting on 21 March 2011.

Planning

At the meeting on 16 December 2010, we had discussed in great detail the medium-term planning including the sales and investments for the years 2011 to 2013 and approved the Management Board's comprehensive investment and financial planning for 2011 at the extraordinary meeting of the Supervisory Board on 12 January 2011.

At the meeting on 25 January 2012 we discussed medium-term planning including the disposals and investments for the years 2012 to 2015 in detail and approved the comprehensive investment and financial planning of the Management Board for 2012. In the context of planning, the Supervisory Board also intensively discussed the development of the share price and, with the Management Board, measures to contribute to cost optimisation and growth enhancement and thereby to stabilising and increasing the share price in the medium term.

Capital increases

To finance the company's further development, in February 2011 we approved the Management Board's proposal of a capital increase with shareholder pre-emption rights disapplied and, in this context, authorised the Audit Committee to approve the Management Board's proposal to implement the capital increase, including in particular setting the issue price and the number of shares to be issued and to resolve the necessary amendments to the Articles of Association and all other matters in connection with the capital increase. The Audit Committee then quickly adopted the necessary resolutions. The capital increase resulted in gross proceeds of around €87 million flowing to the company.

In November 2011, we approved the resolutions of the Management Board to perform a further capital increase using authorised capital and resolved the necessary amendments to the Articles of Association. With pre-emption rights in effect, the Authorised Capitals I and III available at this time and the Authorised Capital II created by way of resolution of the 2011 Annual General Meeting were utilised almost fully. The company received gross issue proceeds of around €145.5 million from the capital increase implemented in December 2011.

Committees

In order to perform our duties in detail, there are three committees: the Audit Committee, the Personnel Committee and the Nomination Committee. The Audit Committee and the Personnel Committee prepare topics and resolutions for the Supervisory Board meetings and in some cases also exercise decision-making authority where this authority has been transferred to them by the Supervisory Board. The Chairmen of the committees regularly reported in the plenary session.

The **Audit Committee** deals in particular with monitoring the accounting process, the effectiveness of the internal control system, risk management, the internal independence of the auditors and the additional services performed by the auditors. In the 2011 financial year, there were four meetings of the Audit Committee, each held before the publication of the quarterly financial statements to discuss the quarterly results in detail with the Management Board. The results of the review of the condensed financial statements and the interim management report as at 30 June 2011 were also intensively discussed with the Audit Committee. In this context, the Audit Committee also dealt in detail with the risks described in the risk report section of the interim management report that could threaten the continued existence of the Group as a going concern. Another focus of the Audit Committee's work was the audit of the separate and consolidated financial statements including the management reports for the financial year 2011. In the 2011 financial year also, the auditor, the Compliance Officers risk management and the internal audit department all provided detailed reports on their work to the Audit Committee.

The number of members in the Audit Committee was reduced from four to three at the constituent meeting of the Supervisory Board following the Annual General Meeting on 18 May 2011. Until this time, the committee was made up of Mr. Frank F. Beelitz (Chairman), Dr Hans Michael Gaul (Deputy Chairman), Mr Wolfgang Herr and Mr Rudolf Lutz. After the 2011 Annual General Meeting, Dr Gaul left the committee and Mr Herr was elected as the Deputy Chairman. The Chairman Frank F. Beelitz is a financial expert within the meaning of sections 100(5), 107(4) AktG and item 5.3.2 of the German Corporate Governance Code.

The **Personnel Committee** makes suggestions to the full Supervisory Board with regard to matters involving Management Board members' contracts and all other personnel matters requiring approval from the Supervisory Board. It also makes recommendations to the full Supervisory Board with regard to the appointment and termination of Management Board members and authorised representatives (Prokuristen). Throughout the 2011 financial year, the committee was made up of Mr Detlef Bierbaum (Chairman), Mr Klaus R. Müller (Deputy Chairman) and Mr David C. Günther. There were three meetings of the Personnel Committee in the 2011 financial year, all of which were conference calls.

The **Nomination Committee** proposes suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for upcoming elections. Throughout the 2011 financial year, it consisted of Mr Detlef Bierbaum, Mr Frank F. Beelitz and Mr Klaus R. Müller. The Nomination Committee met once in the 2011 financial year.

Annual and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf, was appointed as the auditor of the annual and the consolidated financial statements by resolution of the 2011 Annual General Meeting.

The subject of the audits was the annual financial statements as at 31 December 2011 and the management report of IVG Immobilien AG prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements and the Group management report prepared in accordance with the International Financial Reporting Standards (IFRS). The annual financial statements and the management report and the consolidated financial statements and the Group management report were issued an unqualified audit certificate on 28 February 2012.

For the accounts meeting held on 22 March 2012 and the preceding Audit Committee meeting held on 19 March 2012, all members were provided in good time with the separate financial statements and management report, the consolidated financial statements and Group management report of IVG Immobilien AG, and the audit reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf. The auditors attended both the Audit Committee meeting on 19 March 2012 and the meeting of the full Supervisory Board on 22 March 2012. They reported in detail on the main findings of the audit and remained on hand to provide additional information.

The Audit Committee discussed and reviewed the documents in detail at the accounts meeting held on 19 March 2012 and reported on this to the full Supervisory Board. The Audit Committee recommended to the Supervisory Board to approve the 2011 separate financial statements of IVG Immobilien AG and the IVG consolidated financial statements and also to approve the 2011 management report of IVG Immobilien AG and the IVG Group management report. At the Supervisory Board meeting held on 22 March 2012, the Chairman of the Audit Committee explained the Audit Committee's recommendations.

Taking note and account of the Audit Committee report and the auditor's reports, the Supervisory Board reviewed and approved the separate financial statements, consolidated financial statements, management report and Group management report. The Supervisory Board concurs with the findings of the audit, which were discussed intensively with the auditors. We agree with the appraisal of the Management Board set out in the management report and the Group management report. The Supervisory Board also dealt in detail with the risks described in the risk report

“The Management Board and Supervisory Board operate in the knowledge that good corporate governance is important for the company’s long-term success.”

section of the management report that could threaten the continued existence of the Group as a going concern. We also have no objections to raise after our final examination. At the meeting of the full Supervisory Board on 22 March 2012 and based on the recommendation of the Audit Committee we approved the separate and the consolidated financial statements. The annual financial statements were therefore adopted in line with section 172 AktG.

Corporate Governance

The Management Board and Supervisory Board operate in the knowledge that good corporate governance is important for the company’s long-term success. In accordance with item 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board report on corporate governance and the principles of corporate management at IVG in the corporate governance report for 2011, which can be found as part of the statement on corporate management on page 22ff. of this annual report.

With one exception, no conflicts of interest as defined in item 5.5.3 of the German Corporate Governance Codex arose during the period under review. The Supervisory Board member Dr Thiemann is also a member of the supervisory board of a company that is part of a banking syndicate financing the project development THE SQUAIRE. To avoid potential conflicts of interest, Dr Thiemann did not receive any documents on reporting on this project in connection with the Supervisory Board meetings. He was not present during reports and discussions on the topic of THE SQUAIRE and also did not participate in passing resolutions on it.

In the financial year 2011, the Supervisory Board again resolved to examine its own work in an efficiency review. This analysed the type and extent of information, procedures, cooperation within the Supervisory Board and with the Management Board and the work of the committees. The responses from Supervisory Board members to the individual issues did not indicate any material need for changes to be made.

On 18 November 2011, the Management Board and Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to section 161 AktG. In 2011, IVG Immobilien AG complied with all recommendations of the German Corporate Governance Code in the version issued in May 2010 and demonstrated its commitment to exemplary corporate governance and control. The declaration is published on page 22 of the Annual Report and can also be viewed on the company’s website.

Personnel issues in the Supervisory Board and the Management Board

Dr Hans Michael Gaul left the Supervisory Board from the end of the 2011 Annual General Meeting. In his place, the 2011 Annual General Meeting elected Mr Klaus-Joachim Wolfgang Krauth as the shareholder representative on the Supervisory Board of the company. The Supervisory Board thanks Dr Hans Michael Gaul for his work on the Supervisory Board.

The action of rescission for annulment filed by the 2010 Annual General Meeting against my re-election to the Supervisory Board, which was rejected at first instance by the Cologne Regional Court on 26 November 2010, was allowed at second instance by the Cologne Higher Regional Court on 28 July 2011. The company has filed an appeal against denial of leave to appeal with the Federal Supreme Court.

Professor Dr Wolfgang Schäfers’ Management Board contract was extended by a further three years in the 2011 financial year until 31 December 2014 and, since 1 November 2011, Professor Dr Schäfers has exercised the function of CEO. Dr Niesslein did not extend his contract and stepped down from the Management Board as at 31 October 2011. The Supervisory Board thanks Dr Gerhard Niesslein for his work on the Management Board and his commitment to the restructuring of the company in a difficult environment. As new members of the Management Board, Mr Christian Kühni and Dr Hans Volkert Volckens have been working for the company since 1 October 2011. The managing directors Bernhard Berg, Peter Forster and Guido Piñol were appointed as members of the Group Executive Committee with power of attorney for IVG Immobilien AG.

We would like to thank Professor Dr Wolfgang Schäfers and the new members of the Management Board and members of the Group Executive Committee, all the employees and the employee representatives for their great dedication and work in the reporting year.

Bonn, 22 March 2012
For the Supervisory Board

Detlef Bierbaum, Chairman

Group Executive Committee

Professor Dr Wolfgang Schäfers
Chief Executive Officer (CEO)

Christian Kühni
Chief Operating Officer (COO)

Dr Hans Volkert Volckens
Chief Financial Officer (CFO)

Guido Piñol
Head of Investment division

Bernhard Berg
Head of Fund division

Peter Forster
Head of Asset Management division

Supervisory Board and Management Board

at 31.12.2011

Supervisory Board

Detlef Bierbaum (69)

Chairman of the Supervisory Board
Cologne
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities:
Chairman of the Personnel Committee
Member of the Nomination Committee
Membership of statutory supervisory boards:

- Deutsche Bank (Austria) AG
- Douglas Holding AG (until 23 March 2011)
- General Reinsurance AG (GenRe)
- IVG Institutional Funds GmbH (Chairman) [1)]
- LVM Landwirtschaftlicher Versicherungsverein Münster a.G.
- LVM Lebensversicherungs-AG
- Monega Kapitalanlagegesellschaft mbH
- Oppenheim Kapitalanlagegesellschaft mbH

Similar positions:

- CA Immobilien Anlagen AG, Vienna (until 10 May 2011)
- Dundee REIT International, Toronto
- Integrated Asset Management plc, London
- Lloyd George Management (B.V.I.) Ltd., Hong Kong (until 30 September 2011)
- Oppenheim Asset Management Services S.à.r.l., Luxembourg
- Oppenheim International Finance, Dublin (until 31 December 2011)
- Tertia Handelsbeteiligungsgesellschaft mbH
- The Central European and Russia Fund, Inc., New York
- The European Equity Fund, Inc., New York

Profession: Banker
Relevant work history:

1991 - 30 April 2008	Personally liable partner, Sal. Oppenheim jr. & Cie. KGaA
1982 - 1991	Member of the Management Board, Nordstern Versicherungs AG
1974 - 1982	Managing Director, ADIG Investment GmbH

Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011:
240,000 shares, convertible bonds (nominal amount of €3 million)

Frank F. Beelitz (67)

Deputy Chairman of the Supervisory Board
Bad Homburg
Nationality: German
End of current appointment: Annual General Meeting 2013
Committee activities:
Chairman of the Audit Committee
Member of the Nomination Committee
Membership of statutory supervisory boards: -/-
Similar positions: -/-
Profession: Investmentbanker/Managing Partner, Beelitz & Cie.
Relevant work history:

1993 - 2000	Member of the Management Board, Lehman Brothers Bankhaus AG
1985 - 1993	Member of the Management Board, Salomon Brothers Bankhaus AG Managing Director, Salomon Brothers Inc.
1980 - 1985	Managing Director, Warburg Paribas Becker Inc.

Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011:
7,500 shares, convertible bonds (nominal amount of €200,000)

David C. Günther (43)

Member of the Supervisory Board
Grünwald
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities: Member of the Personnel Committee
Membership of statutory supervisory boards: -/-
Similar positions: -/-
Profession: Lawyer/employee, IVG Asset Management GmbH
Relevant work history:
1997 - 1998 Employee, KG Allgemeine Leasing GmbH & Co. KG
Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011: 380 shares

Wolfgang Herr (56)

Member of the Supervisory Board
Baden-Baden
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities:
Deputy Chairman of the Audit Committee (from 18 May 2011)
Member of the Audit Committee (until 18 May 2011)
Membership of statutory supervisory boards:
- POLIS Immobilien AG [2)]

Similar positions: -/-
Profession: Member of the Management Board of Mann Immobilien-Verwaltung AG
Relevant work history:
2001 - 2007 Managing Director of Mann Group
1991 - 2001 Authorised financial representative (Finanzprokurist), Mann Group
1985 - 1991 Consultant for accounting, Mann Group
Relationships with major shareholders:
Member of the Management Board of Mann Immobilien-Verwaltung AG
IVG securities held as at 31 December 2011: -/-

Klaus-Joachim W. Krauth (50)

Member of the Supervisory Board (from 18 May 2011)
Pöcking
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities: -/-
Membership of statutory supervisory boards:
- Conergy AG (until 26 August 2011)
- Hobnox AG (Chairman)
- InterComponentWare AG (ICW AG)
- Südwestbank AG

Similar positions: -/-
Profession: Chief Financial Officer
Relevant work history:
2003 - 2005 Management Board member for Finance, Hexal AG
2001 - 2003 Management Board member for Finance, TeraGate AG
1999 - 2001 Vice President and Chief Financial Officer Giesecke & Devrient America, Inc.
Relationships with major shareholders:
Position as CFO at a subsidiary of the shareholder Santo Holding AG
IVG securities held as at 31 December 2011: -/-

Rudolf Lutz (58)

Member of the Supervisory Board
Bonn
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities: Member of the Audit Committee
Membership of statutory supervisory boards: -/-
Similar positions: -/-
Profession: Employee, IVG Immobilien AG
Relevant work history: -/-
Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011: 345 shares

[1)] IVG Group company
[2)] Mann Group company

Klaus R. Müller

Member of the Supervisory Board
Germersheim
End of current appointment: Annual General Meeting 2015
Committee activities:
Deputy Chairman of the Personnel Committee
Member of the Nomination Committee
Membership of statutory supervisory boards:
- POLIS Immobilien AG [2)]

Similar positions: -/-
Profession: Lawyer/legal adviser of Mann Immobilien-Verwaltung AG

Thomas Neußer-Eckhoff (52)

Member of the Supervisory Board
Ladenburg
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities: -/-
Membership of statutory supervisory boards: -/-
Similar positions: -/-
Profession: Dipl.-Ing. (FH) architect, IVG Asset Management GmbH
Relevant work history:

1996 - 2007	Technical Property Manager at Oppenheim Immobilien-Kapitalanlagegesellschaft mbH
1995 - 1996	Freelance architect
1993 - 1995	Architect in regular employment (deputy office manager) Architekturbüro Peter Dietz

Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011: 1,115 shares

Dr Bernd Thiemann (68)

Member of the Supervisory Board
Kronberg
Nationality: German
End of current appointment: Annual General Meeting 2015
Committee activities: -/-
Membership of statutory supervisory boards:
- Deutsche EuroShop AG
- Deutsche Pfandbriefbank AG (Chairman)
- EQC AG
- Hypo Real Estate Holding AG (Chairman)
- M.M. Warburg & CO KGaA (from 14 April 2011)
- VHV Vereinigte Hannoversche Versicherung AG
- Wave Management AG

Similar positions:
- Odewald & Compagnie
- Würth Finance International B.V., Amsterdam
- Würth Group

Profession: Former Chairman of the Management Board of DG Bank AG
Relevant work history:

1991 - 2001	Chairman of the Management Board, DG Bank AG
1981 - 1991	Chairman of the Management Board, Nord/LB
1976 - 1981	Member of the Management Board, Nord/LB

Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011: -/-

Dr Hans Michael Gaul (69)

Member of the Supervisory Board (until 18 May 2011)
Dusseldorf
Nationality: German
End of current appointment:
Annual General Meeting 2011 (18 May 2011)
Committee activities:
Deputy Chairman of the Audit Committee
(until 18 May 2011)
Membership of statutory supervisory boards:
- Evonik Industries AG
- EWE Aktiengesellschaft
- HSBC Trinkaus & Burkhardt AG
- Siemens AG
- VNG – Verbundnetz Gas AG
- Volkswagen AG (until 3 May 2011)

Similar positions: -/-
Profession: -/-
Relevant work history:

2000 - 2007	Member of the Management Board, E.ON AG
1990 - 2000	Member of the Management Board, VEBA AG
1978 - 1996	Member of the Management Board, PreussenElektra AG

Relationships with major shareholders: -/-
IVG securities held as at 31 December 2011: -/-

Management Board

Professor Dr Wolfgang Schäfers (46)

Chief Executive Officer (from 1 November 2011)
Member of the Management Board and Chief Financial Officer (until 31 October 2011)
Bad Abbach
Nationality: German
End of current appointment: 31 December 2014
Membership of statutory supervisory boards:

- IVG Immobilien-Management Holding AG [1] (Chairman)
- IVG Institutional Funds GmbH [1]

Similar positions: -/-
IVG securities held as at 31 December 2011: -/-

Christian Kühni (56)

Member of the Management Board (from 1 October 2011)
Munich
Nationality: Swiss and Canadian
End of current appointment: 30 September 2014
Membership of statutory supervisory boards:

- IVG Institutional Funds GmbH [1] (from 1 November 2011)

Similar positions:

- Peach Property Group AG, Zurich
- US Property Investments Inc., Wilmington (Chairman, until 30 September 2011)

IVG securities held as at 31 December 2011: -/-

Dr Hans Volkert Volckens (41)

Member of the Management Board and Chief Financial Officer (from 1 October 2011)
Straßlach
Nationality: German
End of current appointment: 30 September 2014
Membership of statutory supervisory boards: -/-
Similar positions: -/-
IVG securities held as at 31 December 2011: 7,500 shares

Dr Gerhard Niesslein (58)

Chief Executive Officer (until 31 October 2011)
Kronberg
Nationality: Austrian
Date of departure from the Management Board: 31 October 2011
Membership of statutory supervisory boards:

- Deutsche Reihenhaus AG (Chairman)
- IVG Institutional Funds GmbH [1] (until 31 October 2011)

Similar positions: -/-
IVG securities held as at 31 December 2011:
98,000 shares, convertible bonds (nominal amount of €500,000)

[1] IVG Group company
[2] Mann Group company

Corporate Governance

Corporate governance declaration in accordance with section 289a HGB with corporate governance report

Responsible corporate governance and control geared towards sustainably creating value are the essential core tasks of the Management Board and Supervisory Board.

The corporate governance declaration includes the declaration of compliance pursuant to section 161 AktG, features relevant information on corporate governance practices applied which go beyond the legal requirements, and a description of the work procedures of the Management Board and Supervisory Board and the composition and work procedures of existing committees. In accordance with item 3.10 of the German Corporate Governance Code, the corporate governance report and relevant additional information on corporate governance at IVG also form part of this declaration.

Unqualified declaration of compliance in accordance with section 161 AktG

We have complied and continue to comply with all recommendations of the German Corporate Governance Code. On 18 November 2011, the Management Board and Supervisory Board submitted the declaration of compliance with the German Corporate Governance Code with the following wording:

"IVG Immobilien AG complies with all recommendations made by the 'Government Commission on the German Corporate Governance Code', as amended on 26 May 2010, and has fully complied with these recommendations since submitting its last declaration of compliance on 16 November 2010."

The full version of the declaration of compliance can also be seen on our website (www.ivg.de). The same applies to the declarations submitted in previous years.

Key corporate governance practices

Our fundamental values of legal compliance, fairness, transparency, confidentiality, professionalism and avoiding conflicts of interest determine the management of the company and are also the basis for the daily conduct of all employees.

Regulations of the Corporate Governance Initiative of the German real estate industry

In addition to the recommendations of the German Corporate Governance Code, as a founding member of the Corporate Governance Initiative of the German real estate industry (ICG) we also comply with the sector-specific requirements of the ICG, which are available on its website at http://www.immo-initiative.de/kodex/index.shtml.

Corporate sustainability

IVG pursues a sustainable and transparent value creation approach in its economic activities. In the past financial year, IVG published its first extensive sustainability report providing information on the scope and relevant parties for IVG's corporate responsibility. Further information on corporate sustainability is available on the IVG Immobilien AG website (www.ivg.de) under the heading "Sustainability".

Compliance

IVG has a comprehensive compliance system which encompasses the whole Group and is developed further by the Management Board, the Compliance Officer and the Compliance & Risk Committee on an ongoing basis and adjusted to changing requirements. IVG's compliance system has been awarded the certificate of the Corporate Governance Initiative of the German real estate industry (ICG). IVG is one of the first companies to be awarded this certificate.

A key goal of the compliance measures is to develop a culture of responsibility. Furthermore, they also aim to keep employees from violating laws and other regulations and to support them in applying legal and internal Group regulations correctly. One important component of the compliance system is implementing the applicable regulations through communication. The employees in Germany and abroad were therefore familiarised with the compliance organisation by means of classroom training sessions. They then deepen the knowledge they have acquired using an additional e-learning tool specially developed for IVG's compliance organisation. In the past financial year, the Group-wide communication measure "Dialogue Compliance" was also carried out. "Dialogue Compliance" aimed to establish a division-specific exchange between managers and their employees on topics relating to compliance. In this way, we reached almost the entire staff and communicated compliance information. Training sessions and "Dialogue Compliance" have shown that the issue of compliance is also considered by the employees to be very important.

All employees are obligated to report any infringements of regulations immediately. In cases of suspicion or doubt, employees also have the opportunity to consult the Compliance Officer or the external ombudsman, anonymously if desired.

Internal Audit

The internal audit department has the task of monitoring compliance with legal and internal company rules and regulations. In organisational terms, it reports directly to the CEO. Reports are directed to the entire Management Board independently of this. Reviews are performed based on an audit plan which is agreed with the Audit Committee, the Risk Officer and the Compliance Officer and approved by the Management Board. This plan includes findings of ongoing risk management, experience of the Compliance Officer and the internal audit department, information from previous audits of the internal audit department and advice from the Management Board. Responsibilities of the internal audit department for the Group are carried out by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

Risk Management

Another key component of our corporate governance practices is dealing with business risks in a responsible way. Group-wide reporting and control systems ensure the identification, assessment and management of relevant risks. These systems are developed further on an ongoing basis, particularly taking into account changes in the background conditions and findings of audit reviews. Details of risk management are published in the Group management report*, section 6.

"Trust-based cooperation between the boards forms the basis for the company's success."

Work procedures of the Management Board and Supervisory Board

In line with German stock corporation law, IVG has a dual management system whereby tasks and responsibilities are clearly allocated between the Management Board and the Supervisory Board. Trust-based cooperation between the boards forms the basis for the company's success.

Management Board

The Management Board currently consists of three members. It manages business in the interests of the company with the aim of sustainably creating value.

The members of the Management Board each have their own specific areas of responsibility as part of the overall range of duties. However, matters of a fundamental nature or of major strategic or financial significance are always discussed by the entire Management Board. The Management Board decides in particular on basic questions of business policy and corporate strategy. A variety of measures are used to ensure that the individual divisions and corporate functions are managed in accordance with the interests of the Group. At the weekly Management Board meetings and the weekly meetings with the division managers, all significant current topics and projects are discussed. The discussions of the Group Executive Committee introduced in the 2011 financial year are particularly important in this context. The Group Executive Committee consists of the members of the Management Board and the division managers and contributes to optimising strategic and operational integration within the IVG Group. The division managers continue to report to the Management Board about current business developments on a quarterly basis. Cross-divisional issues are also dealt with in fixed working groups, steering committees and regular meetings.

The organisation of the Management Board's work is determined in detail by a set of Rules and Regulations for the Management Board, which can be viewed on the IVG Immobilien AG website (www.ivg.de).

"With open provision of information about current developments in the company to all target groups, we create transparency and thus promote trust."

Supervisory Board
The Supervisory Board advises and monitors the Management Board in its management of the company. For this purpose, the Supervisory Board is informed by the Management Board on a regular basis of all issues relevant to the company and the Group. The Management Board also reports extensively about current operations at each meeting of the Supervisory Board. Major decisions and transactions of particular scope and significance require the approval of the Supervisory Board.

The organisation of the Supervisory Board's work is determined in detail by a set of Rules and Regulations for the Supervisory Board, which can be viewed on the IVG Immobilien AG website (www.ivg.de).

The Supervisory Board consists of nine members, three of whom are appointed from among the employees. The Supervisory Board has a sufficient number of independent members who do not have any business or personal relationship to the company or its Management Board.

The Supervisory Board has its own work procedures monitored at regular intervals in efficiency reviews.

To prepare and supplement its work, the Supervisory Board has formed the following committees which make a major contribution to the efficiency of the Board's activities: the Audit Committee, the Personnel Committee and the Nomination Committee.

Composition and work procedures of committees of the Supervisory Board at IVG

The Audit Committee, Personnel Committee and Nomination Committee support the Supervisory Board in fulfilling its duties. The members of the committees of the Supervisory Board and their personal details can be found under the "Supervisory Board and Management Board" heading of the 2011 annual report*. The composition of the committees can also be viewed on the IVG Immobilien AG website (www.ivg.de).

In detail, the committees have the following tasks and work procedures:

Audit Committee
The Audit Committee consists of three members, one of whom is an employee representative. The Audit Committee deals primarily with monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit, particularly in terms of the independence of the auditors and the additional services performed by the auditors. The Chairman of the Audit Committee is independent and has special knowledge and experience in the application of accounting principles and internal control processes.

The organisation of the work in the Audit Committee of the Supervisory Board is determined in detail by a set of Rules and Regulations for the Audit Committee which can be viewed on the IVG Immobilien AG website (www.ivg.de).

Personnel Committee
The Personnel Committee prepares the appointment and termination of members of the Management Board. It can also make suggestions to the full Supervisory Board regarding the remuneration of Management Board members. However, the committee does not have decision-making authority itself. The Personnel Committee has three members, one of whom is an employee representative.

Nomination Committee
The Nomination Committee is responsible for preparing proposals to the Annual General Meeting for the election of Supervisory Board members by shareholders. The Nomination Committee consists of three members, all of whom are shareholder representatives.

Further information on corporate governance

Goals of the Supervisory Board regarding its composition
When proposing candidates to the Annual General Meeting, only candidates under the age of 70 are put forward. In addition, the Supervisory Board ensures that at all times its members have the necessary knowledge, skills and professional experience, particularly in real estate business, to fulfil their duties properly and that they are sufficiently independent. To allow for independent advice and monitoring, there are never more than two former members of Management Board on the Supervisory Board. If a Supervisory Board member is also a member of the management board of another listed company, he may not hold more than two other supervisory board mandates at listed companies outside the Group in addition to his Supervisory Board mandate. The Supervisory

Board also aims in particular to ensure diversity in its composition. In addition to taking account of the company's international activities, the Supervisory Board has set itself the goal of proposing at least one female candidate for the Supervisory Board to the Annual General Meeting by 2015. The Supervisory Board has incorporated these goals as a binding part of its Rules and Regulations and continues to comply with these. In the nomination of Mr Krauth for election to the Supervisory Board by the Annual General Meeting on 18 May 2011, the goals for the Board's composition were taken into account without restriction.

Transparency

With open provision of information about current developments in the company to all target groups, we create transparency and thus promote trust. Our investor relations activities ensure comprehensive, prompt communication on the current profitability, financial position and net assets of the Group, as well as its strategy and development. Alongside information for shareholders, we also provide regular, extensive information to analysts and press representatives by means of press releases, annual reports, balance sheet press conferences, and teleconferences about quarterly and annual results. We always fulfil our communication obligations under the German Securities Trading Act (Wertpapierhandelsgesetz) without delay. This also includes the disclosure of circumstances which are not public knowledge and which could influence the market price of the IVG share significantly if they became known. In addition to the information already mentioned, we also provide a generally available financial calendar on our website which announces fixed dates well in advance. All important information can be viewed in German and in English.

Annual General Meeting

At the Annual General Meeting, the shareholders exercise their co-determination and control rights. Shareholders who do not attend the Annual General Meeting in person have the possibility of authorising a third party to exercise their voting right in proxy. We also give shareholders the possibility of authorising specially appointed representatives of the company who exercise shareholders' voting rights as bound by instructions. These representatives can also be contacted by the shareholders present during the Annual General Meeting.

Accounting and auditing of the financial statements

IVG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions in accordance with section 315a(1) of the German Commercial Code (HGB). After being prepared by the Management Board, the consolidated financial statements are audited by the auditor and approved by the Supervisory Board. The consolidated financial statements are released within 90 days after the end of the financial year. Interim reports are made available to the public within 45 days after the end of the reporting period.

Before the auditor is selected, a statement on the auditor's relationships with IVG or with its executive bodies is always obtained in order to ensure the independence of the auditor. The auditor's statement also includes services performed for IVG in the previous financial year or contractually agreed for the following year.

It is agreed with the auditor that the Chairman of the Audit Committee will be informed immediately of any grounds for disqualification or bias. The auditor reports without delay on all issues and occurrences of significance to the responsibilities of the Supervisory Board which are discovered in the course of the audit. The same applies in the event of any findings relating to the incorrectness of the declaration on the German Corporate Governance Code issued by the Supervisory Board and the Management Board.

Remuneration report

In accordance with the recommendations of the German Corporate Governance Code, the remuneration of members of the Management Board and the Supervisory Board is disclosed on an individual basis in the remuneration report. The remuneration report also describes the main features of the remuneration system. The remuneration report forms part of this corporate governance report and of the Group management report* where it appears under section 5.1. Information on stock option programmes and on securities-based incentive programmes is also included in the notes to the consolidated financial statements* in sections 11.10 and 11.11.

* The 2011 annual report, which includes the Group management report and the notes to the consolidated financial statements, is also available on the IVG Immobilien AG website (www.ivg.de).

Investor Relations

Capital market development and shareholder structure

Significant downturn on capital market over the course of 2011

After the global economy gradually recovered from the effects of the financial market crisis in 2009, 2010 and the first half of 2011, the second half of 2011 in particular saw a renewed exacerbation of the situation on the European capital market. Whereas in the first half of 2011 the European stock indices marked their highest levels since late 2007/early 2008, the climate on the financial markets bleakened considerably in the second half of the year. Influenced by the provisional agreement on a debt haircut for Greece, the repercussions of the natural disaster in Japan, the disagreements between European countries with regard to solving the euro crisis and the political unrest in the Middle East and North Africa, the main German and European stock indices fell by a good 30%. Once again, banking and financial stocks in particular reacted with substantial price decreases – not least as a result of the stricter capital requirements and the risk of write-downs on Greek government bonds.

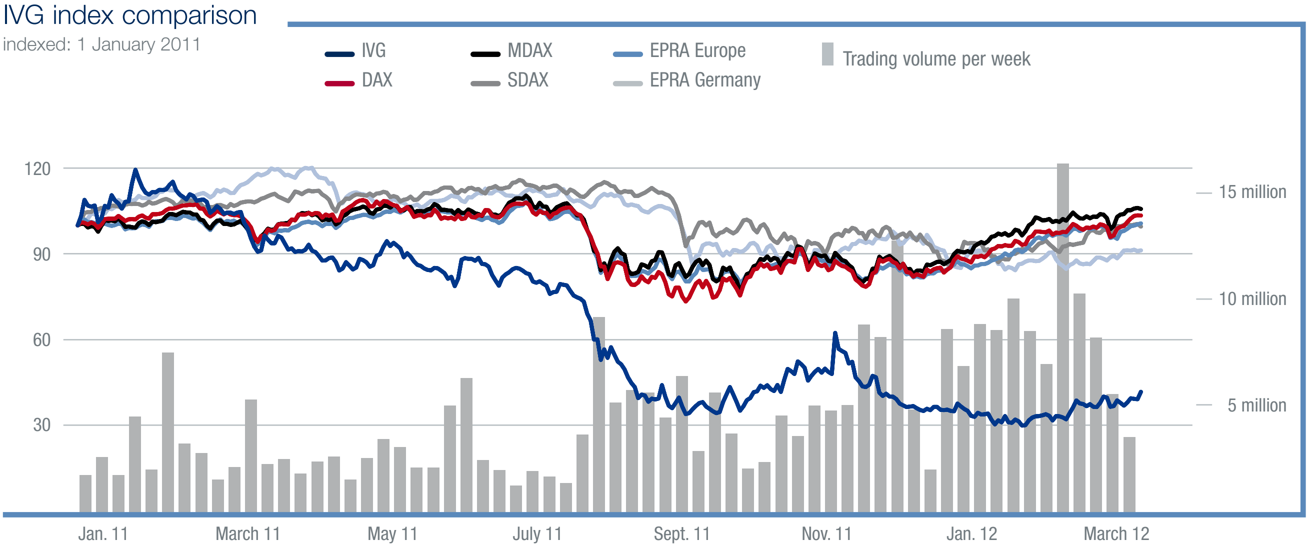
Viewed independently of the turbulence on the equity market, the real estate markets in the major European countries are currently proving to be robust. With an average vacancy rate of around 9.5%, the real estate rental markets indicate stable demand at least in Germany again in 2011. As in the previous year, it was primarily properties in top locations that were in high demand. On the real estate investment markets there was a stabilisation of initial yields, which can be seen in direct connection with the banks' more restrictive lending conditions and the resulting decrease in high-quality new buildings. In Germany, growth was driven in particular by the retail and residential real estate market. In the segment relevant to IVG – office properties – it was the Top 7 locations that continued to record strong demand for high-quality space. For 2012, IVG anticipates steady demand for such space, as a surplus of high-quality office space cannot be expected to arise in the short term due to the continued uncertain situation on the investment markets.

IVG share fully in the grip of downward trend in the financial sector

IVG's share price performance in 2011 was disappointing. Over the year as a whole, the share price fell by around 70% and closed at €2.10 on 31 December 2011 (31 December 2010: €6.45). This negative development was due to both internal and external factors. The share price was influenced in particular by the changes in the Management Board, a further cost overrun for the major project THE SQUAIRE, and the capital market's critical response to the capital increase at the end of the stock market year. External causes were the sovereign debt crisis and the volatility of the financial markets. The share reached its annual high of €7.71 on 25 January 2011. As at 31 December 2011, IVG's market capitalisation was €437 million. Over the course of the year, free float market capitalisation fell to a new low of €199 million, causing IVG's shares to be reclassified from the MDAX to the SDAX. The shares saw an increase in market capitalisation following the announcement of the extension of credit facilities with a volume of €2.6 billion. As a result, the share price also temporarily rose to €4.02, but this proved not to be sustainable due to the second capital measure carried out during the year and the uncertainties on the capital markets as described above. The average number of IVG share trades per trading day during the 2011 financial year was around 790,000.

IVG index comparison

indexed: 1 January 2011



Minor changes in shareholder structure

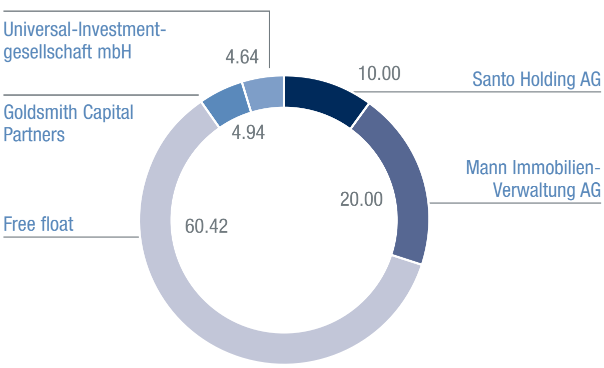
As a result of the capital increase in December 2011, there were slight changes in the share of voting rights of the major shareholders. Santo Holding AG reduced its share to 10.00% (previously 14.40%), while Mann Immobilien-Verwaltung AG continues to hold 20.00%. The other major shareholders include, as previously, Universal-Investmentgesellschaft mbH (4.64%) and Goldsmith Capital Partners (4.94%). Our current shareholder structure can also be viewed on our website under Investor Relations.

Focuses of investor relations work in 2011

In the past year, our Investor Relations department took part in 20 conferences and roadshows, allowing us to reach a total of around 260 investors in one-on-one or group discussions. In the first half of 2011, these discussions were largely dominated by topics such as the accelerated capital increase and the 2010 annual financial statements. In the second half, the focus of interest then shifted to cost increases and the announced completion of our major project THE SQUAIRE at Frankfurt Airport, the successful loan extensions and the capital increase in December. In addition to these discussions, our department also accompanied a series of "property tours" in Germany, where mainly institutional investors gained an overview of IVG's existing buildings and our project developments.

Shareholder structure

in %



As well as participating in the General Annual Meeting in May 2011, private investors could obtain detailed information about IVG's current situation at events such as the Bonn Equity Forum in November 2011. Furthermore, we offer all interested investors the possibility to contact us by telephone or to receive information on current topics relating to IVG through our information services. Further information can be found at: http://www.ivg.de/investor-relations.

Analyst ratings from 19 institutions

Equity analysts from 19 institutions are currently actively covering IVG Immobilien AG and have published recommendations since September 2011. The target prices range from €1.70 to €8.75. Of the analysts who issued analyses last year up until now, nine give the IVG share a “buy” rating, four give it a “hold” rating and six give it a “sell” rating (as of February 2012).

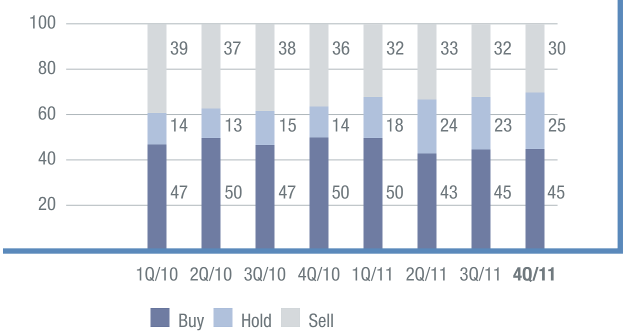
The overview of the analyst recommendations on the right (as at 31 December 2011) shows their development over time. The number of buy recommendations decreased slightly over the course of 2011.

Successful capital increase

To improve IVG’s future performance, two capital increases were carried out in 2011. In the first step, 12,599,999 new no-par-value shares were placed in February 2011 at an issue price of €6.90 as part of an accelerated book-building process, with subscription rights disapplied. The gross proceeds of approximately €87 million generated from this issue were mainly used for the restructuring and the associated loan extensions as well as for financing THE SQUAIRE Parking. In the second step, another 69,283,885 new no-par-value shares were issued in December 2011 at an issue price of €2.10 as part of an ordinary capital increase with subscription rights. As with the first capital increase of the year, this issue was conducted with a clearly defined use for the funds. Roughly 85% to 95% of the disposable funds are therefore to be used to ensure the financing of the beginning and continuation of the construction of future caverns. The construction of further caverns is intended to form the basis for continuing to successfully reduce the company’s debt by increasing assets and allowing for the repayment of debts. The remaining approximately 5% to 15% is to be used to increase investment capacity in accordance with the investment platform strategy defined in 2010. With considerable oversubscription for the first capital measure and almost complete (97%) utilisation of subscription rights for the second, gross proceeds of approximately €232 million were generated altogether.

Analyst recommendations

in %



Share data

WKN/ISIN	620570/DE0006205701
Code	IVG
Stock exchange	Frankfurt a. M., Dusseldorf, Stuttgart, Munich, Berlin, Hamburg, Hanover, XETRA
Market segment	Regulated market/Prime Standard
Index membership (selection)	SDAX, FTSE EPRA/NAREIT Developed Europe, FTSE EPRA/NAREIT Germany, MSCI Europe, MSCI Germany, GPR Indices
Designated sponsors	Commerzbank AG DZ Bank
Market capitalisation (31.12.2011)	€437 m
Free float market capitalisation (70.00 %) (31.12.2011) *	€306 m
Number of shares (31.12.2011)	208 m shares
Share price (XETRA closing price 31.12.2011)	€2.10
First listed	01.10.1986
Last capital increase	2011

* Free float definition Deutsche Börse

Share data

in €	2011	2010	Change in %
Closing share price at end of year	2.10	6.45	-67.4
Highest share price during year	7.71	6.83	+12.9
Lowest share price during year	2.03	4.76	-57.4
Average daily turnover	787,827	441,672	+78.4
Earnings per share [1]	-1.11	-0.07	-
Earnings per share EPRA [1]	-0.99	-0.20	-
Dividend per share	0.00	0.00	-
NAV adj. per share [2]	6.30	9.85	-36.0

[1] On the basis of the average number of shares (31 December 2011: 142.1 million shares/31 December 2010: 127.9 million shares)
[2] On the basis of the number of shares as at the balance sheet date (31 December 2011: 207.9 million shares/31 December 2010: 126.0 million shares)

Funds from Operations (FFO)

Background of the FFO figure

The FFO is a liquidity-based key financial figure that reflects net cash from operating activities. It is an established key figure in the real estate sector for the operating performance of listed real estate companies, especially asset management companies, and was originally defined for US Real Estate Investment Trusts (REITs). The key feature of this figure is that it reflects the consistent earnings power of a company after adjustments for one-off and non-cash effects.

To fulfil the requirements of the capital market and further increase transparency, IVG has included the FFO as a central key figure in regular Group reporting. The FFO was published for the first time in the second quarter of 2009.

With the publication of the half-year figures for 2010, the method for calculating the FFO was changed slightly to allow for even more precise presentation of the consistent earnings power. In particular, starting from the second quarter of 2010 the financing costs for the Caverns segment are adjusted, as the segment's unrealised changes in market value – and thus the primary source of value creation in this area – are not included in the revenue for the FFO calculation. In addition, the expenses for the IVG hybrid bond are now also regularly allocated to the individual divisions so as to ensure a more precise financing cost allocation. The disclosures on the FFO for the 2009 financial year were adjusted in line with the new calculation method.

Details on the FFO calculation

The FFO is not calculated according to generally recognised accounting principles, especially IFRS, i.e. there is no uniform standard for calculating it. Therefore, the FFO must be viewed not as an alternative to income and cash flow amounts calculated in accordance with IFRS, but as an addition. However, it must be noted that the FFO published by IVG is not necessarily comparable with the FFO or key figure with a similar designation published by other companies, since there is no standard definition. IVG uses the FFO to indicate the earnings power of its divisions that are available for investments and dividend distributions.

IVG calculates two variations of the FFO – FFO I and FFO II – due to the special characteristics of its corporate structure and the recent adjustments in its business model. FFO I summarises the company's recurring operating cash flow. It does not take into account non-recurring, one-time income such as development and sales activities. This key figure will become more and more relevant in future, especially as a result of the successive reduction of the project development pipeline. FFO II measures the company's entire operating cash flow including development and trading activities.

Developing Real Assets:

Leveraging expertise as an integrated real estate investment platform

With our alignment as a real estate investment platform with an integrated value chain, we pursue a modern business model enabling us to best apply our experience and knowledge. The acquisition of the Silberturm in Frankfurt am Main together with a group of investors shows that our model is functioning excellently.

People and Performance 2011

Goals for 2011 achieved:

New management line-up following sustainable path

Interview with the Management Board

Professor Dr Wolfgang Schäfers (CEO)

Christian Kühni (COO)

Dr Hans Volkert Volckens (CFO)

Dr Schäfers, how would you sum up 2011 in terms of the economic environment in Europe?

Dr Schäfers: 2011 was an exciting and also a challenging year for Europe. The sovereign debt crisis of individual European countries intensified as compared to 2010 and the future capital requirements for financial institutions had a negative impact on lending, as a result of which companies' propensity to invest was and remains somewhat restrained. Germany stood out – and this has not always been the case, historically speaking – in bucking the trend like no other major European economy. This had positive effects on the whole: Firstly, domestic consumption increased substantially – no doubt also due to a lack of alternative investments. And secondly, Germany's foreign trade very much benefited from the significant depreciation of the euro in the second half of the year. This, together with the fact that the interest on German government bonds did not generate sufficient yields in light of the continued high inflation, led overall to growing demand for real estate investments in Germany.

Mr Kühni, how would you sum up 2011 for IVG in particular?

Kühni: On the rental markets, we recorded significant increases in take-up particularly in Berlin, Munich and Warsaw, whereas the Southern European markets such as Madrid and Lisbon were characterised by lower rental activities. In line with our strong local positioning in Central Europe, our leasing performance rose by 13% year-on-year overall.

On the investment markets, we took advantage of the increasing demand for real estate in 2011 and further reduced our own portfolio. We subsequently focused more strongly on the less volatile German market.

There were changes in the management team in 2011. How did this come about?

Dr Schäfers: Following Dr Niesslein's announcement that he would step down as CEO of IVG Immobilien AG, we held fundamental discussions with the Supervisory Board regarding the future composition of the Management Board. A decision was reached to increase the management team to three Management Board members. In addition, we decided to establish a Group Executive Committee consisting of three division managers as well as the three Management Board members. These division managers are responsible for the investment, funds and asset management business segments. With this step, we further improved the strategic and operational integration of the Group.

Dr Volckens, let's talk about the capital increases. Part of the funds raised is to be used for the expansion of the Etzel location. Can you tell us a bit more about this?

Dr Volckens: It takes three to four years to complete a cavern. A large part of the associated costs are incurred in the first year, since this is when the relevant infrastructure measures are carried out. We are currently working on 25 caverns at the Etzel location, incurring monthly investment costs of approximately €5-10 million. As a result of the last capital increase, we now have the cash funds to cover these investments up to the point when further investment costs can be financed by the realisable income.

Follow-up question: Why weren't these funds secured at the beginning of the year already? Surely this need for capital must have been foreseeable a long time in advance?

Dr Schäfers: In retrospect, you're essentially right there. However, at the time there were also reasons for us to wait. For instance, at the beginning of 2011 there were no signs of a sustained slowdown on the equity market. Precisely because of the fears of inflation that were prevalent then as now, real estate shares seemed on the whole to benefit from the general market development in the short and medium term. Also, the capital market at the time indicated that we should firstly use the large-scale loan extensions and the significant improvement in the leasing situation in THE SQUAIRE to further stabilise the share. Unfortunately, we were then hit hard in the second half of the year by the intensifying sovereign debt crisis and the associated disproportionate downslide in share prices. The decision to carry out the capital increase in 2011 in spite of these reasons was ultimately based on not wanting to jeopardise the construction process for the caverns, especially since we are now increasingly beginning development of IVG's own caverns, i.e. caverns that will not be sold to the Cavern Fund.

Can you give us an insight into the restructuring process initiated in 2009 to make IVG a leaner organisation as an integrated investment platform?

Dr Volckens: The measures initiated in 2009 such as the reduction in other operating expenses are progressing as planned. Furthermore, personnel expenses will also decrease over the coming years as a result of the realignment of IVG initiated in 2009. Nonetheless, we must further improve our operating performance. We have therefore decided to launch another, even more far-reaching cost-saving programme.

Dr Schäfers: I'd like to add a couple of points here. In addition to the cost targets, which – based on past experience – can only be achieved over a longer period, we also restructured the organisation in operational terms in 2010 already. By relocating all operating units to Frankfurt, we bundled our core competencies there. And with the acquisition of the former headquarters of Dresdner Bank, the "Silberturm", we demonstrated the effectiveness of our integrated investment platform. Thus, further cost optimisation should go hand-in-hand with targeted initiatives for sustainable growth in our assets under management.

In your view, how does the mission statement published this year fit in with this? How can we imagine the principle of "Passion for Real Assets" that it formulates in practice?

Dr Schäfers: In our opinion, the importance of a Group-wide mission statement cannot be overestimated. A mission statement is more than just a few words set down on paper. As you may know from our previous publications, we developed our mission statement together with our employees in a process lasting roughly one and a half years. Everyone involved dealt intensively with the business philosophy and helped devise and shape it with their ideas. This process creates identification, team spirit and motivation to apply your energies for overall success in the interests of the company and its stakeholders.

> **"In 2011 we focused more strongly on the less volatile German market."**

It could perhaps be said that from 2009 to 2011 IVG focused primarily on refinancing and reorganisation. How do you see this, especially considering that these have proven to be good years for Germany economically despite all the turbulence on the capital market?

Dr Schäfers: It is true that at IVG the past years were more marked by refinancing and restructuring measures. But this was also necessary to bring IVG to a position where we can play an active shaping role on the market again. These topics will remain important for us in the future. However, we have also actively sought operating business on the market. Unfortunately, these efforts do not always lead to a successful result that is therefore suitable for the media. For example, in mid-2010 and early 2011 we participated in the bidding process for the Opernturm in Frankfurt and submitted an offer for oil reservoirs in Scandinavia. Both of these transactions would have fitted well in IVG's new business model, but unfortunately we were outbid in the final stage for both projects.

Our ‘Silberturm’ co-investment shows that our business model works.

Kühni: Although it cannot necessarily be seen at first glance from the figures in the 2011 annual financial statements, in the past year we achieved a number of milestones that will have a positive influence on our operating performance in the long term. At the beginning of the year we made a strategically useful investment in purchasing HYPO Real Invest AG (now IVG Austria) – and with a manageable level of financial expense. The resulting consolidation of our investment platform in Austria and Eastern Europe allowed us to subsequently launch our first specialised fund with a regional focus on the Warsaw market. The IVG Warsaw Fund now manages three properties, with a fund volume of approximately €67 million.

Our largest transaction in terms of volume was the purchase of the “Silberturm” in Frankfurt a. M., the former headquarters of Dresdner Bank, at the end of the year. We are participating in this investment as a co-investor alongside eight other investors. We also used 2011 to further concentrate our portfolio on Germany and set a clear course for the future focus of the on-balance portfolio as part of the “ORDO” project. We sold properties with a total volume of around €500 million. Overall, these sales took place at the level of the most recent market value of the properties, emphasising the value retention of our portfolio. The most important individual transactions here were no doubt the sales of three properties in Paris for a total of approximately €346 million.

In leasing business – to come back to your original question again – we concluded new contracts and contract extensions for a total 800,000 sqm in our own portfolio and the fund portfolio. This corresponds to a year-on-year increase of 13% and underscores the strong asset management performance, which is attributable to a combination of the positive market development and the improved positioning of our local asset management.

With regard to the current share price, following the capital increase IVG is currently trading on the market at a higher discount to net asset value than before. How do you explain this apparent further decline in confidence among investors?

Dr Volckens: Essentially, the development of the IVG share price in 2011, with a slump of around 70%, is of course disastrous for us and for our shareholders. We cannot and do not intend to try to sugarcoat this. In our opinion, there are both internal and external reasons for this development. The internal causes include the changes in the Management Board, the further cost increase for the major project THE SQUAIRE, and the capital market’s critical response to the capital increase at the end of the stock market year. External causes were the sovereign debt crisis and the strong dependency on the financial market.

However, in addition to these partly comprehensible reasons, the recent developments in the share price also point to something else. We can see that in 2011 share price fluctuations of -12% to +30% within one day were observed and the shares’ volatility rose to almost 65%. This corresponds to a 40% increase in comparison to the long-term average and a 78% increase as against 2010. The average daily trading volume recorded a rise of almost 80% in 2011. There are clear signs here of increased short selling activities in our shares. Of course, such financial market activities are not unusual, but unfortunately precisely these internal and external factors coincided at IVG in 2011 and reinforced one another to a certain extent. This made IVG particularly vulnerable to such transactions, which are known generally to cause harm to the company and can negatively influence the share price.

Using two examples, I would like to clarify why in our opinion a price decline on this scale is not justified. Earlier I mentioned the strong dependency of real estate companies with high debt ratios on the banking sector. The stricter capital requirements for banks are generally leading to lower credit volumes and higher collateral requirements. For us as a company, this is accompanied by increasing hurdles in loan negotiations. However, with the financing secured in 2011 we have proven that IVG achieves convincing results even in a turbulent market environment, meaning that the high correlation is not justified. Furthermore, you can see from the development of prices for our bonds, where the level of fluctuation is significantly lower, that the bond market is responding to IVG’s situation much more rationally than the equity market.

2011 was again dominated by the major project THE SQUAIRE. Can you give us an insight into the not entirely positive milestones of the project?

Kühni: Undoubtedly, IVG’s economic performance in 2011 was also greatly influenced by the events surrounding THE SQUAIRE project. This is primarily due to our unfavourable negotiating position in dealing with the construction companies involved and to the contractually regulated, fixed dates on which our tenants are due to move in.

On the other hand – and this should be weighted more heavily from a long-term perspective – there has been a good deal of positive news that will make a significant contribution to the long-term success of the NEW WORK CITY. For instance, the tenant KPMG moved in, the two Hilton hotels were opened and a contract was concluded with Deutsche Lufthansa. These three tenants alone will occupy approximately 93,000 sqm. In addition, we secured financing for the project until the end of 2013 at extremely good conditions. And with the completion of THE SQUAIRE Parking, there are now a total of 3,100 parking spaces available in the building and its immediate surroundings. This gives the property a unique infrastructure advantage for the foreseeable future.

What is your outlook for 2012 – for IVG and for the economic environment? Do you anticipate a solution to the euro zone's debt problem, and how would this affect IVG?

Dr Schäfers: As the last few weeks have shown, the debt crisis is not over yet. And the past three years have taught us not to jump to conclusions in this regard. In general, we anticipate low interest rates in 2012 as well on the basis of the slowing economy and the associated easing inflationary pressure. This will continue to lead investors to seek secure investments with good yields. Germany will benefit particularly from this in 2012 as compared to other European countries, since the volume of new construction is set to remain at a persistently low level due to financing restrictions, meaning that high-quality properties in good locations will be in increasingly short supply. In contrast, properties in secondary locations are likely to remain under pressure. Since this trend is not new, however, you can be sure that it has been taken into account as far as possible in our current strategic considerations.

What will you do to boost the IVG share price again?

Dr Volckens: 2012 will still be a year of transition for us. By achieving our short-term goals spot on, we can certainly make an important contribution to a more positive valuation of our share on the stock market. This is another reason why we want to implement our plans in the best possible way. These plans include placing IVG EuroSelect 21 Munich, completing and transferring another seven caverns to the IVG Cavern Fund, increasing the occupancy rate of THE SQUAIRE to over 90% and implementing the planned launch of marketing activities for the property, and reducing debt to around €500 million to €600 million. If we achieve these goals, the stock market will inevitably have to give a more positive valuation.

Dr Schäfers: To this end, perhaps we should also first take a look at the fundamentals, since a stable good share price needs the right basis. We plan for our new, much lower-risk business model to exercise a significant influence on our revenue structure by 2015. We then expect a high proportion of recurring income in the Group. Furthermore, we will have reduced our debt ratio to a standard market level of around 60% in the medium term. Together with healthy operating business, this will then no doubt be reflected in our share price performance and help us to achieve our goal of returning to the MDAX. We will also develop and implement further ideas to swing our performance around even more quickly.

“2012 will still be a year of transition for us. We intend to convince the market by making precision landings with our short-term goals.”

Goals of the Management Board

In the last two years, the Management Board has brought IVG back onto a course with a successful future. What it has to do now is make the company highly profitable again. The goals are:

- **expansion and further professionalisation of the investment platform**
- **building up recurring income while reducing structure costs**
- **cutting capital costs by reducing debt**
- **reducing shares in business subject to risk**

Overall, the implementation of these objectives will result in the market again associating the name IVG with the lasting strengths that made IVG a renowned European company.

What motivates us:

Passion for Real Assets

Our new guiding principles

Guiding principles for our path to the future

In early 2010 we initiated a multi-stage process to define guiding principles that were to consist of a brief statement on the company (slogan), a precise formulation of the company's purpose (vision) and guidelines explaining how the company's purpose is to be achieved (mission).

What does IVG stand for? What makes us strong and how do we stand out from the others? Where do we want to go? Why there and not somewhere else? And how will we get there? Dealing with the topic of our guiding principles brought up many other questions in addition to these. We had to answer these questions from the context of a wide range of divisions and functions, which was by no means an easy task.

However, particularly in the difficult period of the financial and sovereign debt crisis that was marked by continuous changes and restructuring, it was important to the Management Board to define the common denominator for all IVG activities and to establish a definition and also an emotional framework for IVG's reoriented business model as an investment platform for real estate and infrastructure. This was based on the conviction that IVG can be successful in the long term only if all employees help support business and are focused on a common goal and common values.

Created and carried out by employees

In terms of the process, this meant that as many employees as possible from different divisions and hierarchy levels were to be involved in developing the guiding principles. And this is also what happened, with around 200 employees ultimately contributing to the vision, mission and slogan.

We are proud of the result. The essence is reflected in our new **slogan**:

"Passion for Real Assets."

Everyone at IVG is united by a passion for IVG's individual, tangible and complex products: real estate and related infrastructure (e.g. caverns).

In our **vision** we express that the company's purpose is geared towards solutions and creating sustainable value in relation to these real assets:

"We are passionate asset and investment managers with international expertise. We deliver our customers tailor-made solutions. We build relationships which create sustainable value."

The claim formulated in this vision is challenging and will repeatedly serve as a yardstick for us in the coming years. We want to create value, not just one time and in the short term, but sustainably. The prerequisites for this lie in our network and the way that we use it, and in our internationality and the expertise of all employees. We want to provide our customers with products and services that are tailored to them individually and are successful.

In the **mission** we focus on our self-conception and our requirements for how we perform our work, and define guidelines for our activities in the coming years.

"We are all united behind our vision so that we can rightly look upon IVG with pride – as an international, integrated investment platform specialised in real estate and infrastructure combining tradition, sustainability and success."

Our mission in real terms

We describe how we want to achieve our vision with five key ideas.

01 What fills us with enthusiasm

- We are committed and passionate about our work.
- We identify with our real assets and services. We are proud of the benefits we offer our customers.
- We celebrate the attainment of our goals and objectives as team successes.

02 What sets us apart

- The unsurpassed know-how of our staff and their entrepreneurial approach make them skilled partners for our customers.
- Our integrated platform unites assets and investment management to offer commercial real estate and infrastructural investments from a single source, thereby creating sustainable value.
- Our unique European branch structure puts us close to the market and our customers.
- We do not give up when the going gets tough. We rise to the challenge to successfully deal with demanding situations – with confidence and determination.

03 What we have to offer our customers

- Thanks to the skills and expertise of our staff we constantly discover new opportunities and solutions, providing our customers with tailor-made benefits.
- We create the right organisational and human resource environments to offer our customers the best service possible. We listen to our customers and learn from their feedback.
- Our employees' interaction with each other as well as with people outside the company is marked by respect, friendliness and reliability.

04 How we work together

- We work together across departments and organisational units to achieve successful all-level networking encompassing all locations and hierarchical levels.
  This allows us to make the most of the rich diversity of our experiences and personalities.
- Trust and confidence as well as recognition are just as essential as an open, consistent and respectful way of dealing with each other.
- Our management staff serve as role models. They delegate responsibility to their staff and create an environment which fosters performance.

05 What we are doing to be ready for the future

- We are an attractive employer which attracts, nurtures and creates lasting ties with talented persons.
- Sustainable benefits are the benchmark we set for our actions in all fields and reflect our sense of responsibility – whether it is the profits we generate, the continuity of our relationships or the environmental friendliness of our real estate and infrastructural facilities.
- Our strategy charts a clear course for us all to pursue our common vision in an innovative, consistent manner, with each of us making our own specific contribution.

THE SQUAIRE at Frankfurt Airport:

The NEW WORK CITY comes to life

The new dimension of work and life

A project that sets new standards ▪ ▪ ▪

A city under one roof. A landmark property in the Frankfurt Airport City. Above the ICE high-speed railway station and right next to one of Germany's major motorway junctions. This is THE SQUAIRE: 660 metres long, 65 metres wide, approx. 140,000 sqm of rentable floor area – space for up to 7,000 employees in modern offices and a total of some 10,000 people in the building complex each day.

With THE SQUAIRE, the working world in Europe reaches a new dimension. The building embodies the ideal conception of an office in a mixed-use property. At the heart of this is the innovative utilisation concept of the NEW WORK CITY that is tailored to the needs of the people who work there. It takes account of issues that will constitute the central framework for work in the future: time efficiency, quality of life, networked communication. Above all, it takes into account the most important production factor in our knowledge-based society – the employees.

"THE SQUAIRE is an architectural icon of the 21st century. A Place to be."

▪ ▪ ▪ for quality of life

Employees are a key factor for the success of a company. Their motivation and productivity play a decisive role in how fast and how well a company achieves its goals. THE SQUAIRE offers a working environment that promotes people's performance and creativity – through a pleasant working environment and through an infrastructure adapted to the requirements of day-to-day working life, with restaurants and cafés, shops, doctors' offices, fitness centres, childcare, and services ranging from hairdressers to dry cleaning. Scientific studies have also come to the conclusion that people's surroundings have a significant influence on their satisfaction – and therefore on productivity. THE SQUAIRE provides an answer to this.

▪ ▪ ▪ for opportunities for communication

The NEW WORK CITY promotes communication. 80% of all new ideas are developed in personal discussions. 80% of all major decisions are made face to face. Meetings, business dinners, conferences: the NEW WORK CITY offers the right environment for any occasion – in its atria, restaurants and cafés, in the business lounge and in the business and conference centre.

The stimulating environment promotes the quality of business contacts. Where people feel comfortable, they exchange their ideas and opinions more often and more successfully – for example top managers, who are always within reach at the Frankfurt Airport City location. Around 150,000 air passengers pass through Frankfurt Airport each day. 23,000 rail passengers and 300,000 vehicles pass by the location. Among them are many business professionals who want to meet in an uncomplicated way – spontaneously between two flights, for a business lunch arranged at short notice, or for a long-planned meeting at the conference centre.

■ ■ ■ for time efficiency

THE SQUAIRE is one of the best-connected locations in the world – walking distance from Frankfurt Airport and right next door to an ICE long-distance railway station and the A3 motorway. This keeps travel times short, reduces travel costs and creates time for what's important. The short distances within the NEW WORK CITY and the direct proximity to its own car park save yet more time – time that can be used for the important things in business and private life.

Geared towards company success

The incorporation of these three factors in the NEW WORK CITY concept benefits the companies that are based here. A modern working world like that of THE SQUAIRE offers optimum conditions for efficient work for the world's highest-performing companies.

The success of leading global companies is defined to a large extent by the quality of their human capital: highly-qualified and motivated employees. They are aware of the importance of the working environment and its influence on performance. In the competition for the "best minds", a location in a NEW WORK CITY such as THE SQUAIRE increases the appeal of any employer.

Facts and figures

With an investment volume of over €1 billion, THE SQUAIRE is IVG's biggest project development. THE SQUAIRE is a joint venture between IVG Immobilien AG (98%) and Fraport AG (2%).

- **Length** 660 metres
- **Width** 65 metres
- **Height** 45 metres (nine floors)
- **Weight** 350,000 tonnes
- **Total rental space** approx. 140,000 sqm

IVG in times of energy turnaround:

Opportunity or risk for Germany

Expert opinions on the issue

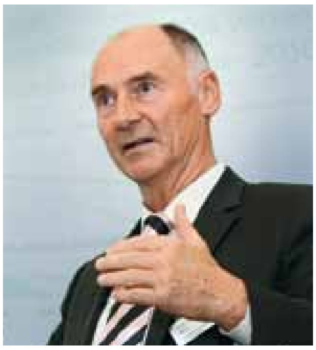
An independent science and business think tank

No other issue – with the exception of the sovereign debt crisis – caused as much debate in Germany in 2011 as the natural disaster at Fukushima and its consequences.

With the German federal government's decision to remove all nuclear power plants operated in Germany from the network by 2022 and to increase the share of renewable energies in energy generation to between 40% and 50% by 2030 and close to 80% by 2050, Germany is once again taking on a pioneering role among industrialised nations. The associated requirements with regard to technology, infrastructure, compatibility, investments, society and politics are considered challenging, and even impracticable in some cases. For many companies and institutions, however, precisely these challenges give rise to a number of opportunities from which IVG can also benefit directly.

In this context, IVG initiated a series of energy dialogues in autumn 2011 under the patronage of the Minister-President of Lower Saxony, David McAllister, together with the Bundesverband der Energie und Wasserwirtschaft e. V. (German Association of Energy and Water Industries), Deutsche Umwelthilfe e. V. (a German environmental protection association), the Deutscher Verein des Gas- und Wasserfaches (German Technical and Scientific Association for Gas and Water) and the Energie-Forschungszentrum Niedersachsen (Energy Research Centre of Lower Saxony) as the ideal organisations for these dialogues. In the dialogues, a kind of independent think tank was tested out for those energy specialists who are prepared to go beyond the boundaries of their own discipline and interests to learn from the experiences and perspectives of others in open discussions. Several rounds of discussions took place towards the end of 2011 under the heading "Generate, Network, Store". Not only were the most important issues from a macroeconomic perspective discussed here, but we also gained specific insights for the future strategic orientation of the IVG caverns location in Etzel.

A catalogue of questions and answers summarises the key opinions of a number of experts from business and science:



Professor Dr-Ing. Hans-Peter Beck, Energy Research Centre of Lower Saxony

01 What is the basis for the assumption that the current strong demand for cavern storage will persist in the future, and what requirements does the turnaround in energy policy place on the electricity network of the future?

"If we assume that electricity requirements will remain constant at around 600 terawatt hours (TWh) until 2050, this means that the increase in the share of renewable energies to 80% of energy generated will cause an annual electricity deficit of 63 TWh and an annual electricity surplus of 118 TWh. These differences must be balanced out using storage facilities," says **Professor Dr-Ing. Hans-Peter Beck**.

Dr Peter Klingenberger,
E.ON Gas Storage GmbH

Professor Dr-Ing. Manfred Fischedick, Wuppertal Institute for Climate, Environment and Energy

Rainer Baake,
Deutsche Umwelthilfe e.V.

For **Dr Peter Klingenberger** it is clear that "with all innovations, a secure energy supply for Europe is made possible primarily by a modern and economic natural gas infrastructure whose storage capacity must increase in the medium term with growing demand for gas".

Professor Dr-Ing. Manfred Fischedick sees a paradigm shift in energy storage: "To date, the conventional definition has been based on an electricity-to-electricity model, where electricity appears as the input and output energy. In the future, it will be a question of electricity-to-anything, anything-to-electricity, i.e. linking the electricity system with gas, heat and mobility."

Rainer Baake from Deutsche Umwelthilfe e. V. is even clearer with regard to the different types of storage: "There has been great progress in pumped storage power plants in recent years, but their capacity is sufficient only for storage for a few hours. We need storage facilities that can store the surplus energy generated from renewable energy sources for days or even weeks." In Baake's opinion, the only technology that can fulfil the requirements of sufficiently long and flexible storage is gas/hydrogen. A corresponding infrastructure including caverns as a storage location must be developed for this in the long term, he says.

02 What is behind the method of converting wind energy into usable gas that was just referred to and has been the subject of increasing discussion recently?

"Put simply, it is already possible today to obtain gas by means of water electrolysis, i.e. splitting water molecules into hydrogen and oxygen. Wind energy is used in this splitting process. The resulting hydrogen can then either be transported or stored directly, or it can be converted into synthetic methane gas by adding carbon. This technique is currently considered promising by all specialists and will therefore make a significant contribution to the turnaround in energy policy", says **Manfred Wohlers** from IVG.

03 How can IVG contribute to the energy turnaround?

Manfred Wohlers stresses the advantages of the Etzel location in this context: "The requirements for storage facilities and a modern natural gas infrastructure as mentioned by Professor Fischedick and Dr Klingenberger are combined here. On the basis of its geographical location – i.e. the proximity to wind parks, particularly in Lower Saxony – as well as its connection to the European pipeline network, the nature of the subsurface and the existing expertise at the location in relation to cavern construction, IVG already fulfils all the necessary conditions that are important for the turnaround in energy policy. The location would therefore be ideally suited for setting up a pilot plant for the conversion of wind energy into hydrogen/methane gas. This is necessary because the underground storage industry in Germany does not yet have enough experience of dealing with hydrogen in the expected quantities, and authorities and the public are also breaking new ground."

Dr Anke Tuschek,
German Association of
Energy and Water Industries

Reinhard Borck,
Deloitte & Touche GmbH

Manfred Wohlers,
IVG Caverns GmbH

04 How can politics contribute to the process?

The German federal government's unexpected step of removing all nuclear power plants from the network within the next ten years will mean, in addition to the financial requirements for the state and the private sector, a great effort to establish acceptance among the public in terms of the necessary investments in the energy infrastructure.

According to **Dr Anke Tuschek**, there is a growing need for dialogue, as it will not be possible to master the reorganisation of the energy supply without fighting out conflicts of objectives. In this context, the state has the task of creating a participation structure whereby citizens are also involved in the turnaround in energy policy. For **Reinhard Borck** it is clear that taxpayers will have to participate financially in the nuclear power phase-out through government subsidies and direct increases in electricity prices.

In **Professor Manfred Fischedick's** opinion, the current obstacles to expanding renewable energies lie in the fact that the major German energy corporations are taking advantage of the better conditions abroad to make investments there.

"We must also succeed in the medium term in convincing other countries of the advantages of renewable energies in order to use comparative advantages and create added value for society. The political fields of activity are therefore extensive and diverse, ranging from establishing acceptance among the public to creating cross-border conditions that demand and encourage economic competition," says Manfred Wohlers.

05 How compatible will the turnaround in energy policy be with economic and ecological concerns?

For **Dr Oliver Liersch** it is clear that the entire added value must be included in the cost calculations. There will of course be a considerable increase in costs in the short term for expanding the necessary facilities and infrastructure. In the long term, however, a positive effect will be achieved, for instance through a rise in employment and the anticipated savings in electricity and heating costs.

"The positive regional effect within Germany should not be forgotten either. As a result of wind energy's dependence on offshore areas, there is likely to be significant growth potential particularly for the Northern regions, which are weaker economically in comparison to the South," says **Manfred Wohlers**. This concept can of course be applied beyond Germany's borders, too. With a corresponding expansion of the electricity infrastructure in Europe, the sunny regions of Italy, Spain, Portugal and Greece could benefit from the turnaround in energy policy with photovoltaic facilities, for example. This brings us back to the issue of ecology. On a global scale, the path taken by Germany of a turnaround in its energy policy is initially only of minor importance, as we are currently responsible for only around 3% of emissions worldwide. In the long term, however, our neighbouring countries will also be able to put their regional advantages to use and thereby contribute substantially to improving the environmental impact.

Dr Oliver Liersch, Lower Saxon Ministry of Economic Affairs, Employment and Transport

Summary:

The insights gained from the group of experts underpin IVG's approach of further expanding the caverns location in Etzel. In addition to the opportunities arising from gas storage, IVG will also energetically advocate setting up a pilot plant for the long-term storage of wind-powered hydrogen in Etzel so as to make its contribution to the turnaround in energy policy and reinforce its pioneering role in long-term storage.

Furthermore, it has been shown that the area of energy infrastructure will become particularly important as an asset class in the future. The anticipated high investment costs and the long-term investment horizons will tend to represent a barrier to entry for private investors. In contrast, attractive opportunities are likely to arise for institutional investors. IVG will therefore increasingly seek corresponding investment opportunities in the context of its new business model and the associated integrated platform strategy.

Corporate sustainability:

Continuing on our path of sustainability

An interim review

A look back at the 2011 agenda

	Goal achieved
Appointment of a CS Officer	Yes
Screening the existing portfolio and recording the consumption documents for the “Energy & Water” variables	Yes
Derivation of the resulting CO_2 emissions	Yes
Definition of target values and plan of measures in the overall portfolio for 2012-2015	Yes
Communication on sustainable property strategies and standards	Partly
Incorporation of the aspect of sustainability in IVG’s business strategy	Yes
Presentation of key sustainability figures with annual update	Yes
Communication on IVG’s sustainability strategy to employees, shareholders and stakeholders	Yes

Corporate sustainability as a fixed component of business activities at IVG

Corporate sustainability (CS) is a key component of our corporate self-conception at IVG Immobilien AG. As an international investor in real estate and related infrastructure, we see ourselves as a responsible company whose economic success is also determined by the standards of social, ecological and economic sustainability.

Since the publication of our first sustainability report in spring 2011, we publish our goals, measures, activities and progress in the area of CS on an annual basis.

In the past two years, we have stepped up our CS activities and placed issues relating to sustainability in an overall context. Above all, we have also derived relevant measures for day-to-day business.

“Green electricity” project

As a result of our sustainability standards, in early 2012 we changed over to green electricity for a first tranche of 50 German properties in IVG’s portfolio. Since the beginning of the year, these properties have been supplied with green electricity from Mainova AG.

Electricity is fed into the network from different sources and power plants. The consumers in turn take electricity from this mix at many different points. It is not possible to see from the electricity itself what energy source it comes from. Green electricity sources are sources that do not negatively impact the environment and are taken from renewable raw materials. For this reason, IVG has set out clear requirements and criteria in advance for the electricity to be supplied.

The key aspect of our requirements is that purchasing green electricity also creates a long-term, recognisable and proven benefit for the environment. The green electricity we now purchase consists entirely of hydro-electric power and is thus CO_2-neutral and saves resources.

The green electricity product from Mainova AG has also been awarded the “Grüner Strom Label (Green Electricity Label) Gold Certificate”. The label certifies only those products that create a high environmental benefit.

Grüner Strom Label

Agenda and milestones for the implementation of IVG's sustainability strategy in 2012 to 2015

2012 to 2015	Implementation in 2012
Transfer of IVG's sustainability standards to IVG branch offices in Germany and abroad	Foundation phase
Communication and harmonisation of standards with service providers in Germany and abroad	Foundation phase
Communication of the standards to tenants, in connection with uniform tenant surveys	Implementation
Start of implementation of "green leases" for new leases and lease extensions	Completion of pilot and rollout throughout Germany
Extension of the selection to other IVG properties	Implementation
Development/adaptation of national and international comparison systems	Foundation phase
Further standardisation of reporting, e.g. through complete adoption of GRI reporting standards	Comparison of national and international development in implementation
Communication on sustainable property strategies and property standards	Foundation phase

The electricity consumption of the target properties currently amounts to 5,557,964 kWh per year. By changing over to 100% green electricity, the negative impact on the environment is reduced by around 3,129 tons of CO_2 emissions. In addition, IVG generated significant electricity cost savings in the context of the tender.

"Green leases" project

As one of Europe's major market players, we have taken the opportunity to accommodate ecological sustainability concerns when leasing office properties by including relevant regulations in the rental agreements.

Incorporating these "green leases" into the rental agreements allows IVG to support the achievement of the sustainability goals it has set itself accordingly. When formulating these green leases, it is important to find solutions that are both efficient and practical. These regulations must both be accepted by the tenants and comply with the applicable legislation.

The result is a system consisting of two stages. In the first step, the tenant and the lessor undertake to gear the rental agreement towards sustainability criteria. This means that certain standards of conduct should be given higher priority, such as moderate heating and cooling of the rented properties and the use of ecologically sound materials and renewable energy sources.

In the second step, the tenant can – at its own request – agree regulations with IVG that are designed to optimise the consumption of resources by the rented properties by means of construction measures or to obtain certain certification. The economy of measures for IVG is ensured by an appropriate allocation of costs and benefits.

At the end of 2011, the Hamburg branch began introducing green leases as part of a pilot project. The highly positive response from potential tenants has confirmed our decision to include the corresponding standards in our leases. In March 2012, green leases were implemented throughout Germany and have since been an essential component of our sustainability strategy.

Professional Support of Real Assets:

Operating business – keeping a promise for

day-to-day performance

Despite difficult conditions, IVG achieved key milestones in the 2011 financial year. We achieved financing successes early, strengthened our capital base and stabilised our operating income figures. With the new management line-up, our company will continue on this path in 2012. We set ourselves realistic goals – with the imperative priority of achieving these.

Company Facts 2011

IVG Group

IVG at a glance: €21.5 billion in assets under management

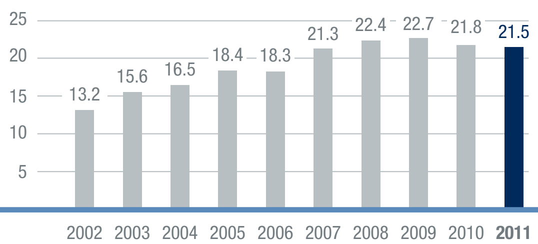
IVG manages assets of €21.5 billion. These assets are managed at 19 locations with around 590 employees (FTE) via the company's network of branch offices in major German and European cities.

IVG manages properties including office properties from its own portfolio with a market value of €3.8 billion. It also builds and operates underground caverns in Northern Germany for the storage of oil and gas. In the funds segment, IVG is the market leader for specialised real estate funds for institutional investors. Together with the closed-end real estate funds for private investors, IVG manages funds and mandates with a volume of €15.1 billion. Representing a slight decrease of 1.3% as compared to the previous year. This was chiefly due to selective sales of properties in the Real Estate segment.

The following graphics show the development of assets under management over time, by segments and by regions.

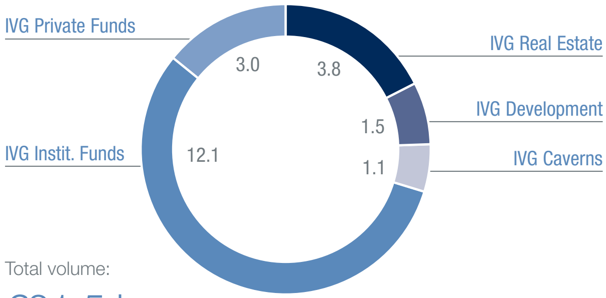
Assets under Management over time

in € bn



Assets under Management by segments

in € bn

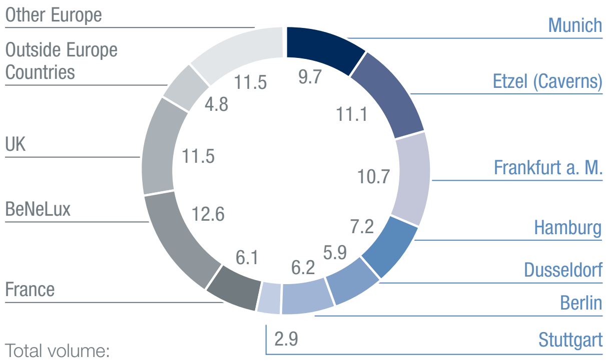


Total volume:

€21.5 bn

Assets under Management by regions

in %



Total volume:

€21.5 bn

Germany: €11.5 bn (53.6%)

Highlights in 2011

Negative earnings development influenced by one-off effects in project development business

IVG Immobilien AG reported a consolidated net loss of €126.0 million for 2011. Of this figure, impairment losses on inventories for project developments amounted to -€116.6 million, essentially relating to the project THE SQUAIRE at Frankfurt Airport.

The development of earnings in the Real Estate segment from €110.6 million in 2010 to €101.9 million in 2011, in line with expectations, is chiefly due to the sales of properties in the past two years. At €108.0 million, EBIT for the Caverns segment was lower in 2011 than in the previous year (€163.2 million). This was mainly attributable to the lower number of caverns under construction recognised at fair value for the first time (2010: nine caverns; 2011: six caverns). EBIT in the Institutional

Funds segment remained at the previous year's level at €18.3 million in 2011. Decreasing fees from funds and property management were offset by transactions. The negative EBIT of -€5.5 million in the Private Funds segment includes start-up costs for the IVG EuroSelect 21 Munich closed-end real estate fund launched in early 2012. Overall, EBIT before Development of €191.1 million in 2011 was thus €72.4 million lower than the previous year's EBIT (€263.5 million).

At -€147.8 million, EBIT in the Development segment in 2011 was heavily influenced by impairment losses on inventories amounting to -€116.6 million. A further -€31.2 million was attributable to processing the development pipeline.

The change in the financial result from -€235.1 million in 2010 to -€260.9 million in 2011 is mainly due to unrealised changes in value such as the foreign currency result and the result from hedging transactions and measurement of financial assets. The figure for this was -€38.6 million in 2011 as against -€19.9 million in 2010. The increase in income taxes is due firstly to the development of pre-tax earnings and secondly to the additional capitalisation of commercial tax loss carryforwards.

Profit and loss

in € m	2011	2010	Change in %
EBIT before unrealised changes in value			
Real Estate – operational	157.7	196.3	-19.7
Real Estate – realised changes in market value	-2.4	1.0	-
Development	-31.2	39.2	-
Caverns	16.0	24.6	-34.9
Institutional Funds	18.3	18.2	+0.3
Private Funds	-5.5	2.1	-
Corporate functions	-31.7	-30.6	+3.5
Consolidation	0.0	0.0	0.0
	121.3	**250.9**	**-51.6**
Unrealised changes in value			
Investment Property Real Estate	-55.8	-87.8	-36.4
Investment Property Caverns	91.5	140.8	-35.0
Material expenses	-114.0	-45.4	-
Other	2.9	-2.3	-
Financial result	-38.6	-19.9	+94.1
	-116.6	**-14.6**	**-**
IVG Group			
Financial result without changes in value	-222.3	-215.2	+3.3
Income taxes	91.6	2.1	-
Consolidated net profit	**-126.0**	**23.2**	**-**

NAV figures

in € m	2011	2010	Change in %
Assets [1]			
Real Estate	3,992.7	4,475.8	-10.8
Development	1,018.6	1,076.1	-5.3
Caverns	811.1	771.3	+5.2
Institutional Funds	268.1	260.5	+2.9
Private Funds	12.8	11.9	+6.9
Corporate functions	397.1	422.5	-6.0
Total assets	**6,500.3**	**7,018.0**	**-7.4**
Derivative and deferred tax assets	404.0	274.4	+47.2
Total assets (according to consolidated balance sheet)	**6,904.2**	**7,292.4**	**-5.3**
Liabilities			
Liabilities	4,878.3	5,288.5	-7.8
Hybrid capital and minority interests	401.0	401.3	-0.1
Other liabilities	439.4	533.8	-17.7
Derivative and deferred tax liabilities	200.3	184.0	+8.9
IVG Group			
NAV	**985.3**	**884.8**	**+11.4**
Value of caverns	325.3	356.3	-8.7
NAV adj.	**1,310.6**	**1,241.1**	**+5.6**
NAV figures in € per share [2]			
Net Asset Value	4.74	7.02	-32.5
Value of caverns	1.56	2.83	-44.9
Net Asset Value adjusted	6.30	9.85	-36.0

[1] Balance sheet figures may vary from Assets under Management
[2] Basis 2011: 207.9 m shares

Net asset value: decline in value per share due to higher number of shares

Net asset value (NAV) fell by 33% from €7.02 per share as at 31 December 2010 to €4.74 per share as at 31 December 2011. After taking into account the higher number of shares of 207.9 million as a result of the capital increases in 2011, NAV rose by 11.4%.

Adjusted for the components of the market value of caverns not capitalised, adjusted NAV was €6.30 per share as at 31 December 2011, down 36% as against 31 December 2010 (€9.85 per share). The adjustments for the off-balance sheet part of the fund caverns and future caverns under construction decreased, among other reasons, as a result of the first-time fair value accounting of six caverns under construction in 2011.

If the figure as at 31 December 2010 is also adjusted for the capital increases in 2011 (€5.97 per share), adjusted NAV increased by 5.6% in the 2011 financial year.

FFO I indicates positive operational earnings power

In 2011, IVG generated FFO I of €14.9 million, or €0.10 per share. Our core business thus possesses positive operational earnings power after adjustment for one-off effects (such as development costs and sales activities).

Funds from operations

in € m		2011	2010
EBIT Group		**43.3**	**256.2**
Unrealised changes in value		+78.0	-5.3
EBIT Group (before unrealised changes in value)		**121.3**	**250.9**
A)	Elimination of non-recurring EBIT from development activities		
	EBIT Development (before changes in value)	+31.2	-39.1
B)	Elimination of non-recurring result from trading activities (excl. trading activities Development)		
	Realised changes in market value of investment property (excl. Development)	+3.0	+0.2
C)	Elimination of non-cash effects included in EBIT (excl. development activies)		
	Depreciation and amortisation of intangible assets and property, plant and equipment (excl. Development)	+7.3	+6.6
	Gains/loss from associated companies accounted for using the equity method (excl. Development)	-0.8	-6.3
	Other non-cash effects included in EBIT (excl. Development) and one-off items	+14.7	-8.4
D)	Less regular payouts to other stakeholders		
	Net interest result (cash effective part financial result without development and caverns financing)	-136.1	-156.6
	Current income tax expenses (cash tax, according to cash flow statement)	-2.3	-8.2
	Accrued payouts hybrid holder (to be payed out later)	-23.6	-24.0
FFO I - recurring (excl. activities from development and trading)		**14.9**	**15.0**
Add back eliminated result from trading activities		-3.0	-0.2
Add back eliminated result from development activities		-31.2	+39.1
Elimination of non-cash effects included in EBIT from development activities		-15.0	-11.9
	Depreciation and amortisation of intangible assets and property, plant and equipment	+0.0	0.0
	Gains/loss from associated companies accounted for using the equity method	-1.9	-9.6
	Other non-cash effects included in EBIT and one-off items adjusted earlier	-13.2	-2.3
Add back eliminated cash effective from development financing		-27.8	-32.0
FFO II - total (incl. activities from development and trading)		**-62.2**	**10.0**

Business model streamlined as part of restructuring

As a result of restructuring, IVG is now considerably leaner, more efficient and more effective. IVG was repositioned in strategic terms in particular and now operates on the market as an integrated investment platform. As an investment platform, IVG will mainly offer tailored products for the requirements of institutional and private investors in real estate and similar investments, while also participating in its own products through capital partnerships selectively as a co-investor.

The business model consists of the two pillars Investment and Funds, which stand on the joint overall foundation of IVG's own Asset Management as an integrated value added chain. It aims to secure existing income potential in operating business and further reduce cyclical activities entailing a risk.

For IVG, the issue of sustainability – in general and in a specific real estate context – is of great importance to its business model and strategy. In this context, a sustainability strategy is currently being defined for the Group, taking into account the interests of the various sub-divisions of the Group and also of the other stakeholders. This strategy will form a framework for the further development of the platform and individual products.

The strategic realignment of the business model simplified the corporate structure and focused on a clear orientation on sustainable core business with stable consistent income. This allows IVG to minimise risks, save costs, and significantly increase efficiency.

2012

Major goals/measures

- Expansion and further professionalisation of the investment platform
- Building up recurring income while reducing structure costs
- Cutting capital costs by reducing debt
- Reducing shares in business subject to risk

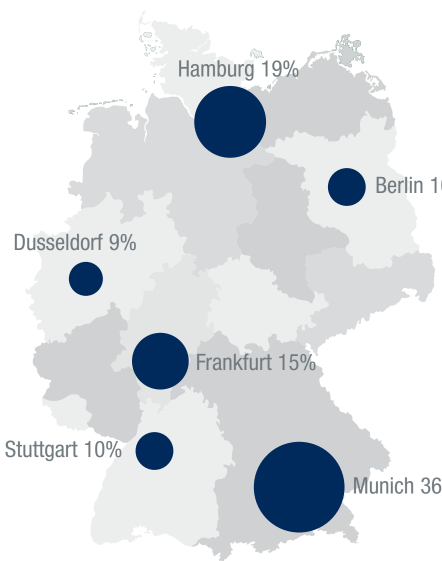
IVG Investment: Real Estate

Portfolio dominated by Core/Core+ properties in Germany

The Real Estate segment manages a total of 225 properties with lettable space of approximately 2 million sqm and annual contractual rent of €227 million. The average remaining term of the contracts is 5.2 years. The fair value of the properties amounts to €3,776 million. The portfolio focuses on German properties, which account for 87% of the annual contractual rent. Within Germany, 99% of the annual rent relates to the top six locations (Berlin 10%, Dusseldorf 9%, Frankfurt 15%, Munich 36%, Hamburg 19%, Stuttgart 10%). The high attraction of the top locations and the relevant sub-markets – measured according to the categories of market size, market risks and future prospects – guarantees the generation of stable and recurring income. In 2011, the Real Estate division generated at portfolio level a NOI yield of 5.0%.

IVG portfolio

in %



Active portfolio management of properties

Through active portfolio management, the Real Estate division identifies property-specific potential and optimises it by means of appropriate measures. Taking into account the current market environment, the properties are then sold in line with the cycle. The central link in the value chain is our internal Asset Management, which has a network of local branch offices in Europe – and thus works directly and with the necessary market expertise on sustainably increasing rental income, improving economic occupancy rates, and raising development and building rights reserves.

Key figures

in € m	2011	2010	Change in %
Revenues	289.7	303.0	-4.4
thereof net rents	*240.5*	*259.3*	*-7.3*
thereof service charge	*37.8*	*37.6*	*+0.5*
thereof other revenues	*11.4*	*6.1*	*+86.9*
Changes in inventory	-6.4	-2.9	-
Unrealised changes in market value of investment property	-55.8	-87.8	-36.4
Realised changes in market value of investment property	-2.4	1.0	-
Other income	11.7	9.6	+22.3
Operational expenses	-134.9	-112.2	+21.1
EBIT	**101.9**	**110.6**	**-7.9**
Proceeds from sales	495.7	348.6	+42.2
Acquisitions	-	29.4	-
Fair value at end of year	3,776	4,266	-11.5

Market values confirmed by sales

The changes in the market value of IVG's own portfolio were largely influenced by two developments in 2011. On the one hand, there was the negative effect of selective write-downs in connection with the termination of rental contracts by anchor tenants. On the other, IVG succeeded in concluding major new rental contracts through active asset management which had a positive effect on valuation. Overall, there were total write-downs of €55.8 million, equivalent to roughly 1.2% of the portfolio's value.

Continuing strategic disposals

Overall, the value of the portfolio decreased from €4,266 million to €3,776 million, mainly due to scheduled property sales. The valuation of the portfolio now in line with market conditions is supported by a large number of sales transacted at the level of current fair values. With a sales volume of €495,7 million, there was only a slight negative deviation of approximately 0.5%. The sales led to an inflow of liquidity totalling €292.1 million.

The largest transactions were concluded in Paris due to the positive market environment. Three properties with a total value of €345.8 million were placed on the market here. The largest individual transaction was the Place Vendôme 7 core property with a net initial yield of 3.3%. Additional properties and land with a value of €149,9 million were placed directly on the market or added to funds launched by IVG via the integrated investment platform.

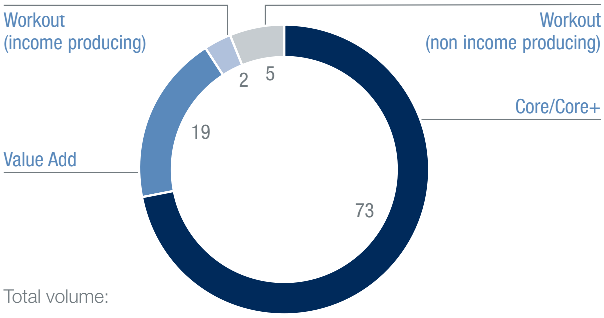
Main portfolio disposals [1]

Disposals 2011	City	Country	Lettable space in '000 sqm	Price in € m
Place Vendôme 7	Paris	France	11.7	191.2 [2]
Avenue Frederic et Irene Joliot-Curie 186	Nanterre	France	14.6	82.6
Rue Grange Dame Rose 20/22	Vélizy-Villacoublay	France	32.7	72.0
Medienbrücke	Munich	Germany	7.7	30.5
Kurfürstendamm	Berlin	Germany	10.6	28.4
Hermes Essener Bogen	Hamburg	Germany	8.9	23.5
Rosenheimer Str. "Mahag Hallen", NOVUM	Munich	Germany	0.0	11.2
Walkerdamm 1/ Hopfenstr. 71	Kiel	Germany	5.0	7.8
Spaldingstr. 160	Hamburg	Germany	21.7	4.8
Winkelsweg 177-179	Langenfeld	Germany	21.6	4.6
Other			49.6	39.2
Total (Disposals)			**184.2**	**495.7**

[1] Disposals up until 31.12.2011
[2] Including the pro rata tax benefit

Portfolio structure

Fair value according to investment profile in %



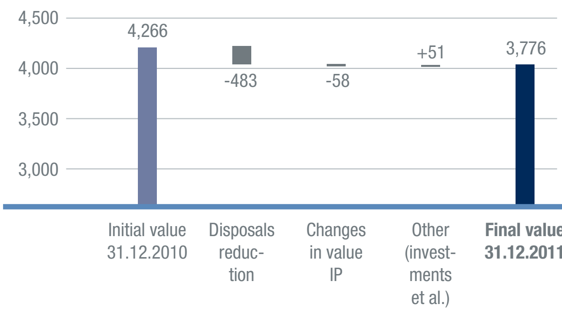
Total volume:

€3.8 bn

73% of IVG's properties fall in the Core/Core+ category. The sales performed had only a minor influence on the portfolio structure. In addition to the major sales in the Core/Core+ segment, the workout share of the portfolio was reduced from 10.2% to 7.7%. The portfolio therefore still consists of a balanced mix of long-term stable, fully let Core/Core+ properties and Value-Add properties whose potential for capital appreciation can be leveraged through active asset management. Properties in the Workout category will increasingly be sold off in the future due to a lack of conformity with IVG's strategy.

Portfolio development

in € m



Top 10 tenants

Company	Lettable space '000 sqm	Contract rent p. a. in € m	Share of total rent volume in %
Allianz Deutschland AG	404.1	62.7	27.7
Siemens AG	57.4	7.4	3.2
Bosch Sicherheitssysteme GmbH	43.4	4.7	2.1
Daimler AG	20.9	3.8	1.7
EPCOS AG	33.2	3.3	1.5
MEDA Pharma GmbH & Co. KG	14.5	3.0	1.3
Universität Hamburg	14.0	2.9	1.3
Shell Deutschland Oil GmbH	23.2	2.8	1.3
B.T. Ltd	13.7	2.7	1.2
Peugeot Citroën Automobiles	11.0	2.5	1.1
Total (Top 10)	**635.4**	**95.8**	**42.3**
Other	1,056.8	130.7	57.7
Total	**1,692.2**	**226.5**	

Portfolio structure focussed on German Core/Core+ properties

Portfolio structure 31.12.2011		National	International	Core/Core+	Value Add	Workout income producing	Workout non income producing	Total
Market value	in € m	3,410	365	2,748	737	89	201	**3,776**
Cluster	in %	90.3	9.7	72.8	19.5	2.4	5.3	**100**

Around 42% of total contract rent is covered by the top ten tenants. The largest tenant across various locations is Allianz with a total area of around 404,100 sqm and an annual contract rent of €62.7 million. In the 2011 financial year, another major tenant was obtained in the University of Hamburg with a leased area of 14,000 sqm. The term of the lease begins in July 2012.

Lease expiries at a glance

in € m	Germany	International	Total
2012	25.4	6.9	32.3
2013	15.1	0.8	15.9
2014	17.6	0.9	18.5
2015	9.3	0.1	9.4
2016 ff.	98.5	4.0	102.5
Indefinite	10.0	1.1	11.1
ST break option [1]	7.8	10.8	18.6
MT break option [2]	13.0	5.4	18.5

[1] Lease contracts with a short-term break option
[2] Lease contracts with a medium-term break option

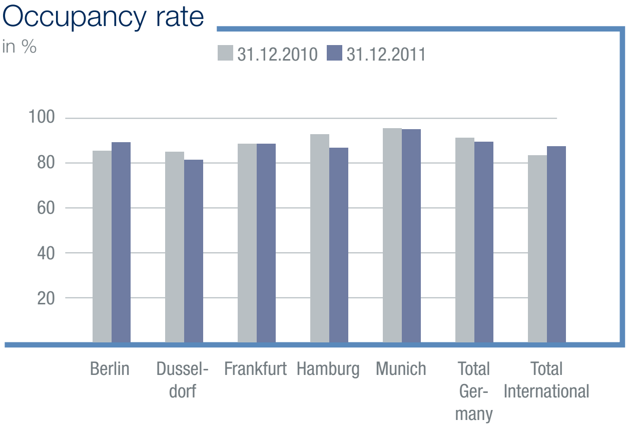
On average, new and follow-up leases were concluded with a term of five years (plus prolongation options).

Occupancy rate at a glance

Despite a number of large-scale lease terminations, IVG succeeded in taking advantage of the continued economic recovery and keeping the occupancy rate virtually stable at 88.9%. Adjusted for sales, there was a slight decrease in the occupancy rate of 0.6%, although almost 60% of the rents are secured in the long term.

Occupancy rate

in %



Key portfolio figures

Key figures Q1-Q4/2011		National	International	Core/Core+	Value Add	Workout (income producing)	Workout (non income producing)	Total
Expected rent	in € m	220	35	188	58	6	3	255
Contract rent	in € m	197	30	178	42	6	1	227
Leased area	in '000 sqm	1,502	190	1,216	387	73	17	1,692
Area	in '000 sqm	1,775	236	1,291	580	85	56	2,011
Economic occupancy rate	in %	89.3	86.4	94.9	72.6	89.5	-	88,9
Market value	in € m	3,410	365	2,748	737	89	201	3,776
Expected rental yield	in %	6.5	9.5	6.8	7.9	7.3	-	7.1
Actual rent	in € m	200	40	195	32	12	1	240
Property-related costs	in € m	30	10	21	11	5	3	39
NRI	in € m	170	31	174	21	7	-1	201
NRI	in %	5.1	5.1	5.6	2.7	7.5	-	5.1
NOI	in € m	167	29	172	20	6	-1	196
NOI	in %	5,0	4.9	5.5	2.6	6.5	-	5.0

2012 Major goals/measures

- ➜ Further improvement in operating performance and performance measurement through proactive tenant and cost management and targeted maintenance and modernisation measures (quality and letting campaign)
- ➜ Streamlining and focussing on the Core/Core+ and Value-Add investment profiles with a particular focus on Germany
- ➜ Systematic sale of non-strategic properties, especially from the Workout category

IVG Investment: Development

Focus on reducing project pipeline

With the discontinuation of activities in the existing Development division, current developments are now centred on optimising properties still in the pipeline and increasing their value by improving the occupancy rate. The focus here is on the projects THE SQUAIRE at Frankfurt Airport and Front Office in Paris.

Development services for the company's own assets and the fund assets are performed by our in-house Asset Management division.

Key figures

in € m	2011	2010	Change in %
Revenues	127.4	408.8	-68.8
thereof project sales	*110.5*	*388.7*	*-71.6*
thereof other income	*16.9*	*20.1*	*-15.7*
Changes in inventory	94.2	172.4	-45.4
Unrealised changes in market value	0.0	0.0	-
Realised changes in market value	0.0	0.0	-
Other operating income	2.6	1.2	-
Material expenses	-337.9	-561.7	-39.8
thereof risk provisions/ impairment losses	*-116.6*	*-46.5*	-
Operational expenses	-34.1	-28.1	+21.3
EBIT	**-147.8**	**-7.3**	-

Impact on earnings

Earnings in the past financial year were negatively impacted by impairment losses on the project THE SQUAIRE, which were primarily caused by unplanned cost increases.

In line with the reduction of the project pipeline, revenues were down at €127.4 million and were determined by the sale of the Hackesches Quartier project in Berlin.

Project disposals 2011

in € m	Total investment costs	Number	Sales volume
IVG own projects	198.1	1	160.6
IVG investment projects	47.2	1	65.8
Total (IVG share)	**245.3**	**2**	**226.4**

2012

Major goals/measures

- In 2012 we aim to sell the remaining projects in Hungary and Poland, with THE SQUAIRE at Frankfurt Airport and Front Office in Paris to be monetised in 2013.

IVG Investment: Caverns

Caverns as a stable real estate related asset class

Within the Investment division, caverns business represents an attractive pillar on the IVG investment platform. The core business of the segment is the construction, operation, leasing, and sale of caverns for oil and gas storage. Cavern lessees are companies of strong financial standing from the energy industry and public oil storage organisations from Europe.

Following IVG's sale of a total of 70 caverns (40 portfolio caverns and 30 development caverns) to an institutional fund initiated by IVG in 2008, eleven of the 30 development caverns were transferred as scheduled in the period from 2009 to 2011. IVG is responsible for the fund and asset management and receives a fee for this for caverns in operation.

In addition, IVG is developing the construction of another 60 IVG-owned caverns at the Etzel location near Wilhelmshaven, with one oil cavern with a long-term lease completed already in 2011. Another six caverns are already under contract and there are option contracts for eleven caverns. In addition, 42 free caverns are available.

Key figures

in € m	2011	2010	Change in %
Revenues	38.7	45.8	-15.6
thereof management fee income	*9.4*	*13.2*	*-28.5*
thereof performance fees (promote structure)	*16.9*	*20.9*	*-19.2*
thereof net rents	*3.5*	*0.0*	-
thereof other income	*8.9*	*11.7*	*-24.1*
Own work capitalised/changes in inventories	7.5	0.9	-
Unrealised changes in market value	91.5	140.8	-35.0
Realised changes in market value	-0.6	-1.2	+45.4
Other income	3.1	5.8	-46.8
Operational expenses	-32.2	-29.1	+10.7
EBIT	**108.0**	**163.2**	**-33.8**
Gross proceeds	179.4	122.5	+46.4
Investments	125.9	131.1	-4.0

Fair value measurement has positive influence on earnings

As in 2010, unrealised changes in the market value of investment property had a strong positive influence on earnings in 2011, too. Since the beginning of 2009, caverns under construction are required to be reported under investment property and carried at fair value in accordance with IAS 40 (revised 2008), providing that their fair value can be reliably determined. The corresponding measurement and first-time recognition at fair value took place in 2010 for nine caverns and in 2011 for six caverns. Of these caverns, four were sold to the IVG Cavern Fund as planned in 2010 followed by six in 2011. The reported unrealised changes in market value show the difference between the fair values and the recognised manufacturing costs.

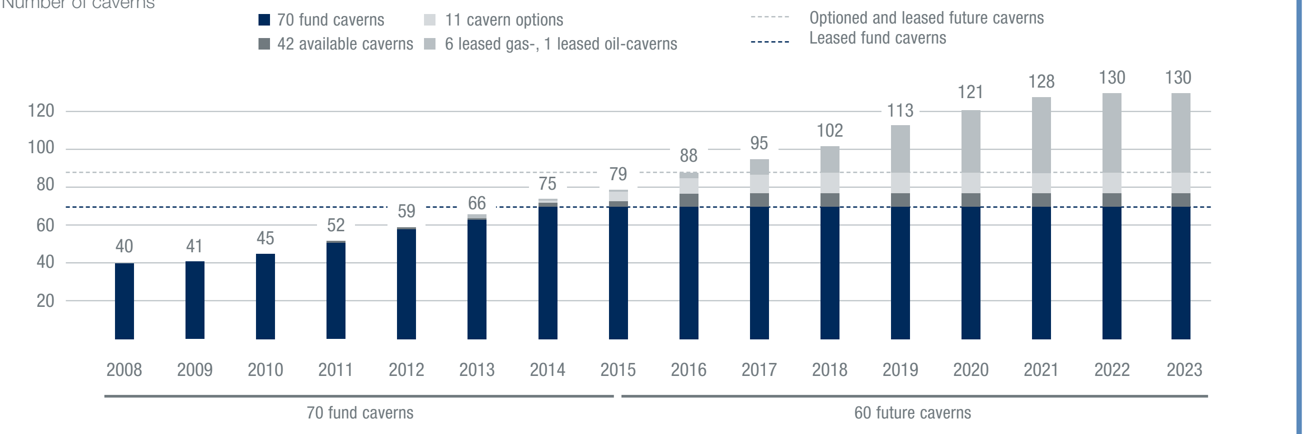
The decrease in management fees is due to the reduction in the service fee for the IVG Cavern Fund. As part of the cavern transaction executed in 2008, a one-off reduction in the fee per individual cavern for the 2011 financial year was agreed with the Cavern Fund on the basis of the decrease in fixed costs due to the increasing development of the 60 future caverns. After the development of the 19 fund caverns still under construction, a rise in income is ensured until 2015.

From the promote structure that IVG agreed with the IVG Cavern Fund for the oil storage contracts to be extended until 2015, IVG secured further future income based on the two contracts concluded in 2011 for four caverns. This income was recognised at present value in revenues. The resulting payment totalled €10.8 million in 2011.

As a result of the completion and leasing of an IVG-owned future oil cavern in 2011, initial net rents were generated for IVG.

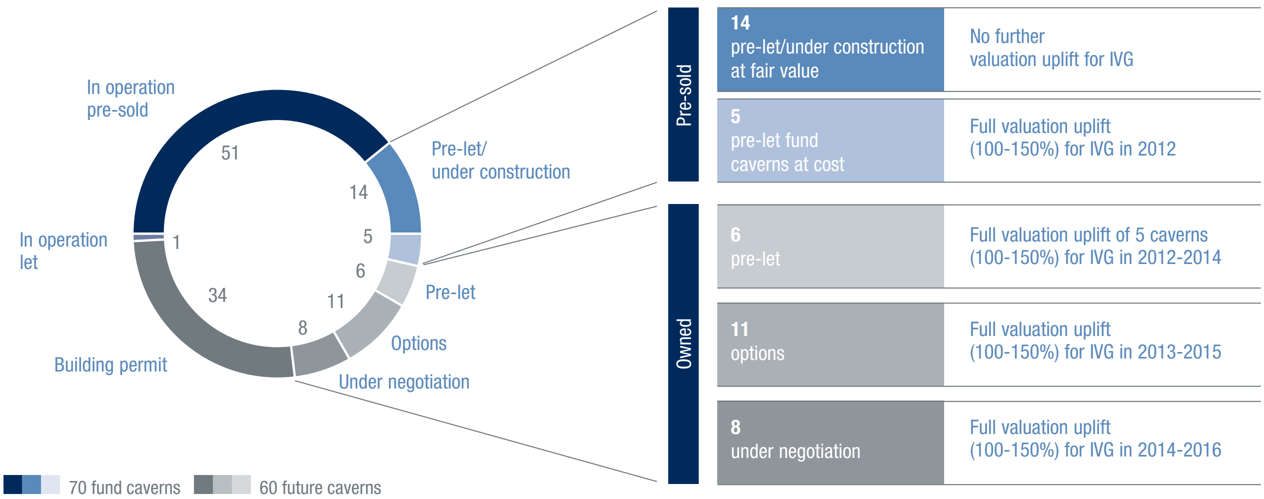
Portfolio development

Number of caverns



Structure of cavern portfolio

Number



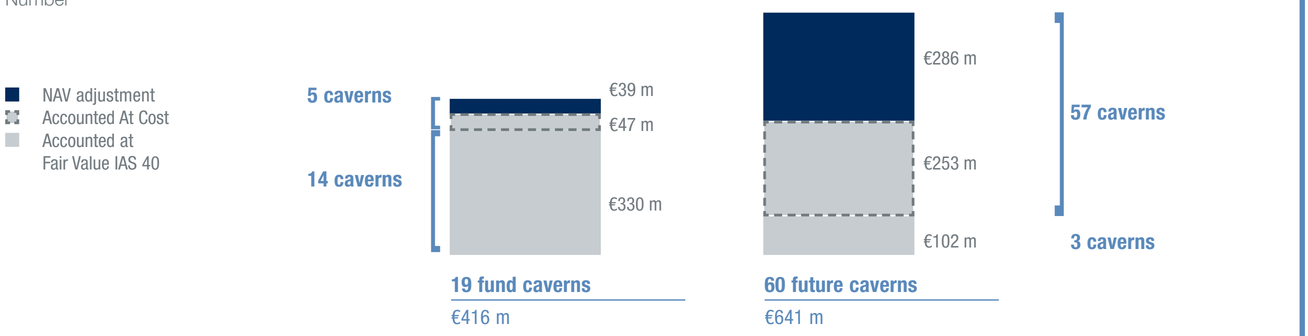
Purchase price and investments: 70 fund caverns 2008 to 2015

in € m	2008	2009	2010	2011	2012	2013	2014	2015	2012-2015
Purchase price [1]	835.8	37.3	131.1	190.2	226.5	149.1	197.1	13.3	585.9
Investments [2]	-160.0	-41.0	-61.5	-42.9					-70.0

[1] Purchase prices from 2009 to 2015 include a promote structure in the amount of €92 million for extensions of prolongation storage contracts 2009 to 2014
[2] This does not take account of non-cash investments (capitalised loan interests and own work capitalised)

Accounting of cavern assets

Number



Accounting and NAV adjustment 2011

in € m		Balance sheet value	NAV adj.	Total volume
19 fund caverns		**376.6**	**39.6**	**416.2**
14 fund caverns	*Fair Value*	*329.6*		*329.6*
5 fund caverns	*At Cost*	*47.1*	*39.6*	*86.6*
60 future caverns		**354.8**	**285.7**	**640.5**
3 future caverns	*Fair Value*	*102.2*		*102.2*
*57 future caverns **	*At Cost*	*252.6*	*285.7*	*538.3*
79 caverns		**731.4**	**325.3**	**1,056.7**

* Incl. infrastructure investments

Focus remains on meeting deadlines and increasing volumes

In addition to on-schedule cavern development with the correct volumes and operating the 19 caverns sold and let to the fund, the focus in the coming years will be on developing and operating IVG's seven own leased caverns (future caverns). There will also be a focus on leasing additional future caverns. The expansion of IVG's cavern location is therefore still proceeding according to plan.

2012

Major goals/measures

- Transfer of at least another seven completed caverns to the IVG Cavern Fund
- Continue construction and development activities for 19 pre-sold fund caverns and 59 future caverns
- Conclude additional rental contracts for future caverns

IVG Funds: Institutional Funds

Market-leading position in Germany confirmed

IVG Institutional Funds is a segment of the IVG Funds division. It deals with developing, selling and managing real estate and infrastructure funds for institutional investors. In the past financial year, the segment once again demonstrated its expertise in funds, transactions, real estate and structuring. On the basis of its expertise in real estate, IVG Institutional Funds is a market leader, with a market share of roughly 22% (according to Bundesverband Investment und Asset Management e. V., 31 December 2011).

Key figures

in € m	2011	2010	Change in %
Revenues	57.9	58.0	-0.2
thereof one-off fees	*4.5*	*2.2*	-
thereof rolling fees	*52.7*	*55.6*	*-5.3*
thereof other revenues	0.7	0.2	-
Other income	1.3	1.2	+1.7
Operational expenses	-40.9	-41.0	+0.4
EBIT	**18.3**	**18.2**	**+0.3**
Acquisitions	789	433	+82.2
Sales	1,137	789	+44.1
Assets under Management	12,057	12,125	-1.6
Number of funds	41	38	+5.3

Broadening platform with acquisition of HRI

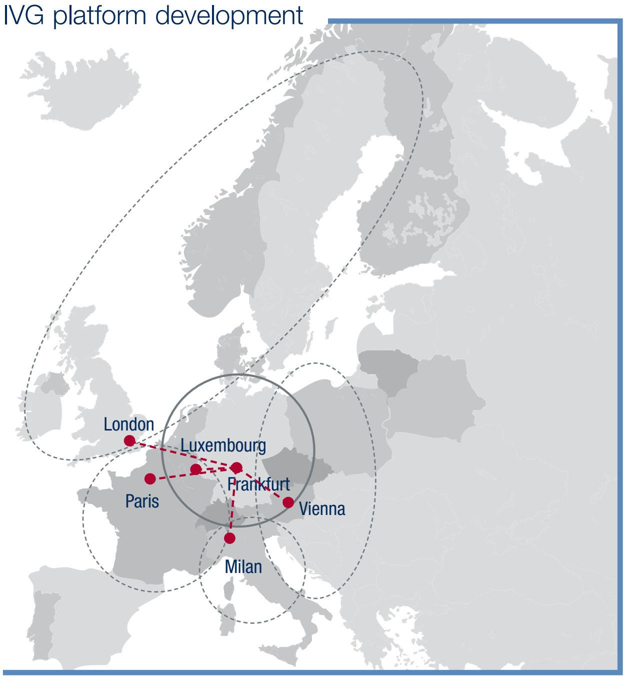
To broaden its real estate expertise and its range of investments in Austria and in Central, Southern and Eastern Europe, last year IVG Institutional Funds acquired the Vienna-based HYPO Real Invest AG. In future, after being renamed as IVG Austria, the company will not only act as an asset manager, but will also offer fund management expertise. On the basis of this positioning, IVG Austria will open up access to new groups of investors and drive forward the expansion of activities in Austria and in Central and Eastern Europe.

With this acquisition, IVG Institutional Funds took the first steps towards the platform development strategy initiated in 2010. This specifies, among other aspects, that the existing network of branch offices should also be used for other purposes besides asset management, for example to establish contacts with potential foreign investors.

One focus of the platform development is on Austria and Central and Eastern Europe (see map). With the acquisition of IVG Austria, the real estate fund HRI Immobilienfonds Nr. 1 was added to the IVG Institutional Funds product range. In addition, IVG Institutional Funds placed the IVG Warsaw Fund together with IVG Austria in 2011. The IVG Warsaw Fund has a volume of €200 million to €300 million and focuses on core investments in office properties in Warsaw's central business district (CBD). As an asset manager, IVG Austria supports IVG's successful fund placement with its expertise in the Eastern European market. Properties with a purchase volume of approximately €58 million were already acquired for the IVG Warsaw Fund in 2011.

As part of the platform development, further personnel capacity was implemented in the London and Milan branch offices so as to gain local access to British and Italian investors.

IVG platform development



Successful Silberturm transaction confirms platform strategy

In the fourth quarter of 2011, a group of investors led by IVG Institutional Funds acquired a building complex from Commerzbank AG in a structured bidding process. The building complex consists of Jürgen-Ponto-Platz 1 (the "Silberturm" tower) and the adjacent building Gallusanlage 8 (management board building). The Silberturm is 166 metres high, with

36 storeys and a total area of 72,000 sqm. It is leased on a long-term basis to the attractive tenant Deutsche Bahn AG, making it a secure core investment. The quality of this property is also documented by the DGNB Silver Sustainability Certificate it is aiming for in 2012.

With the acquisition of the Silberturm, IVG Institutional Funds underpinned its position as a market leader. Within a very short bidding period, it succeeded in obtaining eight institutional investors for the acquisition of the building complex in the form of a club deal. An innovative course was taken with regard to financing the properties. Bayerische Versorgungskammer was awarded the contract for its competitive financing offer. The Silberturm transaction was possible only through the use of IVG's Transactions department in Asset Management, which forms an integral component of the investment platform.

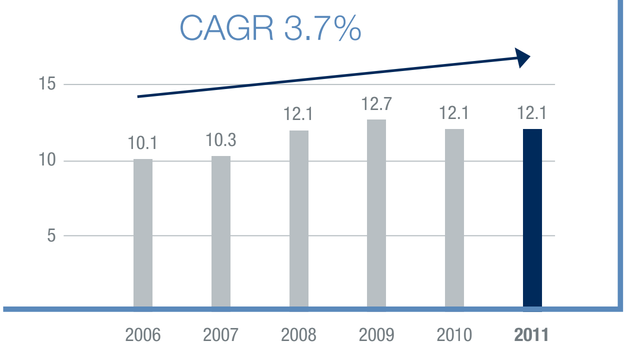
Alongside the eight institutional investors, IVG Immobilien AG is also investing in the building complex as an equity provider and is thus consistently following its business principle of alignment of interests.

Assets under management remain virtually stable

After a slight year-on-year decrease of €68 million in assets under management, the real estate assets managed by IVG Institutional Funds (including third-party mandates and third-party management) amounted to €12 billion as at the end of the year. Despite difficult market conditions, the segment generated revenues of €58 million. The purchases in the amount of €789 million played a particularly important role here, as higher commissions were generated for these transactions. Overall, the transaction volume is – including caverns transferred to the IVG Caverns Fund – at a high level of over €1.9 billion. At €40.9 million, operating expenses in the past financial year were at roughly the same level as the previous year. In total, EBIT of €18.3 million was generated in 2011, corresponding to a slight increase of €0.1 million as against the previous year.

Assets under Management

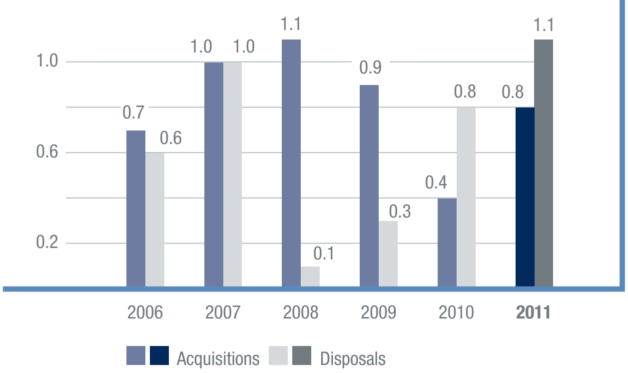
in € bn



Assets under management remained virtually stable year-on-year in 2011. The launch of new funds and a corresponding shift along the lifecycles of selected, older portfolio funds should at least keep assets under management stable in the coming years. This shift will thus lead to a "rejuvenation" of the portfolio.

Acquisitions and Disposals

in € bn



2012

Major goals/measures

- Further expansion of the platform for increased raising of "European" equity
- Successful sale of "old" fund portfolio holdings, with the cash released being shifted to new fund products
- Launch of innovative funds, for example in relation to the types of use offered

IVG Funds: Private Funds

Placement environment remains challenging

The Private Funds segment focuses on developing, selling and managing real estate funds for private and semi-institutional investors. The funds in the EuroSelect series allow these investors access to exclusive properties in selected European cities. The Private Funds segment can draw on the real estate expertise of its own local asset management and has many years of expertise as a provider of closed-end funds.

In 2011, the market for real estate funds recorded a substantial year-on-year increase of 24% in equity placed with private investors, thus performing significantly better than the market as a whole (-8%). However, due to a lack of available products, IVG Private Funds was unable to participate in this positive development. With €11 million of equity placed, the sales volume was significantly lower than the previous year's level. This was also due to the fact that the start of sales for IVG EuroSelect 21 Munich was rescheduled to mid December 2011. An earlier placement date had initially been intended, though this was not possible due to external factors.

Key figures

in € m	2011	2010	Change in %
Revenues	4.1	6.2	-33.1
thereof one-off fees	*0.1*	*2.4*	*-94.6*
thereof recurring fees	*4.0*	*3.8*	*+6.1*
Other income	0.4	6.7	-94.2
Operating expenses	-10.1	-10.9	-7.5
Income from investments	0.1	0.2	-23.2
EBIT	**-5.5**	**2.1**	-
Equity placed	11	71	-85.2
Assets under Management	2,997	2,972	+0.8
Investors managed	57,309	59,867	-4.3

Successful start in the private placements market segment

In May 2011, the first private placement was completed successfully with an equity volume of €11 million. In the second half of 2011, the IVG EuroSelect 21 Munich fund was developed and was approved for sale by the German Federal Financial Supervisory Authority (BaFin) in mid December 2011. Following the targeted partial dissolution of an old fund, the number of investors supported amounts to 57,309.

A specific pipeline for the New Year

The sector's expectations for 2012 are moderate. For the most part, stagnating sales figures are forecasted. According to a survey by the Scope Group, fund brokers believe that real estate funds with German properties have by far the best sales prospects for 2012. Here IVG Private Funds is successfully selling a corresponding product, IVG EuroSelect 21 Munich, with an equity volume of around €205 million.

With the full placement of the IVG EuroSelect 21 Munich fund planned for mid 2012, IVG Private Funds is expected to be one of the market leaders in closed-end real estate funds again. In addition to this, further private placements are planned with German and selected European properties. In cooperation with the Institutional Funds segment, attractive participation models for private investors and institutional funds will also be possible. IVG Private Funds plans to sell €260 million of equity with the above products in 2012.

Assets under Management

in € bn	2005	2006	2007	2008	2009	2010	2011
	4.2	3.0	3.7	3.3	3.2	3.0	3.0

Assets under Management by region

Region	in %
Berlin	8.1
Munich	6.4
Dusseldorf	4.1
Hamburg	0.7
UK	52.8
Italy	0.8
Netherlands	7.0
Belgium	6.7
Luxembourg	13.3

Equity placed

in € m	2005	2006	2007	2008	2009	2010	2011
	170	252	427	257	175	71	11

2012

Major goals/measures

- Full placement of IVG EuroSelect 21 Munich
- Implementation of further private placements
- Development of further participation models for private investors in connection with institutional products

Positioning Real Assets:

Strategy – being in the right markets

In line with our strategy, we not only used last year to streamline our portfolio, but at the same time we focused it more strongly on the less volatile German market. This resulted in considerable success in operating business: our leasing performance improved by 13% overall as against the previous year.

Group Management Report

Group Management Report

1 Overview

Consolidated net loss in 2011: two positive and two negative quarters led to unsatisfactory overall result

After two positive and two negative quarters, IVG Immobilien AG closed the 2011 financial year with a consolidated net loss of €126.0 million overall.

At €121.3 million in 2011, EBIT before unrealised changes in market value was down roughly 52% on the previous year. This is largely due to impairment losses of €116.6 million on the project THE SQUAIRE resulting from unplanned cost increases related to finalising the project. EBIT before changes in value of the Development segment fell by €70.4 million to -€31.2 million. Earnings were once again negatively impacted by unrealised changes in market value from the Real Estate segment in the amount of -€55.8 million (previous year: -€87.8 million).

The financial result deteriorated by €25.8 million from -€235.1 million to -€260.9 million in the year under review, mainly due to valuation effects.

Income taxes for the reporting period rose by €89.5 million to €91.6 million, due in particular to the additional recognition of deferred tax assets on commercial tax loss carryforwards.

No dividend payment

The separate financial statements of IVG Immobilien AG in accordance with the German Commercial Code (HGB) reported an accumulated loss of €369.7 million, which was carried forward to new account. There will therefore be no dividend payment for the past financial year 2011.

IVG achieves key milestones in 2011 despite consolidated net loss

Activities in the 2011 financial year were dominated by the restructuring of the business model initiated in 2009 and adapting it to the changed market conditions. The strategic realignment of the business model simplified the corporate structure and placed a clear focus on sustainable core business with stable recurring income. This allows IVG to minimise risks, optimise costs, and significantly increase efficiency. There was also a focus on restructuring financial liabilities.

The success of the repositioning is reflected in last year's operating successes and the restructuring of financial liabilities, among other aspects. For instance, in October 2011 IVG came out on top in the bidding process for the former Dresdner Bank headquarters, known as the "Silberturm", together with a group of investors. The acquisition of the landmark property demonstrated the effectiveness of the investment platform strategy. In addition, considerable progress was made on optimising the financing structure in the past financial year. The extension of major credit blocks (including the "SynLoan II" and "Core" financing) significantly improved the company's financing and credit maturities profile. Two successful capital increases in February and December 2011 generated new equity totalling approximately €232 million for investments in the stable Caverns segment and other areas, and improved the company's ratio of assets to liabilities. Furthermore, debt reduction was driven forward in the 2011 financial year with repayments of around €540 million.

Focus for 2012: implementing short-term goals and further strengthening operating business

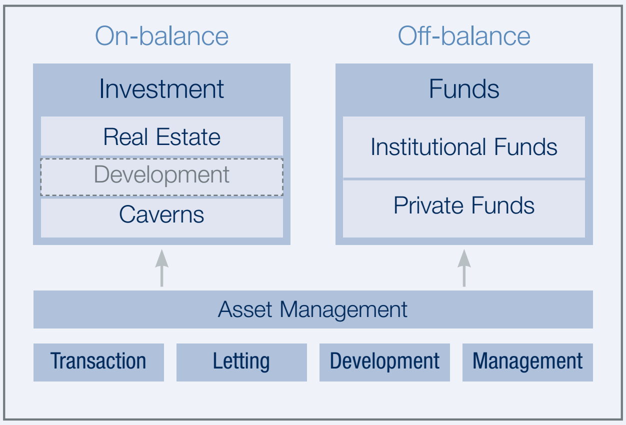
2012 will still be a year of transition for IVG. The focus here will be on successful implementation of the short-term goals. These include fully placing IVG EuroSelect 21 Munich, completing and transferring another seven caverns to the IVG Cavern Fund, increasing the occupancy rate of THE SQUAIRE to over 90% and implementing the planned launch of marketing activities for the property, and reducing debt by around €500 million to €600 million.

In addition, in 2012 the company must resolutely continue on the path of focussing on strengthening operating business. IVG aims to actively position itself for volatile markets and to create financial leeway for new products within the refined strategic profile of an investment platform focused on real estate and infrastructure (caverns).

2 Positioning and Strategy

2.1 Business model

IVG as an investment platform



The business model was optimised as part of the restructuring. IVG consists of the two pillars Investment and Funds, which stand on the joint overall foundation of IVG's own Asset Management as an integrated value added chain. It aims to secure existing income potential in operating business and further reduce cyclical activities entailing a risk.

IVG's investment platform primarily consists of tailored products for the investment needs of institutional and private investors in real estate and real estate-related investments. The company also selectively buys holdings in its own products as a co-investor via capital partnerships.

Another step of fundamental importance was the development of a corporate mission statement in 2011. The mission statement consists of the slogan "Passion for Real Assets", a formulated vision and a mission that describes our purpose as a company in more detail. It is intended to provide all members of the company with a binding framework for their actions without restricting their business creativity. It is also intended to help organise "diversity in unity" in a business context. In the view of the company management, anchoring the corporate mission statement is a process that will take effect over time and therefore demands perseverance from all those involved.

Investment platform with an integrated value added chain

As an investment platform, IVG combines expertise

- in real estate and real estate-related infrastructure (caverns),
- in direct and indirect investments in vehicles with different structures,
- in different investors and investor interests and
- in asset management required for real estate investment.

Recurring income from rents and management fees form the basis for stable core business.

The platform also offers expanded access to attractive products for a wide range of investor groups and tenants with sustainable creation, realisation and maintenance of value in the foreground.

The Investment and Funds divisions are connected by the possibility of co-investments in IVG's own new platform products via capital partnerships, creating an unconditional alignment of investment interests between equity providers and financial backers and the unique combination of expertise with a focus on fund structure, fund management and integrated in-house asset management.

IVG as a co-investor

This co-investment model not only gives IVG an active presence on the market with increased access to top acquisition possibilities, but also directly supports one of the main requirements for modern, performance-oriented investment and fund management: matching the interests of the principal and agent ("alignment of interest"). IVG is especially focused on reorganising structures and processes in such a way that efficient service structures and therefore cost structures arise for investors and shareholders.

By investing in the products of IVG's investment platform, providers of capital gain access to integrated in-house asset management that is focussed on core expertise in transactions (buying and selling), renting, as well as development and sustainable management along the real estate value chain.

Competitive advantages of IVG

IVG has an experienced in-house asset management team that operates in all relevant sub-markets via a network of branch offices throughout Europe.

With the caverns owned and managed by the company – underground storage facilities for oil and gas – IVG is positioned as one of the largest independent developers and operators in this area, generating attractive recurring income.

As a result of IVG's repositioning and the bundling of a wide range of business activities as part of the integrated investment platform, the company can tap sustainable sources of income together with growth opportunities for its investors and shareholders. The spectrum of investments ranges from direct investments in properties to indirect investments in real estate funds with or without co-investment by IVG.

2.2 Focus and goals

Reduction of risk exposure and focus on recurring income

As a profit-oriented property company, IVG bases its strategic and operative actions on stable cash flow and lasting creation of value. The most important orientation points are corporate targets and the interests of the shareholders and investors.

IVG's overall strategy comprises further reducing risk exposure at both operating and financing level and focussing on recurring cash flows, which are made up of rental income, management fees and income from selective co-investments in the company's own products. In terms of operations, the company intends to reduce development risks in future and no longer act as a real estate developer at its own risk. At financing level, IVG intends to achieve a significant decrease in its own risk exposure in the medium term by reducing the loan-to-value. In line with its strategy, IVG intends to continue to realise synergies between its Investment division and its Funds division. Growth in assets under management will be a central aspect of all future considerations.

In addition, IVG is convinced that the success of its own cavern business corresponds to the general upward trend in the infrastructure sector. In view of its experience in cavern infrastructure, our company is therefore in an excellent position to take advantage of this opportunity and make further investments in this asset class, e.g. in transmission networks or other energy infrastructure.

Goals for 2012: continued focus on operating business and successful implementation of short-term goals

After the restructuring was advanced further in 2011, management activities in 2012 will focus on strengthening the company's operating and financial business in the long term.

The following goals are to be implemented in the short term in 2012:

- Increase the occupancy rate of THE SQUAIRE to over 90%
- Launch the planned marketing activities for THE SQUAIRE
- Fully place IVG EuroSelect 21 Munich
- Transfer another seven caverns to the IVG Cavern Fund
- Reduce debt by around €500 million to €600 million

Long-term goals include successfully implementing the new business model and strengthening operating business and thus generating recurring income. This will be achieved using the following measures:

- Selective use of market opportunities/investment opportunities as a co-investor via the investment platform model
- Further stabilisation of operating income, including through continuous improvement of business relationships with tenants and investors
- Further optimisation of business processes, including advancing the implementation of more efficient analysis, planning and management tools
- Further reduction of costs in operating business to increase sustainable cash flow
- Continuing the transparency offensive (including orientation towards the EPRA Best Practices Recommendations)

The segments support these goals as follows:

IVG Investment – Real Estate
Through active portfolio management, the Real Estate division identifies property-specific potential and optimises it by means of appropriate measures. Taking into account the market environment, the properties are then sold in line with the cycle. The focus for investment is the German real estate market. Properties that do not meet the yield expectations are also sold. Due to the high volatility of foreign real estate markets in comparison to Germany, investments in foreign markets are being continuously reduced. This should allow a portfolio structure with a clear focus on Germany and an appropriate risk/return structure to be achieved in the medium term.

IVG Investment – Development
In the Development division, the gradual reduction of the project development pipeline is progressing further. With the finalisation of the project THE SQUAIRE and THE SQUAIRE Parking and the increase in the occupancy rate to a level of 90%, marketing for the properties can be expected in late 2012/early 2013.

Future development activities will then be implemented as part of selective modernisation and refurbishment measures both in IVG's own portfolio and in the fund portfolio. The associated services will be coordinated by the in-house Asset Management division.

IVG Investment – Caverns
Through the transfer of another seven caverns to the IVG Cavern Fund, the division will make a substantial contribution to reducing the Group's financial liabilities again in 2012. In addition, the expansion of the cavern field is progressing according to plan, meaning that significant positive earnings contributions can be expected here also in the coming years.

IVG Funds – Institutional Funds

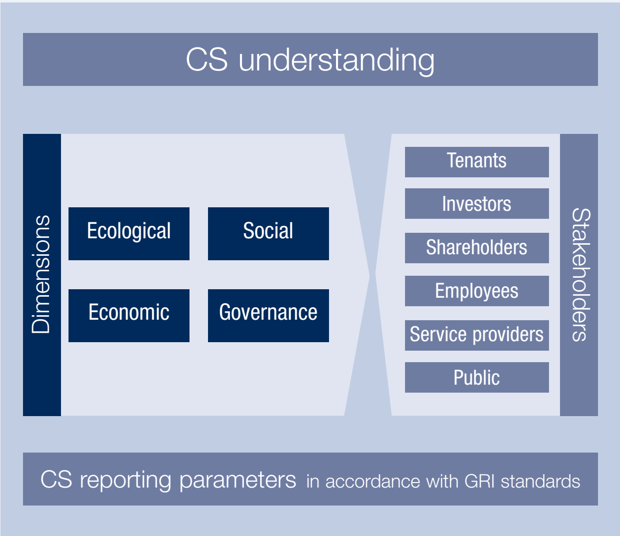
Two main goals of IVG Institutional Funds are expanding the assets under management and broadening the customer base by means of innovative products on the market. The older inventory funds must also be removed from the portfolio and the freed-up capital put into new fund products. Launching new funds with new fund concepts that are in high demand with the participation of IVG as a co-investor provides an alignment of interests. Promising first steps have been taken with the acquisition of HYPO Real Invest AG (now IVG Austria), the launch of the IVG Warsaw Fund and the acquisition of the Silberturm in Frankfurt am Main.

IVG Funds – Private Funds

The Private Funds segment focuses on developing, selling and managing real estate funds for private and semi-institutional investors. The funds give investors access to exclusive properties in selected European cities. With the successful first-time implementation of a private placement in 2011, the company tapped the promising segment of affluent private investors, where significant growth rates are expected in the future. At the beginning of the year, IVG launched the IVG EuroSelect 21 Munich fund in the context of a co-investment. The fund invests in two properties rented by Allianz in Unterföhring near Munich. The fund capital of approximately €205 million is expected to be placed by the summer.

Orientation towards employees and sustainability as non-financial goals

IVG seeks to offer its employees a pleasant working environment and the opportunity to develop in a targeted way. In line with this, key tools for strategic personnel development were launched or greatly improved in the last year. Social commitment is very important to IVG. Within the scope of the IVG Foundation and by other means, the company has long been assuming social responsibility and supporting projects in the fields of science, education, culture and social welfare.



Furthermore, in 2011 a sustainability strategy was developed that constitutes the framework for IVG's strategic orientation and operating business with regard to the issue of sustainability. This strategy is based on our IVG 4/6 model, which is made up of the four dimensions of ecological, social, economic und governance and addresses the six stakeholder groups of tenants, investors, shareholders, employees, service providers and the public.

Competitive edge through own real estate market research

Real estate market research provides the basis for sound investment decisions within the entire investment spectrum of the platform. This basis is specific econometric models together with current projections on economic growth and new construction, allowing IVG to produce independent forecasts for its relevant property markets. As another component of IVG's investment platform, this comprehensive and independent research expertise is available only to the investors who invest in platform products.

2.3 Corporate management

Central requirements of successful corporate management are a clear strategic direction and management of the Group via clearly defined indicators suited to the strategy. IVG makes its business decisions on the basis of efficiency calculations, taking into account the effects on the income statement, liquidity/cash flow, key balance sheet figures and debt levels.

Target achievement is regularly examined by the Management Board, the division managers and the managers of the divisions and corporate functions as part of forecast updates and quarterly discussions and with regard to changes in the environment.

Management of the divisions was substantially revised, taking into account the changed market situation and the changed regulatory requirements. In light of strong outside influences on the market values of property, management is increasingly made on the basis of cash flow. Management thus keeps a particularly close watch on the contributions of the divisions to the operating cash flow of the company. This is also taken into account in short-term and medium-term planning and in reporting to investors and analysts.

Other division-specific key performance indicators (KPIs) are determined and the managers of the divisions and corporate functions regularly discuss the operating growth of the divisions on the basis of these KPIs with the Management Board. In addition to the analysis of the actual figures, the planned/actual comparison, the planned/planned comparison, and the comparison with developments of relevant competitors are also increasingly important. The ongoing examination and further development of KPIs ensure that changes in outside figures and changes in the divisions' activities are adequately mapped for management purposes in a timely manner. The risk and process management area functions as an independent, advisory and monitoring element in the continuous further development of the control parameters being used.

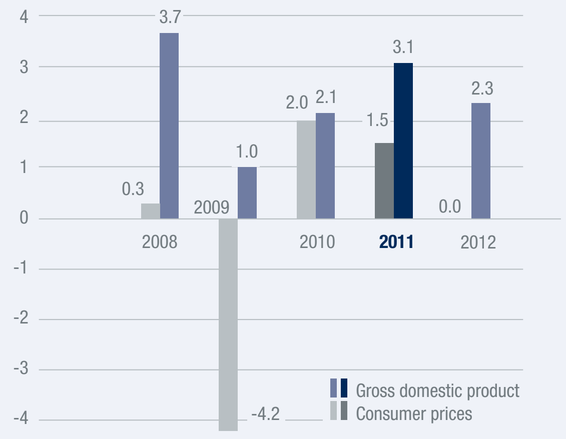
3 Conditions and Business Development

3.1 Economic cycle and the property market

Europe dominated by sovereign debt crisis

Sentiment among European companies and consumers deteriorated considerably in the second half of 2011 due to the exacerbation of the sovereign debt crisis in Southern Europe. In its forecast the European Commission therefore anticipates that economic growth in the European Union will decline significantly from 1.6% in 2011 to 0.0% in the current year. Whereas Germany, France and the UK are expected to experience low but positive growth, most Southern European countries – not least the two large countries Spain and Italy – will be in recession as a result of drastic budget consolidation measures. However, so far the forecasts of the Commission and other international institutions indicate that the national economies within Europe will start to recover again slightly from 2013.

Economic development in the European Union
in %



Source: European Commission, Interim Forecast (February 2012)

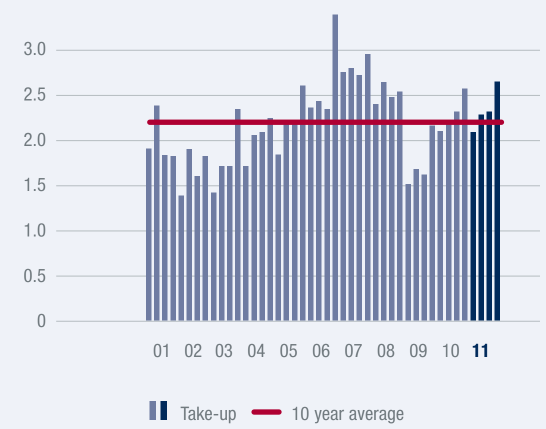
Due to the recent economic downturn, the seasonally adjusted unemployment rate in the European Union has risen again since the second quarter of 2011. At 9.8% in November 2011, it was therefore at a slightly higher level than a year before (9.6% in November 2010). Germany was one of the very few countries in Europe to buck this trend, recording a steady increase in employment. According to the European Commission, the European employment market as a whole is likely to be characterised by rising unemployment and at best low growth in employment in 2012.

The inflation rate, which was at 3.0% in the European Union in December 2011, will fall considerably in light of the weaker economy. The European Central Bank's inflation target of "below but close to 2%" seems to be achievable again this year in the euro zone. Therefore, further cuts in the key interest rate by the European Central Bank, starting from a level of 1.0% at the beginning of the year cannot be ruled out. The interest on ten-year government bonds became even more strongly differentiated as a result of the sovereign debt problems. Within the European Union, interest on 10-year bonds in AAA countries such as Germany and the UK is around a low 2% as compared to double-digit percentage rates in Portugal and Greece.

Reduction in vacancies on Europe's office rental market

The deterioration in sentiment in the second half of 2011 has not yet been reflected in Europe's rental markets for office space. Cumulated take-up on the 20 European office markets examined was even slightly higher for the year as a whole than in the previous year. Compared with the past ten years, take-up in Berlin, Munich and Warsaw in particular was extremely high in 2011, whereas the Iberian capitals Madrid and Lisbon and also Amsterdam and Brussels were characterised by low rental activity.

Aggregated office space take-up Europe
in sqm million



Source: IVG Research based on Cushman & Wakefield data for 20 locations in Europe (January 2012)

The vacancy rate in Europe decreased continuously over the course of the year from 9.9% to 9.5%, although the reduction in vacancies slowed somewhat towards the end of the year. At the same time, the proportion of vacant office space in Germany's top five real estate strongholds fell from 10.3% to 9.6% most recently. The few locations that saw vacancy increases in the past year in contrast to the European trend include Milan and Vienna as well as Madrid and Lisbon.

In many European locations, the shortage of high-quality, modern office space was reflected in an increase in prime rents in the past year. These rose by an average of 2.2% in the markets examined and by 2.5% in Germany. Lisbon, Madrid and Barcelona were among the few office locations that suffered further declines in rent in the prime segment, also in 2011.

Development of vacancy rate and prime rent in europe

Source: IVG Research based on Cushman & Wakefield data for 20 locations in Europe (January 2012)

Rental activities on Europe's office rental markets are likely to lose momentum in 2012 in light of the difficult economic conditions. Because new construction activity will remain moderate in 2012 due to the restrictive lending conditions, the supply of space will increase only slightly despite decreasing demand. Modern space is even expected to become scarcer, meaning that according to current assessments nominal prime rents in most European locations will be able to maintain the level reached at the end of 2011.

Sustained investor interest on the investment markets

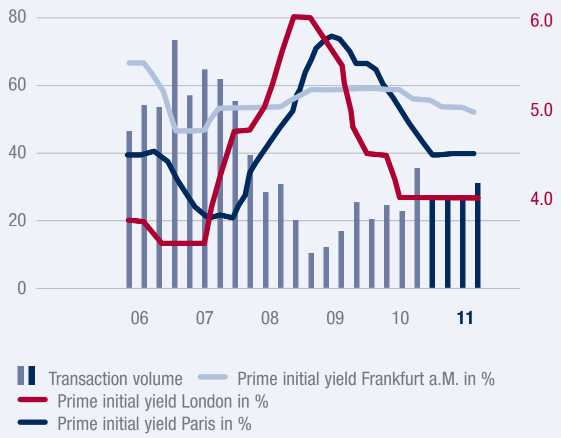
The European investment markets for commercial real estate were characterised by persistently high sales activities in 2011. Due to the favourable development on the rental markets, certain fears of inflation and considerable uncertainty on the securities markets, the asset class of commercial real estate was in high demand among investors. According to CB Richard Ellis, the transaction volume amounted to €115 billion for the year as a whole, up around 10% on the previous year. The transactions once again focused on the three major markets of the UK, Germany and France and on Scandinavia.

Whereas greater risk propensity was observed among investors in the first half of 2011 – i.e. value-add investments or even opportunistic investments were also made again – investors' focus on the core segment increased following the exacerbation of the sovereign debt crisis in the summer. Consequently, investment activities focussed to a large extent on modern, well-located properties leased on a long-term basis. Initial yields for prime office properties declined only slightly over the course of the year on average in Europe. Whereas yields on the German markets and in Warsaw recorded a slight compression, Lisbon and the Spanish office markets saw rising yields in the second half of 2011.

However, demand for core properties may not be matched by supply of an equivalent quality. Furthermore, real estate financing may represent a restriction for investments in light of the continued deleveraging process in the banking sector. The transaction volume on the commercial investment market will therefore most likely be lower in 2012 than in the previous year. Whereas top initial yields in Southern European office markets are under upwards pressure as a result of lower expectations for rental growth and deteriorated country ratings, in countries with excellent credit ratings they are likely to develop in a relatively stable fashion despite the economic downturn due to the high yield difference between prime office properties and national government bonds.

Development of investment volume and yields

in € bn



Source: CB Richard Ellis (Revenues) and Cushman & Wakefield (Top initial yields) (January 2012)

Germany comparatively well positioned

The economic downturn anticipated in Europe will also leave its mark on the export nation Germany. However, Germany's economy and real estate market are comparatively well equipped for the new situation. To an extent, Germany has even benefited recently from the sovereign debt problems in the euro zone: the strong international competitiveness of its domestic industry is strengthened by the significant depreciation of the euro due to the crisis. In the past two years, Germany therefore posted a strong increase in foreign trade and, accordingly, high economic growth at rates of 3.6% in 2010 and 3.0% in 2011.

Furthermore, Germany's public finances are under considerably less consolidation pressure than those of other countries. Since international investors consider Germany to be safe haven on the basis of its comparatively solid public finances, the federal government can borrow and prolong loans at very favourable interest rates on the global capital market. At the turn of 2011/2012, the interest rate for ten-year German government bonds was below 2%.

Provided the situation in the European currency area does not deteriorate dramatically – for instance in the event of bankruptcy of an EMU member – Germany is well positioned in comparison to other national economies in Europe. On account of its strong competitiveness and the favourable (re-)financing possibilities for the federal government, most economic forecasts anticipate moderate but positive economic growth of between 0.3% and 1.3% in Germany in 2012, together with a further rise in employment.

There are good prospects for a stable development on the German office rental markets, also in light of the moderate new construction activity. For instance, completions in the major office locations in the current year correspond to just 1.1% of total existing space at the end of 2011. The supply of modern, high-quality office space will therefore continue to become scarcer in the current year despite the moderate economic development. Except in the event of a far-reaching recession in Europe, prime rents will remain at least stable. In contrast, the development of rents for average quality office space will be negatively impacted by a high base vacancy rate.

According to various international investor surveys (e.g. Property Market Analysis, Ernst & Young), in this context Germany is currently the most popular target region for real estate investments alongside Scandinavia. The transaction volume on Germany's investment market for commercial real estate will therefore be at a similar level in 2012 as in 2011, when a total of €23.5 billion changed hands. The high yield difference of around 300 basis points between prime office properties in the five top locations and ten-year German government bonds indicates that prices for modern, high-quality office space will remain at least stable despite the weak economy. In contrast, problem properties could come under pricing pressure due to investors' focus on core properties and as a result of refinancing problems.

3.2 Profitability

THE SQUAIRE negatively impacts earnings

The reduction of the still oversize project pipeline in the Development segment is negatively impacting the IVG Group's earnings. The following are key components of the results:

- Considerable impairment losses from unplanned cost increases in the context of finalising the project THE SQUAIRE at Frankfurt Airport
- Result at THE SQUAIRE is negatively impacted by the fact that the transition to the operational phase is possible only gradually
- Further decline in negative changes in the market value of portfolio properties in the IVG Real Estate segment
- Lower positive changes in market value in the IVG Caverns segment from the transfer of six caverns to fair value recognition (previous year: nine caverns)
- Negative development of the financial result, particularly due to measurement effects
- Considerable tax income from the additional capitalisation of deferred taxes on commercial tax loss carryforwards.

The income statement reports a consolidated net loss of €126.0 million for 2011 (previous year: profit of €23.2 million).

Key income statement figures

in € m	2011 Before changes in value	2011 Unrealised changes in value	2011 Total	2010 Before changes in value	2010 Unrealised changes in value	2010 Total
Revenues	517.6		517.6	821.8		821.8
Changes in inventories and other own work capitalised	95.1		95.1	170.3		170.3
Changes in market value of investment property	-3.0	35.7	32.7	-0.1	53.0	52.9
Material expenses	-233.0	-114.0	-347.0	-524.7	-45.4	-570.1
Personnel expenses	-70.9		-70.9	-71.0		-71.0
Expenses from investment property	-72.8		-72.8	-68.2		-68.2
Other operating expenses	-128.6		-128.6	-112.5		-112.5
Earnings before interest and taxes (EBIT)	**121.3**	**-78.0**	**43.3**	**250.9**	**5.3**	**256.2**
Financial result	-222.3	-38.6	-260.9	-215.2	-19.9	-235.1
Net profit before income taxes	**-100.9**	**-116.6**	**-217.6**	**35.7**	**-14.6**	**21.1**
Income taxes			91.6			2.1
Consolidated net profit			**-126.0**			**23.2**
Undiluted earnings per share in €			-1.11			-0.07

Please refer to the notes to the consolidated statements for details (see Section 7 and 11.7).

The main income statement items developed as follows:

Revenues declined by €304.2 million from €821.8 million to €517.6 million. This change is chiefly attributable to income from project sales in the IVG Development segment, which fell by €278.2 million from €388.7 million in the previous year to €110.5 million in 2011. In 2010, nine project developments were completed and sold, compared to just one in the reporting period. In addition, this item also includes net rents from the IVG Real Estate segment, which also decreased due to the loss of net rents from investment property sold.

Changes in inventory decreased by €75.2 million from €170.3 million in the prior year to €95.1 million in 2011. They relate almost entirely to the IVG Development segment and include investments capitalised in line with construction progress and reported in material expenses as well as outgoing carrying amounts at project invoicing due to disposals.

The changes in the market value of investment property were positive again overall in 2011, although at €32.7 million they were €20.2 million lower than in the previous year. This was primarily due to unrealised changes in market value. Unrealised non-cash changes in the market value of investment property changed by a total of -€17.3 million from +€53.0 million in the previous year to +€35.7 million in the reporting period. +€32.0 million of this development stems from the IVG Real Estate segment (from -€87.8 million to -€55.8 million) and -€49.3 million from the IVG Caverns segment (from +€140.8 million and nine caverns to +€91.5 million and six caverns). In the IVG Caverns segment, the amount of unrealised changes in the market value of investment property is largely due to the number of caverns now recognised at fair value.

Material expenses declined by €223.1 million year-on-year from €570.1 million in 2010 to €347.0 million in the reporting period, due in particular to reduced construction activity. The drop in material expenses before changes in value from building activity alone amounted to €291.7 million (from €524.7 million in 2010 to €233.0 million in 2011) and was offset by the rise in the changes in value in project developments amounting to €68.6 million (from -€45.4 million in 2010 to -€114.0 million in the reporting period). €116.6 million (2010: €38.9 million) of the changes in value in the period under review pertained to THE SQUAIRE major project at Frankfurt Airport.

At €70.9 million, personnel expenses remained at the previous year's level (2010: €71.0 million).

Other operating expenses increased by €16.1 million from €112.5 million in the prior year to €128.6 million in 2011. The main reason for this rise was the reimbursement of a pro rata tax advantage to the buyer of a property.

Overall, EBIT fell by €212.9 million from €256.2 million to €43.3 million. This change is attributable to two factors in particular: EBIT in the IVG Development segment decreased by €140.5 million, from -€7.3 million in the previous year to -€147.8 million in 2011, primarily due to measurement effects relating to the major project THE SQUAIRE. In the IVG Caverns segment, EBIT was also down year-on-year, falling by €55.2 million from +€163.2 million in 2010 to +€108.0 million in the reporting period. This was mainly the result of the lower number of caverns that made the transition to fair value accounting in line with planning in 2011. EBIT before unrealised changes in value fell by €129.6 million from +€250.9 million in the previous year to +€121.3 million in 2011.

In the reporting year, the financial result deteriorated by €25.8 million from -€235.1 million to -€260.9 million, mainly due to the change in the interest result of -€8.2 million (from -€197.6 million to -€205.8 million), the change in the measurement result relating to financial assets of -€9.6 million (from -€1.1 million to -€10.7 million) and the change in the foreign currency result of -€5.7 million (from -€0.3 million to -€6.0 million). Before unrealised changes in value, the financial result changed by -€7.1 million from -€215.2 million to -€222.3 million.

Income taxes improved by €89.5 million from +€2.1 million in 2010 to +€91.6 million in the reporting period, due firstly to the development of pre-tax earnings and secondly to the additional capitalisation of deferred taxes on commercial tax loss carryforwards.

Due to the above effects, the slight consolidated net profit in the previous year was not maintained. It decreased by €149.2 million, resulting in a consolidated net loss of €126.0 million in 2011.

3.2.1 IVG Investment division

3.2.1.1 Real Estate segment

in € m	2011	2010	Change in %
Total revenues	289.7	303.0	-4.4
thereof net rents	*240.5*	*259.3*	*-7.3*
thereof service charges	*37.8*	*37.6*	*+0.5*
thereof project sales	*8.3*	*3.0*	-
Changes in inventories	-6.4	-2.9	-
Unrealised changes in market value of investment property	-55.8	-87.8	-36.4
Realised changes in market value of investment property	-2.4	1.0	-
Other operating income	11.7	9.6	+22.3
Expenses from investment property	-72.8	-68.2	+6.7
Other operating expenses	-61.6	-47.8	+28.8
EBIT	**101.9**	**110.6**	**-7.9**
thereof unrealised changes in value	*-53.4*	*-86.7*	*-38.4*
EBIT before changes in value	**155.4**	**197.3**	**-21.3**

Revenues in the IVG Real Estate segment declined by €13.3 million from €303.0 million in 2010 to €289.7 million in the reporting period. The net rents included in this item decreased by €18.8 million in comparison to the previous year, mainly due to the loss of net rents from investment property sold, especially in London, Glasgow and Paris. The decline in net rents was partially offset by an increase in income from project disposals of €5.3 million to €8.3 million. On a like-for-like basis, net rents dipped by 2.8% in the past twelve months as against the previous year.

Negative changes in inventories rose by €3.5 million to €6.4 million in 2011. They include outgoing carrying amounts on project disposals.

At -€55.8 million, unrealised changes in the market value of investment property were less negative in the reporting period than in the same period of the previous year (-€87.8 million). Overall, the real estate portfolio therefore experienced a negative change in value of only around 1.2% as at 31 December 2011.

At -€2.4 million, there were virtually no realised changes in market value from sales of investment property.

Other operating income increased by €2.1 million year-on-year to €11.7 million, partly due to settlement payments received from tenants.

Expenses from investment property saw a rise of €4.6 million to €72.8 million in 2011.

Other operating expenses increased by €13.8 million from €47.8 million in the prior year to €61.6 million in the reporting period. The main reason for this rise was the reimbursement of a pro rata tax advantage to the buyer of a property that is reported under this item.

EBIT before changes in value of the IVG Real Estate segment fell by €41.9 million to +€155.4 million. The drop in negative unrealised changes in market value meant that EBIT after changes in value fell by €8.7 million year-on-year from +€110.6 million in 2010 to +€101.9 million in the reporting period.

3.2.1.2 Development segment

in € m	2011	2010	Change in %
Total revenues	127.4	408.8	-68.8
thereof project sales	*110.5*	*388.7*	*-71.6*
Changes in inventories	94.2	172.4	-45.4
Material expenses	-337.9	-561.7	-39.9
Other operating expenses	-34.9	-36.8	-5.2
Gains/losses from participations accounted for using the equity method	1.8	9.6	-80.9
EBIT	**-147.8**	**-7.3**	**-**
thereof unrealised changes in value	*-116.6*	*-46.5*	*-*
EBIT before changes in value	**-31.2**	**39.2**	**-**

Projects being wound up are recognised in the IVG Development segment. Revenues declined by €281.4 million from €408.8 million in 2010 to €127.4 million. In particular, this is due to the project developments implemented and sold in the same period of the previous year for a total of €388.7 million. In the reporting period only one project was wound up in Berlin, which was transferred to IVG Premium Green Fund in the first quarter of 2011.

Changes in inventories developed from +€172.4 million in the 2010 financial year to +€94.2 million in 2011. They include investments capitalised in line with construction progress and reported in material expenses as well as outgoing carrying amounts at project invoicing due to disposals.

Material expenses declined by €223.8 million year-on-year from €561.7 million to €337.9 million. The drop in material expenses before changes in value from building activity alone amounted to €293.9 million (from €515.2 million in 2010 to €221.3 million in 2011) and was offset by the rise in the changes in value in project developments amounting to €70.1 million (from -€46.5 million in 2010 to -€116.6 million in the reporting period). The changes in value in the period under review pertained to THE SQUAIRE major project at Frankfurt Airport.

Other operating expenses decreased by €1.9 million from €36.8 million in the prior year to €34.9 million in 2011.

The result from associated participations accounted for using the equity method fell by €7.8 million year-on-year to €1.8 million in 2011. In 2010 this item included extensive income from a joint venture that is now being wound up in line with planning.

EBIT before changes in value fell overall by €70.4 million from +€39.2 million to -€31.2 million in the reporting period. Taking into account unrealised changes in value of -€116.6 million (previous year: -€46.5 million), EBIT fell by €140.5 million from -€7.3 million in 2010 to -€147.8 million in 2011.

3.2.1.3 Caverns segment

in € m	2011	2010	Change in %
Total revenues	38.7	45.8	-15.6
thereof net rents	*3.5*	*0.0*	*-*
thereof project sales	*1.1*	*5.2*	*-78.1*
thereof letting fees	*16.9*	*20.9*	*-19.2*
thereof management fees	*9.4*	*13.2*	*-28.5*
Unrealised changes in market value of investment property	91.5	140.8	-35.0
Other operating income	3.1	5.8	-46.8
EBIT	**108.0**	**163.2**	**-33.8**
thereof unrealised changes in value	*92.0*	*138.5*	*-33.6*
EBIT before changes in value	**16.0**	**24.6**	**-34.9**

Revenues in the IVG Caverns segment fell by €7.1 million year-on-year from €45.8 million to €38.7 million. This was primarily due to the €4.0 million decline in leasing income from an agreed promote structure, the €3.8 million decline in management fee income, and the €4.1 million decline in income from project disposals. This development was partially offset by net rents of €3.5 million from a future cavern.

Since the beginning of 2009, caverns under construction are recognised at fair value in accordance with IAS 40 (2008), provided their fair value can be reliably determined. In 2011, six caverns exceeded the 300,000 m³ threshold established for this. Taking into account measurement effects of additional volumes and changes in the discount rates, unrealised changes in market value totalled €91.5 million in the reporting period. By comparison, nine caverns exceeded this threshold in 2010 and triggered unrealised changes in market value of €140.8 million.

Other operating income fell by €2.7 million from €5.8 million in the previous year to €3.1 million. €1.6 million of this relates to reversals of impairment losses on a cavern carried at cost.

EBIT declined by €55.2 million year-on-year from €163.2 million to €108.0 million, particularly on account of the lower number of caverns that made the transition to fair value accounting in line with planning in 2011. EBIT before unrealised changes in value fell by €8.6 million from €24.6 million to €16.0 million.

3.2.2 IVG Funds division

3.2.2.1 Institutional Funds segment

in € m	2011	2010	Change in %
Total revenues	57.9	58.0	-0.2
thereof management fees	*52.7*	*55.6*	*-5.3*
thereof transaction fees	*5.2*	*2.2*	-
Personnel expenses	-12.2	-12.9	-5.2
Other operating expenses	-28.4	-28.0	+1.7
EBIT	**18.3**	**18.2**	**+0.3**
thereof unrealised changes in value	*0.0*	*0.0*	-
EBIT before changes in value	**18.3**	**18.2**	**+0.3**

At €57.9 million, revenues in the IVG Institutional Funds segment were virtually unchanged as compared to the previous year. The increased transaction fees compensated for the decrease in income from fund and property management.

Personnel expenses fell by €0.7 million from €12.9 million in the previous year to €12.2 million in the reporting period.

At €28.4 million, other operating expenses remained almost at the prior-year level.

EBIT in the IVG Institutional Funds segment totalled €18.3 million and was therefore virtually at the previous year's level (€18.2 million).

3.2.2.2 Private Funds segment

in € m	2011	2010	Change in %
Total revenues	4.1	6.2	-33.1
thereof structuring fees	*0.1*	*2.4*	*-94.6*
thereof management fees	*3.9*	*3.6*	*+7.4*
Other operating income	0.4	6.7	-94.2
Personnel expenses	-3.7	-5.0	-26.5
Other operating expenses	-6.3	-5.2	+20.1
EBIT	**-5.5**	**2.1**	**-**
thereof unrealised changes in value	*0.0*	*0.0*	-
EBIT before changes in value	**-5.5**	**2.1**	**-**

Revenues in the IVG Private Funds segment declined by €2.1 million to €4.1 million due to a lack of newly launched products.

The decrease in other operating income of €6.3 million is mainly a result of the successful placement of the EuroSelect 20 TheNorthGate fund in the first quarter of 2010, which was not followed by any new placements in the reporting period.

The personnel structure was adjusted accordingly on account of the reduced placement volume, causing personnel expenses to decrease by €1.3 million.

Other operating expenses increased by €1.1 million in 2011 due to start-up costs for a planned new placement.

Overall, EBIT fell by €7.6 million from +€2.1 million to -€5.5 million.

4 Financial Position and Net Assets

4.1 Financial management

Financing for the IVG Group is managed in the corporate function Finance in accordance with guidelines laid down by the Management Board. This applies both to the central treasury function and to the integration of subsidiaries into IVG's electronic cash pool.

The central treasury forms the basis for cost-efficient fundraising and helps optimise net interest income. In addition to the goal of raising efficiency for the whole Group, comprehensive financial management enables IVG to manage and structure interest rate risks, currency risks and liquidity risks. A central feature of our risk management system is regular reporting to the company's boards.

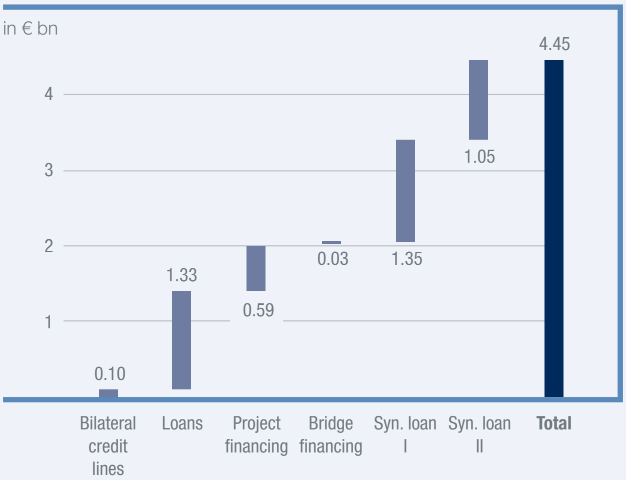
4.2 Capital structure and financing sources

Capital structure

Liabilities to banks (not including deferrals) amounted to a total of €4.45 billion at the end of the year after €4.92 billion in the previous year. Redemptions and paying off bank loans in the amount of €0.54 billion were offset in financial year 2011 by drawdowns and new liabilities of €0.07 billion for implementing investments. The drawdowns relate to project financing, bridge financing and the syndicated loan from 2007. The redemptions and repayments mainly relate to property and project disposals, repayments from the proceeds of cavern sales relating to the syndicated loan from 2009, and regular repayments.

Liabilities to banks refer to 29 banks of which 14 have a commitment of more than €100 million.

The types of credit included in liabilities to banks are as follows:



As of 31 December 2011, liabilities due to banks had the following maturities in relation to the planned measures:

in € m	Total nominal	thereof reduction by project sale	thereof reduction by property sale	thereof reduction by caverns sale	thereof reduction by repayment	thereof planned prolongations
2012	615	17	315	234	49	0
2013	992	562	0	128	41	261
2014	2,156	7	50	172	29	1,898
2015	509	0	20	0	20	469
2016	46	0	0	0	4	42
2017 ff.	133	0	0	0	14	119
Total	**4,451**	**586**	**385**	**534**	**157**	**2,789**

Financing for project development is scheduled to be repaid from the sales proceeds when the relevant projects are completed and sold. The financing is to be extended if any completed projects remain with IVG. The largest financing in the Development division is the loan of €487 million for THE SQUAIRE project maturing at the end of 2013.

The repayments to be made from the sale of properties primarily relate to the repayment of €315 million for the two properties Dieselstrasse 4 and 6 from the Allianz portfolio in the context of the "core" financing, which are to be sold to the IVG EuroSelect 21 Munich fund. The additional amounts of €70 million relate to financing for properties held for sale.

The liabilities to banks to be reduced as part of the sale of caverns mainly relate to repayments from the proceeds of cavern sales to the IVG Cavern Fund. For instance, instalments of €204 million, €128 million and €172 million must be paid in 2012, 2013 and 2014 prior to final maturity on 25 September 2014 as part of the syndicated loan from 2009. The remaining €30 million relates to financing for a cavern.

The ongoing repayments of €157 million will be made by 2021 in the form of annuity and amortising loans. €75 million of this relates to the "core" financing for the Allianz portfolio.

The column of loans intended for extension includes loans to be refinanced only from the third quarter of 2013 on. This comprises portfolio financing of €140 million, property financing of €21 million and a bilateral credit facility of €100 million. In 2014 the syndicated loans from 2007 and 2009 are scheduled for refinancing. The extension of the "core" financing is planned for 2015, while starting from 2016 four property loans are scheduled for extension.

With the exception of €43 million (equivalents in GBP and USD), all liabilities to banks are denominated in Euro.

Financing sources

As at 31 December 2011, IVG had unutilised credit facilities in the amount of €0.01 billion (2010: €0.02 billion) and project-related credit facilities totalling €0.02 billion (2010: €0.00 billion).

As at 31 December 2011, total liquidity excluding the project-related credit facilities and cash reserves amounted to €0.22 billion:

in € m	31.12.2011
Unused non-project-related credit lines	0
Surplus capacity on current accounts	10
Cash reserves	213
Sight deposits and current securities	1
Derivatives with positive market values	0
Total	**224**

The average interest rate of the financial liabilities rose from 3.98% (31 December 2010) to 4.32% (31 December 2011). Increased credit margins and slightly higher EURIBOR/LIBOR interest rates in particular increased interest rates, whilst concluding interest rate swaps made below the interest rate level of expiring interest rate provisions lowered interest rates.

Most loans are subject to financial covenants. These are normally LTV figures (loan-to-value = ratio of the loan to the market value of the property) and interest coverage ratios for property financing, and debt ratio objectives (ratio of debts to assets) and senior debt arrangements (ratio of unsecured loans to total loans) for Group loans. Due to the business structure in place at IVG, the covenant rules are highly detailed and extended by exceptions (carve-outs). Therefore it is not always possible to derive figures from the balance sheet ratios.

In 2011, no breaches were identified during the course of regular covenant tests. A previous exceedance of the LTV for a property financing of €909 million (2010: €950 million) was permanently averted by means of a binding agreement with the banking syndicate. In this context, the extension of the total commitment until 31 December 2015 was regulated at the same time as a revision of the LTV ratio. For this agreement to be effective, it must be set out in final loan documentation by 15 March 2012. Forward-looking statements can be found in Section 6.5.3 "Financial Risks" of the Group management report.

Further details on liabilities to banks, such as term structures, currency splits and type and amount of collateral are included in Section 9.2 of the notes to the consolidated financial statements.

There were no off-balance-sheet financial instruments, which could significantly affect the financial position.

For details about derivative financial instruments, see Section 9.3 of the notes to the consolidated financial statements. Details about financial risk can be found in Section 6.5.3 of the Group management report.

4.3 Liquidity

The cash flow statement was prepared in accordance with the EPRA "Best Practices Recommendations". The summarised version is as follows:

in € m	2011	2010
Cash flow from current activities	72.9	158.8
Cash flow for short-/midterm investments from operational divisions	-183.0	-182.3
Net interest payments	-195.3	-192.2
Net tax payments	-1.0	-17.6
Cash flow from operating activities	**-306.4**	**-233.3**
Cash flow from/for investing activities	**302.2**	**208.8**
Cash flow from financing activities	**-32.6**	**24.6**
Change in cash and cash equivalents *	**-36.8**	**0.1**
Cash and cash equivalents at closing date	237.9	274.9

* Excluding changes due to exchange rate movements

Cash flow from operating activities deteriorated by -€73.1 million year-on-year from -€233.3 million to -€306.4 million. This was chiefly due to the decline in cash flow from current activities (-€85.9 million), which is primarily attributable to the lower net rents from investment property sold and the negative result at THE SQUAIRE due to the fact that the transition to the operational phase is possible only gradually. Net interest payments increased slightly year-on-year from €192.2 million to €195.3 million. This was due to the higher interest rate as compared to 2010, partly offset by the reduction of financial liabilities on account of partial repayments and project financing repayments.

Cash flow from investing activities rose by €93.4 million to €302.2 million and is dominated by the sales of caverns and other investment property. This was partly offset by the current investments in the IVG Real Estate and IVG Caverns segments in the reporting period.

Cash flow from financing activities decreased by -€57.2 million to -€32.6 million in the reporting period, particularly due to scheduled repayments of project financing, repayments relating to the sale of investment property, and partial repayments on the syndicated loan from 2009. This was offset by gross cash flows of €232.4 million from the implemented capital increases.

4.4 Net assets

Asset structure

in € m		31.12.2011	31.12. 2010	Change in %
Total assets		6,904.2	7,292.4	-5.3
Non-current assets		5,120.4	5,697.5	-10.1
Current assets		1,783.8	1,594.9	+11.8
Equity		1,386.3	1,286.1	+7.8
Equity ratio	in %	20.1	17.6	+13.9
Non-current liabilities		4,433.0	4,307.4	+2.9
Current liabilities		1,084.9	1,698.9	-36.1
Financial liabilities		4,878.3	5,288.5	-7.8
Financial liabilities	in %	70.7	72.5	-2.6

Non-current assets declined by €577.1 million year-on-year to €5.1 billion as at 31 December 2011. This was chiefly due to the reclassification of properties from investment property to non-current assets held for sale (€726.0 million), the transfer of six caverns to the Cavern Fund (€179.8 million) and the sale of further investment property (€55.4 million), predominantly in Germany. This was partly offset in particular by investments in caverns and other investment property (€129.4 million) and the increase in deferred tax assets (€133.0 million).

Current assets increased by €188.9 million to €1.8 billion, mainly as a result of the reclassification of investment property from non-current assets as described above (€726.0 million). In contrast, the sale of properties in Germany and France (€416.9 million) and of fund units (€37.1 million) from non-current assets held for sale had the effect of reducing current assets. The impairment losses recognised in the financial year and the settlement of a project in Berlin that was transferred to the IVG Premium Green Fund in the first quarter of 2011 led to a €39.9 million reduction in inventories.

Overall, total assets declined by €388.2 million to €6.9 billion.

At €1.4 billion, equity was €100.2 million higher than the previous year's level. Equity rose as a result of the capital increases of €232.4 million implemented in the first and fourth quarter and the positive effects recognised directly in equity (€35.4 million), particularly from hedge accounting. This was partly offset by the consolidated net loss of €126.0 million and the interest on the hybrid bond of €32.0 million.

The above-mentioned effects increased the equity ratio from 17.6% to 20.1%.

Loans were reduced significantly in the year under review by €0.5 billion from a total of €6.0 billion to €5.5 billion. In addition to a partial repayment of the syndicated loan from 2009 in the second quarter of 2011 (€180.0 million), repayments on project financing in three cases (€24.5 million), the repayment of further project financing (€114.0 million) as part of a disposal in the first quarter of 2011 and a repayment in connection with the sale of a property in France (€99.0 million) also contributed to this.

Net asset value (NAV) fell by 33% from €7.02 per share as at 31 December 2010 to €4.74 per share as at 31 December 2011. After taking into account the higher number of shares of 207.9 million as a result of the capital increases in 2011, NAV rose by 11.4%.

Adjusted for the components of the market value of caverns not capitalised, adjusted NAV was €6.30 per share as at 31 December 2011, down 36% as against 31 December 2010 (€9.85 per share). The adjustments for the off-balance sheet part of the fund caverns and future caverns under construction decreased as a result of the recognition of nine caverns under construction at fair value in 2011. If the figure as at 31 December 2010 is also adjusted for the capital increases in 2011, adjusted NAV increased by 5.6% in the 2011 financial year.

Other off-balance sheet assets are of only minor significance. They are held in non-consolidated and inactive companies and in shelf companies. All material activities are disclosed in the consolidated balance sheet.

5 Further Information

5.1 Remuneration report

This report is based on the recommendations of the German Corporate Governance Code and contains information required by the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The remuneration report is part of the Group notes.

5.1.1 Remuneration system for the Management Board

A new remuneration model for the Management Board of the Group was introduced with effect from 1 January 2010 which meets the requirements of the Law on the Appropriateness of Management Board Remuneration (VorstAG) and the recommendations of the German Corporate Governance Code.

The model that IVG developed ensures that the performance of IVG's key figures and the individual performance of the Management Board member concerned are taken into account in the incentives. In addition, more incentives for long-term corporate development were set by providing incentives for success that leads to a sustained increase in enterprise value.

The following revisions were made compared to the 2009 model:

- A harmonised and uniform model for remuneration and incentives applies to the Management Board and those who report directly to the Management Board.
- The Management Board incentives are equally based on achievement of company results targets and achievement of personal targets.
- The incentives are based more on multi-year measurement principles and therefore establish long-term business success.
- The different incentive measures are based on performance indicators that are key to the company. For the most part, they are directly derived from medium-term planning.

The new remuneration model provides three contractually established remuneration elements for Management Board members Dr Niesslein, Professor Dr Schäfers, Mr Kühni and Dr Volckens: fixed remuneration, variable remuneration with short-term incentives and variable remuneration with long-term incentives. Dr Niesslein's employment relationship expired at the end of his term of appointment on 31 October 2011 in line with his contract.

The **fixed remuneration component** for members of the Management Board is a monthly base salary and other payments that consist primarily of the taxable value of the private use of a company car.

The base salary for Dr Niesslein up until 31 October 2011 was €430,000.00 per year. Professor Dr Schäfers' base salary was €350,000.00 per year until 31 October 2011, and €500,000.00 per year from 1 November 2011. The base salary for Mr Kühni amounted to €325,000.00 per year and that of Dr Volckens was €350,000.00 per year.

Variable remuneration with short-term incentive effect (STI) is granted in the form of a bonus. The amount of the bonus is based on the extent to which company-related and personal targets are achieved.

For the most part, the targets are derived directly from the medium-term planning agreed by the Management Board and Supervisory Board and established for each Management Board member at the beginning of the year by IVG's Supervisory Board. Company-related and personal targets are weighted at 50% each.

The degree to which all the goals can be achieved varies from 0% to 200%. The Supervisory Board can adjust the degree to which goals are achieved by +/- 20 percentage points at its sole discretion. Overall the bonus is limited to twice the contractually established bonus value that corresponds to 100% achievement (bonus cap).

The portion of the bonus pertaining to the achievement of personal goals is paid out in the month of the General Meeting the following year. The portion of the bonus granted for the achievement of company targets is converted into limited share acquisition rights (restricted stock units). The number of share acquisition rights is calculated by dividing the pro rata bonus by the average IVG share price for the 30 trading days before and after the General Meeting of the following year.

After a vesting period of three years, IVG shares are distributed for the share acquisition rights. This means that the members have direct participation in both the positive and negative developments of IVG's shares and therefore their interests are the same as those of the shareholders. In the event of the person concerned leaving the company early, this figure is reduced pro rata temporis.

The bonus reference figure for Dr Niesslein was €430,000.00 per year until 31 October 2011, for Professor Dr Schäfers it was €350,000.00 per year until 31 October 2011 and €500,000.00 per year from 1 November 2011, for Mr Kühni it is €325,000.00 per year and for Dr Volckens it is €350,000.00 per year.

Variable remuneration with long-term incentives (LTI) is granted in the form of participation in the Performance Cash Plan. The Supervisory Board decides on the structure of the plan on an annual basis.

The term of a Performance Cash Plan begins with the month after the General Meeting and ends after four full years. In future, participation in the plan will be dependent on a mandatory individual investment in IVG shares.

At the start, the participants receive a commitment in the amount of a specified initial figure. The amount to be paid out is calculated by multiplying this initial figure by the following performance multiplier after the end of the performance period of four years.

The performance multiplier varies between 0 and a maximum of 2 and is calculated based on the development of three equally weighted performance indicators. The performance indicators are as follows:

- 1. Performance indicator (shareholder point of view):
  Performance of IVG shares as compared to the FTSE EPRA/NAREIT Developed Europe Index
- 2. Performance indicator (earnings point of view):
  Increase in the FFO I per share as compared to the planned figure
- 3. Performance indicator (assets point of view):
  Increase in the adjusted NAV per share as compared to the planned figure

The scaling of the three performance indicators takes place on the basis of current medium-term planning approved by the Supervisory Board. For previous plans, the following exception applied: If an established performance target is not achieved (underperformance) the respective multiplier is 0. Starting with the 2010 Performance Plan, the Supervisory Board may correct a multiplier of 0 to a multiplier of between 0 and 1 at its sole discretion.

A claim to the cash payout from the Performance Cash Plan after the expiration of the fourth year presupposes that the member of the Management Board is still a member of the Management Board at the end of the term. In the case of the other plan participants, the prerequisite of the cash payout is that an employment agreement exists with IVG Immobilien AG or a Group company.

The initial figure for Dr Niesslein was €430,000.00 per year until 31 October 2011, for Professor Dr Schäfers it was €350,000.00 per year until 31 October 2011 and €500,000 per year from 1 November 2011, for Mr Kühni it is €325,000.00 per year and for Dr Volckens it is €350,000.00 per year.

Overall, long-term incentives dominate the variable remuneration, since in addition to the Performance Cash Plan the variable remuneration with short-term incentives also includes a long-term incentive component in the form of the limited share acquisition rights.

5.1.2 Management Board remuneration in 2011

For the financial year 2011 (2010), the Management Board received total remuneration as defined in GAS 17 of €1.9 million (€2.2 million). Of this amount, €1.0 million (€1.2 million) was cash remuneration and €1.0 million (€1.0 million) was share-based remuneration. As such, around 50% of total remuneration was granted on a deferred basis in the form of share-based remuneration instruments with a multi-year vesting period that are dependent on the development of selected performance indicators. In accordance with GAS 17, the fair values of the share-based remuneration components shown below relate to the grant date of the remuneration instrument concerned and may sometimes differ considerably from the fair values as at the balance sheet date.

The individualised disclosures are as follows:

in €		Dr Niesslein until 31.10.2011	Dr Schäfers	Kühni	Dr Volckens	Total
Basic salary	2011 (2010)	358,340.00 (430,000.00)	375.004.00 (350,000.00)	81,249.99 (0.00)	87,501.00 (0.00)	902,094.99 (780,000.00)
Other payments	2011 (2010)	13,642.00 (11,900.00)	14,437.20 (7,218.60)	3,633.36 (0.00)	0.00 (0.00)	31,712.56 (19,118.60)
Total fixed remuneration	**2011 (2010)**	**371,982.00 (441,900.00)**	**389,441.20 (357,218.60)**	**84,883.35 (0.00)**	**87,501.00 (0.00)**	**933,807.55 (799,118.60)**
Cash bonus (personal targets of the STI)	2011 (2010)	27,663.00 (180,000.00)	0.00 (180,000.00)	0.00 (0.00)	0.00 (0.00)	27,663.00 (360,000.00)
Total cash remuneration	**2011 (2010)**	**399,645.00 (621,900.00)**	**389,441.20 (537,218.60)**	**84,883.35 (0.00)**	**87,501.00 (0.00)**	**961,470.55 (1,159,118.60)**
Fair value at time of issue of the RSUs granted for company-related targets of the STI	2011 (2010)	211,046.00 (209,991.04)	216,302.00 (170,922.94)	47,255.00 (0.00)	50,890.00 (0.00)	525,493.00 (380,913.98)
Fair value at time of issue of the participation in the Performance Cash Plan (LTI)	2011 (2010)	0.00 (356,255.00)	303,026.25 (289,975.00)	65,655.69 (0.00)	70,706.13 (0.00)	439,388.06 (646,230.00)
Total share-based remuneration	**2011 (2010)**	**211,046.00 (566,246.04)**	**519,328.25 (460,897.94)**	**112,910.69 (0.00)**	**121,596.13 (0.00)**	**964,881.06 (1,027,143.98)**
Total remuneration according to GAS 17	**2011 (2010)**	**610,691.00 (1,188,146.04)**	**908,769.45 (998,116.54)**	**197,794.04 (0.00)**	**209,097.13 (0.00)**	**1,926,351.61 (2,186,262.58)**
Changes in fair value of share-based remuneration up to 31.12.2011 (31.12.2010)	2011 (2010)	-211.046.00 (-169,991.04)	-184,052.00 (-130,922.94)	-40,625.00 (0.00)	-43,750.00 (0.00)	-479,473.00 (-300,913.98)
Total remuneration on the basis of fair value as of 31.12.2011 (31.12.2010)	**2011 (2010)**	**399,645.00 (1,018,155.00)**	**724,717.45 (867,193.60)**	**157,169.04 (0.00)**	**165,347.13 (0.00)**	**1,446,878.61 (1,885,348.60)**

The bonus claim resulting calculated from the individual achievement of personal targets **(STI)** of the Management Board members was reduced due to IVG's current economic situation. At the suggestion of the Management Board, the Supervisory Board used its powers of discretion under the remuneration system to the full extent and reduced the degree of total target achievement by 20 percentage points for all Management Board members.

For the Management Board members in office, the Supervisory Board also resolved at the suggestion of the Management Board not to pay out the portion of the bonus relating to achievement of personal targets (€32,250.00 for Professor Dr Schäfers, €6,630.00 for Mr Kühni and €7,140.00 for Dr Volckens) in May 2012 – in variance to the contractual claims – but instead to allocate restricted stock units (RSUs). The members of the Management Board in office also undertook each to invest an additional 25% of the allocated RSU amount from their own assets in IVG shares and thereby increase their holdings of IVG shares. As a result of the conversion, no cash bonuses are reported for the Management Board members in office and the RSUs granted are recognised at their fair value at the grant date.

The bonus for personal targets for Dr Niesslein was paid out in cash in accordance with the contractual regulations.

The long-term share-based remuneration component of the **STI** refers to **restricted stock units (RSUs)** that are generally issued for the corporate target related portion of the bonuses for 2011. By way of a resolution in January 2011, the Supervisory Board offered RSUs with a fair value of €479,473.00 in connection with the definition of the corporate targets. As at 31 December 2011 the fair value of these RSUs, taking into account target achievement, amounts to €0.00.

The RSUs granted instead of cash bonuses (remuneration for achievement of personal targets) have a total fair value of €46,020.00 at the grant date.

The final number of RSUs is established using the average share price as of the 2012 General Meeting. The shares for the RSUs are distributed after a three year vesting period.

The number of RSUs granted for 2011 – taking into account the different grant dates – amounted to 29,353 for Dr Niesslein, 40,446 for Professor Dr Schäfers, 19,586 for Mr Kühni and 21,093 for Dr Volckens.

Taking into account target achievement and the conversion of the cash bonuses, the number of RSUs up to and including 2011 amounted to 7,131 for Dr Niesslein, 21,979 for Professor Dr Schäfers, 3,052 for Mr Kühni and 3,287 for Dr Volckens on 31 December 2011; the number of RSUs offered for 2011 was estimated.

The long-term share-based remuneration from the **LTI** pertains to granting participation in the new **2011 Performance Cash Plan**, which is earned over a period of four years.

Dr Niesslein's employment relationship expired at the end of his term of appointment on 31 October 2011 in line with his contract. Total payments to Dr Niesslein until he left office can be seen in the table. Commitments and severance payments were not granted in connection with his resignation. Dr Niesslein's claims to participation commitments from previous Performance Share Plans and the 2009 and 2010 Performance Cash Plans expire without compensation upon his resignation. However, the claim to the special allocation with an initial value of €300,000.00 as part of the 2009 Performance Cash Plan remains. There will not be a pro rata temporis reduction of his restricted stock units (RSUs).

The existing and newly issued share-based remuneration components (Performance Cash Plan and restricted stock units) resulted in the following expense (-) or income (+) in 2011 (2010): Dr Niesslein +€6,912.90 (-€252,696.09), Professor Dr Schäfers -€51,131.68 (-€173,652.63), Mr Kühni €0.00 (€0.00) and Dr Volckens €0.00 (€0.00).

Commitment in the case of premature termination of employment

It is agreed with Professor Dr Schäfers, Mr Kühni and Dr Volckens that if their appointment on the Management Board is terminated before expiry of their contracts without good cause or the existence of a change of control they will receive a severance payment of any outstanding amounts until the end of the remaining period of their contracts in terms of the basic monthly salary, bonuses, any other contractually agreed payments and the value of remuneration in kind, minus 25% for a discount and the calculation of other payments. The severance payment shall amount to no more than two times total annual remuneration of the respective Management Board member (severance cap). The main determiner for the calculation of the severance and the severance cap is the total remuneration of the Management Board member for the last full financial year before leaving the Management Board, as it is reported in the remuneration report, taking into consideration the expected total remuneration for the current financial year using 100% target achievement for the calculation of the bonuses, but at the most the target achievement in the last full financial year before leaving the Management Board.

A change of control regulation applied only to Dr Niesslein; no change of control agreements were made with Professor Dr Schäfers, Mr Kühni or Dr Volckens.

The members of the Management Board received the following **pension commitments**:

Pensions

The retirement benefits accrued for Dr Niesslein expire as a result of his leaving the company as at 31 October 2011. Mr Kühni and Dr Volckens are entitled to receive a defined contribution commitment linked to their fixed salary.

As a rule, retirement benefits are paid from the age of 65 onwards.

Otherwise, if Mr Kühni und Dr Volckens leave before their 65th birthdays, vested retirement benefits accrued up to that point are payable. In the case of early retirement from the age of 60, a discount of 0.5% is applied for each month by which the claim is premature prior to the beneficiary's 63rd birthday.

Due to his special situation as a university professor on leave, IVG pays a pension supplement for Professor Dr Schäfers to the State of Bavaria as represented by the University of Regensburg and thus continues his pension scheme existing there.

IVG adjusts current retirement benefits by 1% on 1 July of each year. If the beneficiary leaves IVG early, entitlements are not inflation-linked or adjusted.

The pension expenses (service cost) for the financial year 2011 amount to €284,263.00 (2010: €261,185.00) for Dr Niesslein and €34,062.84 (2010: €33,880.48) for Professor Dr Schäfers. As of 31 December 2011, the pension provisions amount to €0.00 (2010: €603,892.00) for Dr Niesslein, €28,997.00 (2010: €0.00) for Mr Kühni and €44,120.00 (2010: €0.00) for Dr Volckens.

Disability benefits

If a member of the Management Board leaves IVG after the end of the waiting period and before claiming retirement benefits because they are incapacitated or partially incapacitated – as confirmed by an official doctor's certificate – they are entitled to a monthly incapacity benefit for the duration of the incapacity or partial incapacity.

Surviving dependant benefits

Benefits of up to 100% of retirement benefits for members of the Management Board are paid to surviving dependants. If the member of the Management Board leaves IVG at their own request before the age of 65, benefits paid to surviving dependants are limited to 100% of the vested entitlement.

On the death of a member of the Management Board, the surviving spouse receives a pension for life of 60% of the benefits that the member received or would have received if they had become incapacitated at the time of their death, or 60% of the vested entitlement.

If a member of the Management Board dies, their surviving children are entitled to an orphan's pension. For Mr Kühni and Dr Volckens, the orphan's pension is 20% of the widow's or widower's pension for each half-orphan and 40% for each full orphan. The orphan's pension can be claimed by the deceased's own children, step-children and foster children who are not in regular employment and have not yet reached the age of 18 at the time when the Management Board member dies. For a child over the age of 18 in education or vocational training, or carrying out military or civilian service, or which is not capable of supporting itself due to physical or mental handicap, the orphan's pension will be paid until the end of this time but no later than the age of 25 or 27.

In the case of Professor Dr Schäfers, any claims to benefits for disability and surviving dependants result from his contractual regulations with the Free State of Bavaria as represented by the University of Regensburg.

As at 31 December 2011, no advance payments or loans had been made to members of the Management Board.

Total payments to former board members and their surviving dependants

Total payments to former Management Board members and their surviving dependants amounted to €1,423,869.46 (2010: €1,606,978.44). The pension obligations totalled €17,191,744.00 (2010: €16,309,519.00) as of 31 December 2011.

5.1.3 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Section 16 of the Articles of Association of IVG Immobilien AG. It takes into account the responsibilities and scope of activities of the Supervisory Board members as well as the economic situation of the company. On recommendation of the Management Board and the Supervisory Board, the remuneration system was modernised by resolution of the General Meeting on 20 May 2010.

The members receive annual **fixed remuneration** of €20,000.00. The Chairman receives double, the Deputy Chairman one and a half times the fixed remuneration. Members of the Supervisory Board who belong to the Audit Committee receive additional fixed annual remuneration of €4,000.00, while members of the Supervisory Board who belong to another committee (except for the Nomination Committee) receive additional fixed annual remuneration of €2,500.00. The chairman of a Supervisory Board committee receives double the additional fixed remuneration.

In addition, the members of the Supervisory Board receive an **attendance fee** of €1,000.00 per meeting of the Supervisory Board or the Audit Committee.

They also receive **variable remuneration**, the amount of which depends on the development of the company's share price compared with the FTSE EPRA/NAREIT Developed Europe Index during a two-year reference period. The reference period is always two years and ends on 31 December of each year. If the IVG share price performs worse than the EPRA index during the reference period, the Supervisory Board members receive no variable remuneration. If the IVG share price performs better than the EPRA index during the reference period, the Supervisory Board members receive variable remuneration calculated by multiplying the target remuneration of €10,000.00 by a set multiplier that depends on the average annual deviation between the development of the IVG share price and the EPRA index. This multiplier varies between 1 and 2. The Chairman of the Supervisory Board receives double, the Deputy Chairman one and a half times the variable remuneration.

Members of the Supervisory Board also receive reimbursement of out-of-pocket expenses for each Supervisory Board meeting or committee meeting.

The remuneration of the Supervisory Board totalled €425,709.86 in 2011 (2010: €387,887.32). The variable remuneration was recognised as share-based remuneration at fair value at the date it was granted. In 2011, the members of the Supervisory Board received the following total remuneration:

in €	Fixed remuneration *	Fair value at time of issue of the variable remuneration granted in 2011	Total remuneration
Bierbaum (Chairman)	60,000.00	12,775.60	72,775.60
Beelitz (Deputy Chairman)	54,000.00	9,581.70	63,581.70
Dr Gaul	15,073.97	0.00	15,073.97
Günther	34,500.00	6,387.80	40,887.80
Herr	40,000.00	6,387.80	46,387.80
Krauth	20,493.15	5,458.64	25,951.79
Lutz	40,000.00	6,387.80	46,387.80
Müller	34,500.00	6,387.80	40,887.80
Neusser-Eckhoff	32,000.00	6,387.80	38,387.80
Dr Thiemann	29,000.00	6,387.80	35,387.80
Total	**359,567.12**	**66,142.74**	**425,709.86**

* Including attendance fees

The variable, share-based remuneration of the Supervisory Board relates to the variable remuneration granted at the beginning of 2011 with the reference period 2011/2012, and for Mr Krauth also the pro rata variable remuneration with the reference period 2010/2011, since he was elected to the Supervisory Board during the financial year.

Due to the underperformance of the IVG share as against the EPRA index in the reference period 2010/2011, no variable remuneration is expected to be paid for this reference period (2010: €107 thousand for the reference period 2009/2010).

As at 31 December 2011, no advance payments or loans had been made to members of the Supervisory Board.

5.2 Disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB) and explanatory report

Structure of subscribed capital

The subscribed capital (share capital) of IVG Immobilien AG on 31 December 2011 amounted to €207,883,884 and was divided into 207,883,884 bearer shares with no par value.

In December 2011, Authorised Capital I, II and III were almost completely utilised. Between the capital increase coming into effect on 16 December 2011 and the previous capital increase during the reporting period coming into effect on 14 February 2011, the company's share capital amounted to €138,599,999. Before the latter capital increase in February 2011, the company's share capital totalled €126,000,000.

Each share has a pro rata proportion of the share capital of €1.00. Each share has identical rights and confers one vote at the General Meeting. Shareholders exercise their rights in accordance with statutory regulations and the Articles of Association at the General Meeting, where they have the right to vote.

Restrictions on voting rights and the transfer of shares

The Management Board is not aware of any restrictions on voting rights or the transfer of shares.

Shareholdings which exceed 10% of voting rights

The following direct holdings in the capital of the company that reach or exceed 10% of the voting rights have been made known to the Management Board of IVG Immobilien AG:

In accordance with Section 21 (1) of the German Securities Trading Act (WpHG), Mann Immobilien-Verwaltung AG, Karlsruhe, Germany, announced on 19 December 2011 that as a result of purchasing new shares from the capital increase on 16 December 2011 its portion of the voting rights in IVG Immobilien AG, Bonn, Germany, exceeded the 15% and 20% thresholds on 19 December 2011 and on this day amounted to 20.004% (41,585,336 voting rights).

In accordance with Section 21 (1) of the German Securities Trading Act (WpHG), Santo Holding AG, Zurich, Switzerland, announced on 20 December 2011 that its portion of the voting rights in IVG Immobilien AG Bonn, Germany, exceeded the 10% threshold on 19 December 2011 and on this day amounted to 10.0001% (20,788,651 voting rights).

Shares with special control rights

No shares which confer special control rights have been issued.

System of control of any employee share scheme where control rights are not exercised directly by employees

There is no employee share scheme at IVG Immobilien AG where employees do not have direct control rights over their shares.

Statutory regulations and provisions in the Articles of Association governing the appointment and dismissal of members of the Board of Management and changes in the Articles of Association

The appointment and dismissal of members of the Management Board of IVG Immobilien AG is determined by Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Article 7 of the Articles of Association of IVG Immobilien AG. Under Article 7 (1) of the Articles of Association, the Management Board must consist of at least two members. Under Article 7 (2) of the Articles of Association, the Supervisory Board determines the number of members on the Management Board and may appoint deputy Management Board members.

Amending the Articles of Association of IVG Immobilien AG requires a resolution of the General Meeting (Section 179 AktG). Resolutions of the General Meeting require a simple majority if the law does not prescribe a larger majority. Under Section 179 (2) of the AktG, resolutions of the General Meeting that amend the Articles of Association require a majority of at least three quarters of the share capital represented at the adoption of the resolution if the Articles of Association do not prescribe a different capital majority – but for an amendment to the company objective only a greater capital majority. Under Article 21 (2) Sentence 3 of the Articles of Association of IVG Immobilien AG, an amendment to the Articles of Association must be decided by the General Meeting with a simple majority of the share capital represented at the adoption of the resolution. However, amendments to the purpose of the company require a majority of at least three quarters of the share capital represented at the adoption of the resolution. Pursuant to Article 17 of the Articles of Association of IVG Immobilien AG, the Supervisory Board is authorised to decide on amendments to the Articles of Association which apply only to the wording.

Authorisation of the Management Board to issue and buy back shares

As at 31 December 2011, IVG Immobilien AG had authorised capital of up to €16,114.00 (Authorised Capital II), after the Management Board had completely utilised Authorised Capital I and III and almost completely utilised Authorised Capital II by placing new no-par-value bearer shares in December 2011 with the approval of the Supervisory Board.

The authorisation of 18 May 2011 prescribed and continues to prescribe the following regulations for Authorised Capital II:

By resolution of the General Meeting dated 18 May 2011, the Management Board was authorised to increase the share capital with the approval of the Supervisory Board by issuing new no-par-value bearer shares with a pro rata share of the share capital of €1.00 each on one or more occasions by 17 May 2016 in exchange for cash by up to a total of €21,299,999 (Authorised Capital II).

Shareholders must be granted subscription rights to the new shares. The Management Board may determine that the new shares can be acquired by one or more banks or by companies operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act with the obligation to offer them to the shareholders for subscription (indirect subscription rights). However, with the approval of the Supervisory Board, the Management Board can exclude a fractional amount from the subscription rights of shareholders. The Management Board is also authorised to determine the further details of the capital increase and its execution including the dividend rights of the new shares with the approval of the Supervisory Board. If preference shares are issued repeatedly (e.g. in multiple tranches) on the basis of this authorisation, the Management Board is authorised to issue further preference shares (with or without voting rights) that have priority over or are equal to the previously issued preference shares in terms of distribution of profits or company assets. With the approval of the Supervisory Board, the Management Board can also exclude shareholders' subscription rights to issue the new shares at an issue price which does not fall significantly below the exchange price of already listed shares of the company of the same class and kind. In this case, the total pro rata amount of the new shares for which the subscription right is excluded must not exceed 10% of the share capital at the time the authorisation takes effect or – if this amount is less – of the existing capital at the time that this authorisation is exercised. Determining this 10% limit shall take into account shares which, during the term of this authorisation until the new shares are issued, are sold other than on the stock market or by an offer to all shareholders due to the authorisation to buy own shares pursuant to Section 186 (3) Sentence 4 AktG, and shares which must be issued to service convertible bonds and/or bonds with warrants, provided the bonds are issued during the term of this authorisation with subscription rights disapplied pursuant to Section 186 (3) Sentence 4 AktG on the basis of existing or future authorisations to issue convertible bonds and/or bonds with warrants with subscription rights disapplied.

With the approval of the Supervisory Board, the Management Board completely utilised Authorised Capital I and III with effect from 16 December 2011 by placing new no-par-value bearer shares.

In addition to the remaining Authorised Capital II, IVG Immobilien AG had three conditional capital increases as at 31 December 2011:

The share capital was increased conditionally by €8,654,262. This conditional capital serves to fulfil the granting of shares to the bearers of the convertible bonds issued on 29 March 2007 in a total nominal amount of €400 million via a Dutch subsidiary. The conditional capital increase will be implemented only to the extent called up by the holders of the rights to convertible bonds or of warrants from bonds with warrants. The convertible bonds issued on 29 March 2007 have a term of ten years and the conversion price is currently €41.45. They can be called in early by the holders for the first time with effect from 29 March 2014.

The share capital is also increased conditionally by up to €22 million (Conditional Capital 2007).

This conditional capital serves to fulfil the granting of shares to the bearers or creditors of convertible bonds or options which have been issued pursuant to the authorisation by the General Meeting of 24 May 2007 (Authorisation I). Under this authorisation, bonds and/or convertible bonds up to a total amount of €1,500 million may be issued until 23 May 2012. The authorisation also allows Group companies to issue convertible bonds and/or bonds with warrants and, with the approval of the Supervisory Board, allows the company to assume the guarantee for this and to grant the holders of the convertible bonds and/or bonds with warrants conversion rights or option rights for the IVG bearer shares.

The convertible bonds and/or bonds with warrants – which have a maximum term of 20 years – should be offered to shareholders for subscription. However, the Management Board is allowed (with the approval of the Supervisory Board) to exclude the shareholders' subscription rights when issuing convertible bonds and/or bonds with warrants

if they have been issued for cash and the issue price is not significantly below the bonds' theoretical market value determined according to recognised principles of financial mathematics. In these circumstances the convertible bonds or bonds with warrants rights may be issued only up to an amount of 10% of the existing share capital at the time of the resolution being made by the General Meeting or – if this amount is lower – at the time of the exercise of the authorisation. Determining this 10% limit shall take into account shares which, during the term of this authorisation until the convertible bonds and/or bonds with warrants are issued without subscription rights pursuant to Section 186 (3) Sentence 4 AktG (i) are sold as treasury shares pursuant to Section 71 (1) Number 8 Sentence 5 in conjunction with Section 186 (3) Sentence 4 AktG excluding subscription rights or (ii) are issued from authorised capital excluding subscription rights pursuant to Section 186 (3) Sentence 4 AktG; or

to exclude fractional amounts resulting from the subscription ratio or

to the extent that this exclusion is necessary in order to grant a subscription right to bearers in the amount to which they would be entitled as shareholder after exercise of the convertible or option rights from the convertible bonds and/or bonds with warrants already issued at the time of exercise of the authorisation.

The conversion or option price for a share with no par value of the company with a pro rata share in the ordinary share capital of the company of €1 must

be equivalent either to 130% of the listed price of the IVG share in the XETRA closing price on the Frankfurt Stock Exchange (or a functionally comparable successor system) on the last trading day before the day the decision was made by the Management Board about the issue

or – where a subscription right is granted – be equivalent to 130% of the average (rounded up to a full cent) of the listed prices of the IVG shares in the XETRA closing price on the Frankfurt Stock Exchange (or a functionally comparable successor system) on the days on which the subscription rights for the issue were traded, with the exception of the last two trading days.

Under certain circumstances the bearers of the conversion or option rights may be granted protection against dilution of equity without prejudice to Section 9 (1) of the German Stock Corporation Act (AktG).

The share capital is also increased conditionally by up to €30 million (Conditional Capital 2010). This conditional capital serves to fulfil the granting of shares to the bearers or creditors of convertible bonds or options which have been issued by the company, or issued by a Group company under the company's management and guaranteed by the company, by 19 May 2015 pursuant to the authorisation by the General Meeting from 20 May 2010. The new shares shall be issued according to the conversion or option price established in the above-mentioned authorisation. The conditional capital increase will be implemented only to the extent that the holders of rights to convertible bonds or of warrants from bonds with warrants make use of these rights and fulfil their option or conversion obligation and the conditional capital is required in accordance with the respective bond or warrant conditions. The new shares are entitled to participate in dividends during the entire financial year in which they were issued. The Management Board is authorised to determine the further details of the conditional capital increase with the approval of the Supervisory Board.

By resolution of the General Meeting dated 20 May 2010, the Management Board was authorised, with the approval of the Supervisory Board, to issue convertible bearer bonds and/or bonds with warrants (referred to in the following as "bonds") on one or more occasions up to 19 May 2015 for a maximum nominal amount of €2,000 million with a limited or unlimited maturity period and to grant the holders of such bonds conversion or exercise rights (also including conversion obligation) in respect of new bearer shares issued by the company with a pro-rated amount of up to €30 million of the share capital, in accordance with the respective bond or warrant conditions (Authorisation II). Bonds are issued in exchange for cash only.

The previously mentioned total nominal amount of Authorisation II of up to €2,000 million shall include bonds with conversion or option rights (also including conversion obligation) that were or will be issued due to the authorisation of the General Meeting on 24 May 2007 (Authorisation I) in order that bonds may be issued under Authorisation I and II in a total nominal amount not to exceed €2,000 million.

The bonds may be in euro or – provided the equivalent amounts to those stated above in euro are not exceeded – in a foreign legal currency, for example of an OECD country. They may also be issued by a Group company under the management of the company ("Group company"), in which case the Management Board, with the approval of the Supervisory Board, is authorised to assume the guarantee of the bonds for the company and grant the bearers of conversion or option rights (including with conversion obligation) bearer shares of the company.

The bond issues will be divided into partial debentures.

If bonds with warrants are issued, each partial debenture will include one or more warrants that entitle the holder to obtain no-par-value bearer shares of the company in line with the option conditions established by the Management Board. The term of the option right cannot exceed the term of the bond with warrant. Furthermore, the conditions may provide for fractional amounts to be combined and/or compensated for in cash.

If convertible bonds are issued, bearers have the right to exchange their partial debentures for no-par-value bearer shares of the company in line with the convertible bond conditions established by the Management Board. The conversion ratio shall result from the division of the nominal amount or the issue amount of a partial debenture that is below the nominal amount by the set conversion price for a no-par-value bearer share of the company. The conversion ratio may be rounded up or down to a whole figure; in addition, a supplementary cash payment may be specified. Furthermore, the conditions may provide for fractional amounts to be combined and/or compensated for in cash.

Sections 9 (1) and 199 AktG remain unaffected.

The convertible bond conditions may also provide for a conversion or option obligation at the end of the term or at an earlier time. The pro-rated amount of the share capital of the company's shares to be issued per partial debenture upon conversion or exercise of the option shall not exceed the nominal amount of the partial debenture. Sections 9 (1) and 199 AktG remain unaffected.

The bond or warrant conditions may grant the company the right to grant the creditors of the bond new shares or treasury shares in whole or in part instead of paying a monetary amount due. In each case, the value of the shares is used that corresponds to the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange rounded to the next whole cent on the last three trading days before the announcement of the conversion or exercise of the option in line with the bond conditions.

In each case, the bond or warrant conditions may also establish that the company's treasury shares can be issued instead of conversion or exercise of the option. It may also be stipulated that those holding or entitled to convertible bonds or options are not issued shares in the company but instead paid the cash equivalent of the shares that would have otherwise been delivered. The equivalent of the shares is used that corresponds to the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange rounded to the next whole cent on the last three trading days before the announcement of the conversion or exercise of the option in line with the bond conditions.

The option or conversion price to be established in each case must be at least 80% of the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the last three trading days before the resolution is taken by the Management Board on the issue of the bonds or – if the subscription right is granted – at least 80% of the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange in the period from the beginning of the subscription period to the third day before the announcement of the final conditions in line with Section 186 (2) Sentence 2 AktG (inclusive). Sections 9 (1) and 199 AktG remain unaffected.

If, during the conversion or option period, the company increases its share capital while granting its shareholders subscription rights, or issues other convertible bonds and/or bonds with warrants, or issues or guarantees conversion or option rights and grants the holders of existing conversion or option rights no subscription right for this as they would normally be entitled to as a shareholder after the exercise of their conversion or option right and/or the fulfilment of their conversion or option or conversion obligation, or if the share capital is increased by means of a capital increase from company funds, the bond or warrant conditions shall ensure that the economic value of the existing conversion rights or option rights remain unaffected in that the conversion rights or option rights shall be adjusted to preserve the value of the conversion rights or option rights if the adjustment is not already subject to a mandatory legal regulation. This applies accordingly in the case of a capital reduction or other capital measures, restructuring, control gained by a third party, an extraordinary dividend or other comparable measures that could lead to a dilution of the value of the shares. Sections 9 (1) and 199 AktG remain unaffected.

As a general rule, shareholders have a subscription right, i.e. the convertible bonds or bonds with warrants are generally offered to the company's shareholders to purchase. The bonds may also be obtained by one or more banks who are then obligated to offer them to shareholders to purchase. If bonds are issued by a Group company, the company ensures the corresponding granting of the subscription rights for the company's shareholders.

However, with the approval of the Supervisory Board, the Management Board can exclude the subscription rights of shareholders to the bonds

- if, after due examination, the Management Board reaches the conclusion that the issue price is not significantly below the bonds' theoretical market value determined according to recognised principles of financial mathematics. However, this authorisation to exclude subscription rights applies only to bonds with a conversion right or option right (also including with a conversion or option obligation) for shares that relate to a total pro-rated amount of no more than 10% of the share capital at the time the authorisation takes effect or – if this amount is less – of the existing capital at the time that the above-mentioned authorisation is exercised. Determining this 10% limit of the share capital shall take into account shares that (i) are issued pursuant to Section 186 (3) Sentence 4 AktG during the term of this authorisation until the bonds are issued as part of a capital increase with subscription rights disapplied and that (ii) are sold other than on the stock market or by an offer to all shareholders due to the authorisation to buy own shares pursuant to Section 186 (3) Sentence 4 AktG during the term of this authorisation until the bonds are issued and that (iii) are issued to service options or convertible bonds with option or conversion rights or with an option or conversion obligation, provided the bonds are issued during the term of this authorisation with subscription rights disapplied pursuant to Section 186 (3) Sentence 4 AktG until the bonds are issued,

- for fractional amounts resulting from the subscription ratio and

- if it is necessary so the holders of previously issued conversion or option rights can be granted a subscription right to the extent that they would normally be entitled to following the exercise of the conversion or option rights or the fulfilment of their conversion obligations as shareholders.

With the approval of the Supervisory Board, the Management Board is authorised to determine the further details of the issue and terms of the bonds, particularly the interest rate, type of interest, issue price, maturity period, denomination, dilution protection provisions, warrant and/or conversion period and the warrant and conversion price or to stipulate these in agreement with the executive bodies of the Group companies issuing the bonds.

By resolution of the General Meeting on 20 May 2010, the Management Board was also authorised until 19 May 2015 to purchase company shares of any class. The authorisation is limited to the purchase of shares equivalent to a maximum total amount of 10% of the existing share capital at the time of the resolution being made by the General Meeting or – if this amount is lower – at the time of the exercise of this authorisation. The authorisation can be exercised in full or in part, and in the latter case on multiple occasions. It can be exercised by a dependent company of IVG Immobilien AG, a company in which it has a majority shareholding, a third party acting on behalf of IVG Immobilien AG, or a third party acting on behalf of a dependent company of IVG Immobilien AG or a company in which it has a majority shareholding.

Purchase can be made at the discretion of the Management Board via the stock market, by way of a public offer made to all shareholders of the company or by way of a public invitation to all shareholders to submit offers for sale.

If the purchase is made via the stock market, the payment per share made by the company (excluding ancillary purchase costs) may not exceed by more than 5% or fall short by more than 10% of the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the last three trading days before the date of the purchase.

If the purchase is made by way of a public offer to all shareholders of the company, the purchase price offered per share (excluding ancillary purchase costs) may not fall short of or exceed by more than 10% the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the last three trading days before the effective date described below. The effective date is the date on which the Management Board of IVG Immobilien AG makes a final decision on the formal offer. In the event of an adjustment of the offer, which is permitted if there are significant deviations from the relevant share price after publication of the offer, the effective date is the date on which the Management Board of IVG Immobilien AG makes a final decision on the formal adjustment. The volume of the public offer can be limited. If the offer is oversubscribed, the purchase can be made based on the ratio of shares offered (offer ratio) rather than on the proportion of shares held. In addition, ratios can be rounded up or down in line with commercial principles so as to avoid fractions of shares, and if a shareholder offers 100 shares or fewer, acceptance of these shares can be given precedence. In the cases stated in this sub-paragraph, the shareholders' rights to further offers are excluded.

If the purchase is made by way of a public invitation to all shareholders to submit offers for sale, the Management Board of IVG Immobilien AG specifies a purchase price range per share within which offers can be submitted. The purchase price range can be adjusted if there are significant deviations during the bidding period from the share price at the time of publication of the invitation to submit offers for sale. The purchase price per share paid by the company (excluding ancillary purchase costs), which the company calculates based on the offers for sale received, may not fall short of or exceed by more than 10% the arithmetic mean of the closing prices of company shares of the same class in XETRA trading (or in a functionally comparable successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the last three trading days before the effective date described below. The effective date is the date on which the Management Board of the company makes a final formal decision on acceptance of the offers for sale. The volume of the acceptance can be limited. If there are several equivalent offers for sale which cannot all be accepted due to limitation of the volume, the purchase can be made based on the ratio of shares offered (offer ratio) rather than on the proportion of shares held. In addition, ratios can be rounded up or down in line with commercial principles so as to avoid fractions of shares, and if a shareholder offers 100 shares or fewer, acceptance of these shares can be given precedence. In the cases stated in this sub-paragraph, the shareholders' rights to further offers are excluded.

With the approval of the Supervisory Board, which can be granted in advance as a maximum amount for the period between two Supervisory Board meetings, the Management Board is authorised to use the company shares purchased on the basis of this authorisation – in addition to sale on the stock market or through an offer to all shareholders – for the following purposes:

1. Selling company shares in some other way than on the stock market or by an offer made to all shareholders, provided the sale takes place in exchange for cash payment and at a price which does not fall significantly below the average stock market price of company shares of the same class and pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG). This authorisation is limited to the sale of shares which are equivalent to a maximum total amount of 10% of the existing share capital at the time of the resolution being made by the General Meeting or – if this amount is lower – at the time of the exercise of this authorisation. Determining this 10% limit of the share capital shall take into account shares that (i) are issued pursuant to Section 186 (3) Sentence 4 AktG during the term of this authorisation until the treasury shares are issued as part of a capital increase with subscription rights disapplied and that (ii) are issued to service options or convertible bonds with option or conversion rights or with an option or conversion obligation, provided the bonds are issued during the term of this authorisation with subscription rights disapplied pursuant to Section 186 (3) Sentence 4 AktG until the treasury shares are sold;

2. Transferring company shares to third parties as part of a merger or the acquisition of companies, parts of companies or equity investments in companies, including increases in existing investments, or other assets which relate to an acquisition plan of this kind, including receivables from the company;

3. Calling in company shares without this calling in and its implementation requiring a further resolution by the General Meeting. The calling in leads to a capital reduction in the amount of the part of the share capital relating to the shares called in. As an exception to this, the Management Board can determine, with the approval of the Supervisory Board, that the share capital shall remain unchanged on calling in and that the calling in shall instead result in an increase in the share of the remaining shares in the share capital pursuant to Section 8 (3) AktG. In this case, the Management Board is authorised to adjust the information on the number of shares in the Articles of Association.

The authorisations to use the purchased shares can be used one or more times, in full or in part, individually or collectively. They also include the use of company shares which are purchased on the basis of Section 71d Sentence 5 AktG or (i) by a dependent company of IVG Immobilien AG or a company in which it has a majority shareholding, or (ii) by a third party acting on behalf of IVG Immobilien AG, or by a third party acting on behalf of a dependent company of IVG Immobilien AG or a company in which it has a majority shareholding.

When using treasury shares in accordance with the authorisations described above in Numbers 1 and 2, shareholders' subscription rights are disapplied. Furthermore, in the case of the sale of treasury shares by way of an offer made to all shareholders, the Management Board can disapply shareholders' subscription rights for fractional amounts with the approval of the Supervisory Board.

Agreements in the event of a change of control

Significant financing agreements of IVG Immobilien AG contain the usual clauses common to such contracts regarding a change of control. In particular, the lenders are entitled to require repayment of loans in the case of a change of control. Change of control is defined in these agreements as a takeover of more than 50% of voting rights in IVG Immobilien AG. If a lender should require repayment of a loan as a result of a change of control, IVG Immobilien AG would be obliged to repay the loan forthwith.

Compensation agreements with members of the Management Board or employees of IVG Immobilien AG in case of a takeover bid

The IVG Group does not currently have any compensation agreements with members of the Management Board or employees following takeovers.

5.3 Employees

Qualifications and development ensure success

The success of our company is largely dependent on the professional and personal skills of our employees. Key output and value-generating efforts come from them. We therefore pursue a human resources policy which is designed to recognise potential and promote performance and development. We place emphasis on a modern and open company culture, individual responsibility and constructive cooperation.

Number of employees down slightly year-on-year

On 31 December 2011, the total number of employees in the IVG Group was 613 (previous year: 616). This also includes part-time staff. It does not include trainees or inactive employees such as those in partial retirement or on parental leave. The number of employees decreased overall in comparison with the previous year by 3 or about 0.5%. Expressed as full-time equivalents, the number of employees was 586.1 (previous year: 589.8). The number of apprentices, trainees and interns was 23 (previous year: 18).

There are different changes with respect to the divisions:

	31.12.2011	31.12.2010	Change
Total	**613**	**616**	**-3**
Investment	13	12	1
Funds	154	150	4
Development	7	10	-3
Caverns	82	78	4
Asset Management	228	233	-5
IVG Corporate functions	129	133	-4

There were the following changes on the basis of full-time equivalent employees (FTE):

	31.12.2011	31.12.2010	Change
Total	**586.1**	**589.8**	**-3.7**
Investment	12.6	12.0	0.6
Funds	148.8	144.4	4.4
Development	6.5	9.5	-3.0
Caverns	79.0	75.0	4.0
Asset Management	219.5	225.7	-6.2
IVG Corporate functions	119.8	123.2	-3.4

Incentive system: employee participation scheme

In 2011, IVG continued to offer its employees the participation scheme of IVG employee loans, with which we strengthen and promote cooperation as partners.

The IVG employee loan is an exchange risk-free savings scheme. The employees make capital available to IVG, which thanks to a tax-free supplement and interest payments results in a return of around 9.8% over a six-year period.

Personnel development measures

In 2011 we continued our structured and strategic personnel development model. The cornerstone of this is the annual appraisal interview between employees and management that is based on development and potential. In annual rounds of personnel development talks, our employees' potential is compared with the current and future requirements of all departments and specific supporting measures are planned out.

The IVG Talent Management Programme that was launched in 2010 was continued in 2011. In addition to the individual training and development measures discussed in the appraisal interviews, we promote top performers and potential candidates in a targeted way in this programme. This programme is oriented towards practical aspects and developing one's own management expertise with a high level of personal responsibility. These interlinked measures last 18 months and focus on on-the-job activities in projects, initiatives for exchanging experiences and creating networks (mentoring, unplanned talks with management) and topic-specific training sessions.

The case-by-case support for career-promoting development measures, especially sector-based courses, continues to play an important part in IVG's systematic personnel development.

6 Risk Management

6.1 Introduction

Market cultivation takes place via the two divisions IVG Investment (with the segments IVG Real Estate, IVG Development and IVG Caverns) and IVG Funds (with the segments IVG Institutional Funds and IVG Private Funds), as well as an Asset Management area as a central operating service unit. The IVG Development segment that was operated in previous years was judged in the context of the restructuring to be too high-risk and has been incorporated into the IVG Investment division/Asset Management division as a segment to be phased out. In future, IVG will no longer carry out project developments as a trader developer, but rather for its own portfolio only (investor development).

Opportunities and risks for IVG Immobilien AG and in particular the realisation of the project and property sales planned for 2012 are highly dependent on the rental and sales yields (exit yields) achieved and are thus directly linked to the development of the rental and investment markets. The macroeconomic development – in particular the development of the sovereign debt crisis – could have a considerable impact on the future development of the European rental and investment markets. The effects on the financing market could also be significant, since in the event of further loan write-offs due to the solvency problems of individual European countries there would be a renewed shortage on the market for real estate financing.

At the same time, real estate is highly valued as a form of real assets particularly in times of economic uncertainty.

As the macroeconomic development also involves uncertainties regarding the development of the markets, recognising risks at an early stage and actively counteracting them is particularly important at IVG Immobilien AG. In order to take into account the increased significance of risk management, IVG established an independent Risk and Process Management corporate function in June 2009. Among other tasks, since the beginning of 2010 Risk and Process Management is responsible for coordinating the internal audit outsourced to the auditing company BDO AG.

6.2 Structure of risk and opportunity management

Risk reporting has taken place on a quarterly basis since 2009. The divisions report their risks and opportunities to the Management Board through the Risk and Process Management corporate function. These opportunities and risks are identified as far as possible on a bottom-up basis in connection with individual projects or properties or individual caverns as the smallest economic unit. Quarterly reporting to Risk and Process Management covers separate recognition of risks and opportunities each representing a possible gain or loss of assets or liquidity of more than €1.0 million. Additional elements of risk and opportunity reporting are simulations and scenario analysis for performance of property, sales of project developments and financial planning.

In addition, the divisions report their respective risks and opportunities to the Management Board in talks that usually take place weekly. The Management Board must be notified immediately in ad-hoc announcements of any risks representing a potential economic loss of more than €5 million.

As before, reporting from Corporate Finance on the Group liquidity situation and current refinancing needs in connection with margin development is normally made on a weekly basis at the Management Board meeting and via ad-hoc announcements for specific developments. The close interrelation between planning for capital requirements of the divisions has been strengthened. Attention to the development of covenants from finance agreements was intensified with regard to exogenous yield shifts in the market values of property.

The internal audit department is an integral part of the process-independent monitoring system. Audit planning for 2011 consisted of 16 audits in total. Thirteen audits were completed in 2011. One further audit is currently still ongoing and will be completed in the first quarter of 2012. Two audits were postponed for the time being due to ongoing process overhauls and adjustments. The audit for project and quality management in the corporate functions is continuous.

A special audit was also ordered in the fourth quarter of 2011 for risk and compliance reasons; this is not yet complete.

Risks of an economic loss of over €2.5 million were not found in the defined risk classes as part of the completed internal audits.

The recommendations for action arising from the audit results will be subject to a systematic subsequent review by IVG Immobilien AG. The subsequent review of the internal audit results and monitoring implementation is the responsibility of the Risk and Process Management corporate function. In coordination with the divisions and persons responsible, Risk and Process Management clarifies the relevant need for action and the necessary measures for implementation, agrees implementation deadlines for the internal audit recommendations and is responsible for monitoring the level of completion and quality of the measures implemented.

The respective divisions also report quarterly to the Management Board on the processing status of the shortcomings discovered during the internal audit.

IVG Immobilien AG's risk early warning system was examined by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) as part of its audit of the consolidated financial statements in line with the requirements of stock corporation law. The examination showed that the Management Board has implemented the requirements set forth in Section 91 (2) AktG to establish a risk early warning system in a suitable manner and that the risk early warning system is able to detect developments early on which may endanger the existence of the company as a whole.

6.3 Description of the accounting-related internal control system

IVG's accounting-related internal control system (ICS) is used to minimise risks in financial reporting. Such risks may arise from the possibility that annual and interim financial statements could contain incorrect information which has a significant influence on the decisions of those for whom the information is intended. Using the ICS, possible sources of errors are to be identified and reporting risks limited. The system covers financial reporting in the entire IVG Group. The organisation of the accounting-related ICS is closely linked to the internal accounting and financial reporting processes and the existing structures for managing the divisions and corporate functions. The preparation of quarterly, annual and consolidated financial statements which comply with the legal requirements is thus ensured with sufficient certainty.

The accounting of subsidiaries of IVG takes place either at the Group head office, at the accounting department of the subsidiary IVG Institutional Funds GmbH, or on a decentralised basis at foreign IVG branch offices or by external service providers. The individual financial statements are consolidated into the IVG Group consolidated statements at the Group head office. In all cases, the basis for financial statements to be delivered is the IVG accounting guideline for ensuring uniform quality standards for accounting and valuation. Group reporting is based on a uniform reporting system. The financial accounting systems are predominantly supported by T-Systems International GmbH. The service provider is managed centrally by IT Management at IVG Immobilien AG.

The division controllers are involved in the process of preparing the separate and consolidated financial statements in the context of quality assurance. The key elements in risk management and monitoring for accounting are the clear assignment of responsibilities and controls for preparing the statements. The accounting-related processes and work instructions are transparent for all employees and are included in the IVG organisation manual. The control environment is shaped by the universally binding guidelines and by ethical and compliance principles at IVG. The dual control principle and the separation of functions are also key monitoring principles in the accounting process. The discussion of accounting risks and consequences is an integral part of the decision protocol of IVG's Management Board as early as in the preparation of transactions.

The Audit Committee of the Supervisory Board monitors the accounting process, the effectiveness of the internal control system and the financial statements. It is responsible for the preliminary examination of the annual and consolidated financial statements. To accomplish this, it discusses these statements and the management reports with the Management Board and the auditors.

As part of the accounting-related ICS, the management of IVG ensures the effectiveness of initiated control measures through the continuous development of the control framework. The internal audit department at IVG also functions as a non-process-dependent monitoring authority. In addition, the effectiveness of internal controls in respect of the accounting is also reviewed by the auditors at least once a year mainly as part of the statement preparation process. As part of the audit, the auditors are also required to report to the Audit Committee of Supervisory Board on accounting-related risks or control weaknesses as well as other major weaknesses discovered in the risk management system and internal control system in the course of its audit.

6.4 Overall assessment of risks and opportunities

IVG Immobilien AG made considerable progress on optimising its financing structure in 2011. For instance, on the basis of a binding term sheet it agreed with the banks participating in the syndicated loan from 2009 ("SynLoan II") on an early extension of the loan agreement for €1 billion that was due to expire in the fourth quarter of 2012. This was documented by way of an amendment agreement dated 24 February 2012. For this amendment agreement to become finally effective, the loan documentation for the "core" financing must be finalised by 15 March 2012. The extension of the "core" financing of €933 million expiring in the third quarter of 2012, which was also agreed early on the basis of a binding term sheet in the fourth quarter of 2011, is approaching final contractual implementation, although there is a residual risk that the "core" financing may not be contractually extended in time, meaning that one condition of the SynLoan II cannot be fulfilled.

IVG Immobilien AG also strengthened its capital base considerably with two capital increases in 2011. In mid February, 12,599,999 new shares were placed with institutional investors as part of an accelerated process. This capital increase resulted in gross proceeds of around €87 million flowing to the company. A second capital increase was successfully completed in mid December 2011. 69,283,885 new shares were placed, generating gross proceeds of approximately €145.5 million for the company.

Financial planning for the coming years was nonetheless developed cautiously. The scheduled reduction of the project pipeline through project sales was taken into consideration in the financial planning, as was the transfer of already fully-let pre-sold caverns to the IVG Cavern Fund launched by IVG and the sale of selected properties. All of these are of fundamental importance to IVG's financial position.

In the discussion of individual risks, possible market-value-driven changes in the value of investment property, risks of cost increases in the remaining project developments, and possible risks for the extension of financing in individual cases may arise in 2012 and 2013.

Viewed in isolation, the risks above can be controlled by means of countermeasures and preventive measures. IVG has taken and initiated the corresponding precautionary measures at an early stage. The company could be threatened as a going concern if the expected sale of caverns and properties for the purpose of repayment and liquidity creation cannot occur as planned, the extensions of the syndicated loan from 2009 agreed in 2011 and/or the "core" financing cannot be implemented on a contractual basis, and the resulting liquidity requirement cannot be offset by pre- or post-financing of existing assets.

In addition to these liquidity risks, IVG faces risks to consolidated net profit, especially in terms of the completion of caverns and real estate projects on schedule, on budget and in line with requirements and possible changes in the value of portfolio properties.

6.5 Discussion of individual opportunities and risks

6.5.1 Business and market environment

Real estate rental markets

The greatest risk factor for the European rental markets is the macroeconomic development. If Greece and/or another European country becomes insolvent as a result of the sovereign debt crisis or if the European Monetary Union even breaks up, the recession in Europe forecast for 2012 will be considerably more severe and longer-lasting than previously anticipated. In this case, the rental markets would be characterised for years by moderate demand for space and generally decreasing rents as a result of the economic turbulence.

Modern, high-quality space is comparatively well positioned in whatever case, as it corresponds to the preferences of potential tenants. Furthermore, supply in this segment will remain scarce, with new construction activity set to remain at a persistently low level in light of the weak macroeconomic prospects and the shortage on the real estate financing market. In contrast, properties with low efficiency and a weak micro-location are in a weak position in the competition for tenants and display a continuous high letting risk. The base vacancy rate for such space is likely to increase further.

Opportunities could arise for real estate investors in the long term if, in view of the rapid growth in sovereign debt, central banks in Europe tolerate higher inflation rates in the coming years, which are then reflected in higher nominal rental income in the context of rent indexing. However, due to the anticipated weak economic situation this seems unlikely with regard to 2012 and 2013.

Real estate investment markets

Risks may arise from the macroeconomic development, and in particular the sovereign debt crisis. These also influence the investment markets for commercial real estate. If the financial sector has to adjust the valuation of further loans and/or bonds as a result of the solvency problems of individual European countries, this could result in a renewed shortage on the market for real estate financing. This would lead to negative consequences particularly for properties that can be considered problematic in terms of their occupancy rate, quality or location. This applies all the more since these properties are not the focus of investors and lenders in any case, and many real estate loans that were taken out at unusually favourable conditions during the boom years 2006 to 2008 are due for extension in 2012 and 2013. Sub-segments of the real estate market could therefore be impacted by distress sales with correspondingly high price reductions. This results in risks for current owners but also opportunities for potential new investors.

The lower expectations for rental growth and the rising borrowing costs as a result of downgrades in the credit ratings of countries and banks could also be reflected in decreasing willingness to pay among potential investors, leading to negative price adjustments. Core properties leased on a long-term basis are well positioned in this context, as they are hardly affected by the short-term changes on the rental market. Core properties in countries of particularly strong financial standing, such as Germany, could even benefit temporarily from lower yields. The yield difference between prime properties and government bonds is still very high in some countries with an AAA rating.

As is generally known, a number of open-ended, publicly offered German real estate funds are currently being wound up. The risks this entails for the investment markets and property prices can be considered low on the whole, as the property holdings in these funds do not focus on individual locations to a dangerous extent. Winding up the frozen open-ended, publicly offered real estate funds will free up funds, resulting in opportunities for real estate companies that can offer attractive alternative investment options to investors interested in real estate investments.

It can generally be assumed that real estate is highly valued as a form of real assets particularly in times of major economic uncertainty. This also applies in relation to other asset classes. In view of the relatively high share prices, the historically low interest rates in Germany and the high level of volatility on the securities markets, real estate investments seem relatively attractive despite the macroeconomic risks.

6.5.2 Business performance risks

IVG INVESTMENT DIVISION

IVG Real Estate segment

Under careful consideration of the risk/return profile of individual properties, properties with a total value of €483.0 million were sold in 2011. In addition to the major sales, the workout share of the portfolio was also reduced from 10.2% to 7.7%.

Taking into account risk considerations for individual properties, a further reduction of the workout share of IVG's real estate portfolio is planned by means of targeted disposals.

The recent yield increase is still reflected in the discount rates and capitalisation rates applied in the appraisal reports, and has a direct effect on consolidated net profit due to reporting of changes in value pursuant to IAS 40. In 2011, unrealised non-cash changes in the market value for the IVG investment portfolio amounted to -€55.8 million.

In light of the forecast market developments and the real estate markets' dependency on macroeconomic trends, the changes in value in the properties represent the main risk for the IVG Real Estate segment in 2012, too.

To quantify risks, sensitivity analyses were carried out by an external valuer as at 31 December 2011, which illustrate the effect of changes to discount and capitalisation rates on fair market value.

Scenarios for development of fair market value

in € m		Only discount rate		Only capitalisation rate		Discount and capitalisation rate	
Region	Volume	-0.25%	0.25%	-0.25%	0.25%	-0.25%	0.25%
Germany	3,258.5	63.7	-54.4	85.9	-71.2	147.6	-127.9
Helsinki	209.2	3.6	-3.5	3.6	-3.4	7.3	-6.8
Brussels	59.5	1.1	-1.0	1.2	-1.0	2.2	-2.0
Paris	33.0	-0.5	-1.6	-0.6	-1.6	0.0	-2.1
Milan	7.3	0.1	-0.1	0.1	-0.1	0.3	-0.2
Total	**3,567.5**	**68.0**	**-60.6**	**90.2**	**-77.3**	**157.4**	**-139.0**

All other things being equal, calculations show that an increase in discount rates by a further 25 basis points leads to a further reduction in fair market value of €60.6 million as against the values at 31 December 2011. If the capitalisation rates also increase by 25 basis points, the value of the IVG portfolio will fall by -€139.0 million. In the event of an equivalent decrease in discount rates, the value of the portfolio would increase by €68.0 million. If the capitalisation rates also decrease by 25 basis points, the value of the IVG portfolio will rise by €157.4 million.

As at the end of 2011, 42.9% of the total contract rents were attributable to the ten biggest tenants: Allianz Deutschland AG, Siemens AG, Bosch Sicherheitssysteme GmbH, the Free and Hanseatic City of Hamburg, Daimler AG, EPCOS AG, MEDA Pharma GmbH & Co. KG, Shell Deutschland Oil GmbH, B.T. Ltd, and Peugeot Citroën Automobiles. This represents a slight year-on-year increase of 2.7 percentage points, mainly due to the new letting to the Free and Hanseatic City of Hamburg. The top ten tenants are renowned companies, mostly of strong financial standing and primarily from the service and consultancy industries and the public sector. With the exception of Allianz (27.7%) and Siemens (3.2%), no tenant has a portion of more than 3% of the total volume.

Of the current total volume of net contract rents in the amount of roughly €240.5 million p.a., rental contracts of €48.2 million will expire in 2012/2013 or may be cancelled. This €48.2 million pertains to 237 rental contracts of more than €50,000 p.a. (€37.9 million in total), of which 81 (€15.4 million) had already been cancelled by 31 December 2011.

The current economic vacancy rate of IVG Immobilien AG is virtually stable at around 11%. However, almost 60% of the rents are secured in the long term.

IVG is responding to the rental contract expiries, the risk of termination of rental contracts and vacancy rates with a continued active letting campaign targeting early follow-on letting and new letting. This strategy also includes early extensions of contracts, in some cases with adjustment of the rent to the current market rents for existing tenants. Corresponding typical market incentives and other marketing costs are taken into account as part of division planning.

For the investments in real estate funds held by IVG in Germany and abroad, the risks relate in particular to the performance of the shares and the difficulty of selling on the secondary market.

IVG Development segment

Project-specific risks

The IVG Development segment is being phased out and will no longer be operated by IVG as an independent division, but integrated into the IVG Investment division where it will be limited to the finalisation of developments in the existing project pipeline.

Where possible, IVG consequently shelved or halted project developments where the land acquisition had not yet been completely finalised or that were right at the beginning of the development process and where there were no contractual obligations to fulfil. Marketing activities for one development project in Munich have not yet begun. Depending on the further development of the market environment for project developments, the marketing may give rise to both risks and opportunities.

Ongoing project developments will be sold on completion. The development pipeline was reduced further in 2011 through the sale of a project.

The six remaining projects and the two investment companies are to be sold off gradually, mainly by the end of 2013.

Despite the stabilisation of the investment markets forecast for 2012 and 2013 and in view of the continued weak development on the rental markets and the uncertainty regarding the further development of the financial crisis, it cannot be ruled out that the underlying assumptions for project costs, lettings and sales used as a basis for risk provisions presented here may be too pessimistic or too optimistic, with the effect that both risks and opportunities may result from a change in the parameters driving value. In the case of one project in Paris, the current difficult rental market situation means that it cannot be ruled out that the planned level of rent may be impossible to achieve.

With regard to the planned sales pipeline for 2012 and 2013, potential sales risks for two projects in Budapest in particular cannot be ruled out due to the general economic conditions in Hungary.

Risks of project financing

Financing risks may result in the case of two existing joint venture projects. Financing for one joint venture project is due for extension in June 2012, while the other requires an extension of financing in May 2012 but this entails a risk of margin and interest rate increases in particular on the basis of current rental income.

In addition, financing for a project in Budapest is due for extension in August 2012. As a result of Hungary's overall economic situation, there is a potential extension risk.

Risks of cost development

Significant cost increases were recorded in 2011 for the two major projects in Berlin and Frankfurt am Main. Further cost increases in the context of final invoicing cannot be ruled out.

At the same time, the cost risks are accompanied by opportunities in the form of potential reductions in (final) invoices from the construction companies concerned in the context of project invoicing.

No further project-specific individual risks are known of as at 31 December 2011.

IVG Caverns segment

At the end of 2008, IVG Caverns sold 40 portfolio caverns and 30 leased caverns and caverns under construction to a special fund subscribed by institutional investors on the condition that the caverns under development are gradually transferred to the respective tenants and the fund by 2014.

Our focus in 2011 and the coming years is on the development and the operation of caverns sold to the fund. The main economic risk relates to on-schedule completion with the correct volume as contractually agreed with tenants and funds. This is primarily based on scheduling, geological and technical risks involved in the construction process. For this reason, Internal Audit regularly reviews – most recently in October 2011 – the completion planning of the newly constructed fund caverns in terms of their deadline schedule. Risks representing a potential economic loss were not found in the latest review.

Scheduling risks may generally arise from the length of the detailed permit processes for cavern construction. These risks are countered by forward-looking and integrated planning and intensive cooperation with the relevant public authorities.

The geological inhomogeneity of a salt dome carries the risk of limited usability through to total loss of individual caverns. The risk of total loss of a cavern, which is generally identified in a very early development process, is taken into account in the development of fund caverns by keeping "replacement caverns" in reserve ("parallel development"). The segment's implemented monthly risk reporting allows deviations from volumes and scheduling to be recognised at an early stage, with the effect that appropriate measures can be taken in good time. In addition, each further borehole delivers new information about the structure of the salt dome, which is fed into a simulation model and is used in developing the cavern field and determining the location of the individual caverns.

In the process of building a cavern, technical risks arise mainly during drilling operations and ensuing completion processes. Damage and delays due to material failure are covered by suitable installation insurance. A further technical risk arises from the leaching process for caverns, which takes more than two years, and from the age of the equipment required for this.

In order to avoid damage and unscheduled shutdowns, service and maintenance measures are carried out on the technical infrastructure on an annual basis. The "maintenance downtime" lasts around a month, is based on long-term planning and is integrated in both operational and development planning.

Approximately €20 million per year is included in the medium-term planning for maintenance investment up to 2015 and around a further €11 million per year for cost increases resulting from unscheduled maintenance measures.

Price/time risks from procurement of materials and services are countered by early procurement transactions and long-term contracts. IVG Caverns holds adequate insurance to cover business risks from the operation of caverns. This includes mainly operational and environmental liability insurance and environmental contamination insurance.

In mid 2010 and again in early 2012, a ground depression forecast prepared by the Bundesanstalt für Geowissenschaften und Rohstoffe (German Federal Institute for Geosciences and Natural Resources) was presented to the public. The forecast takes into account final cavern storage capacity of 144 caverns. The maximum expected level of depression at the depression centre until 2060 is forecast as 2.30 m.

In comparison to other areas that are affected by mining the depressions are only slight, but they do have consequences for the land use. In particular, the short distances between the surface of the earth and the groundwater will necessitate additional hydraulic engineering measures in the more distant future.

No effects on buildings in the area of the depression are anticipated.

Simulations and calculations are currently being performed for risk management purposes in order to forecast the effects in more detail and adapt the scope of minimisation measures exactly to the requirements.

By means of a participation process (development of a concept for Etzel's cultural landscape), local experts are involved in planning to minimise the effects, so as to obtain a landscape whose condition is acceptable to all stakeholders after the depressions occur.

The information system established by IVG Caverns to create increased transparency and clarification received a very positive response from the interested public at the Etzel location last year. The online cavern information centre, the infobox on site and the phone number set up for citizens are also used regularly by the population for information purposes and to exchange ideas.

Through open dialogue and a high level of transparency in handling the ground depression risk issue and regarding the other activities at the Etzel location, key measures were taken in 2011 to educate the public and counteract a possible risk to IVG's reputation.

IVG FUNDS DIVISION

IVG Institutional Funds segment

There are risks in the IVG Institutional Funds segment with regard to the expected fee income, which is primarily dependent on the volume of the funds managed. This volume (assets under management) can be negatively influenced both by negative developments in fair value in the funds and also by reduced investment activity or the liquidation of funds. This results in a risk of impairment of the goodwill allocated to this segment in the consolidated financial statements of IVG Immobilien AG.

There is known risk in the area of customer satisfaction and customer loyalty with regard to institutional investors. A lack of customer confidence can lead to share certificates being returned and thus funds being withdrawn, which reduces the most important basis for income as the level of managed funds is reduced. If IVG's reputation as a provider of institutional fund products suffers, this may also put the implementation of planned new funds at risk, for which new customers must be gained for IVG fund products in addition to existing customers.

To boost customer confidence, IVG Immobilien AG is pursuing the investment platform strategy defined in 2010, whereby IVG selectively acts as a co-investor in institutional investment products from the areas of real estate and infrastructure. Successful placements include the IVG Cavern Fund, the IVG Protect Fund and the IVG Premium Green Fund, among others. In 2011, a group of investors led by IVG acquired the "Silberturm" property in Frankfurt am Main. The transaction was carried out as a club deal together with institutional investors who provided over 90% of the fund's equity and with IVG Immobilien AG's long-term equity stake. The external financing for this transaction was provided by a major German pension fund for a period of ten years.

Steps were also taken in 2011 to improve customer satisfaction, indicated by the result of a 2009 customer survey and customer satisfaction analysis. There are plans to repeat the customer survey in the near future as well to obtain more information for the strategic further development of this area.

IVG Private Funds segment

Risks and uncertainties in the IVG Private Funds segment are a result of the uncertainty regarding the income from the planned placement of new fund products, possible buy-back obligations of fund units placed in the past, possible negative development of the value of fund units in IVG's own portfolio and changes in the commission expectations of sales partners.

In addition, a negative fund performance and the deprecation of the properties in the funds managed may mean the planned distributions to investors will have to be reduced or eliminated, which can negatively impact their satisfaction and IVG's reputation as a provider of newly placed funds.

Placement risk is a significant risk in the IVG Private Funds segment. If equity cannot be placed in full, IVG Private Funds has to provide the necessary financial funds (placement guarantee) and therefore assumes the economic risk of the equity investment. For "forward deals" and in the conception phase, changes on the property market and in interest rates and currencies can have a negative effect on the attractiveness of the fund. By taking out long-term positions on interest rate conditions, early currency hedging and adjustments to fund structures, we increase pricing security. The fund initiator usually commissions an advance tax assessment and other legal or real estate analyses in order to reduce conceptual risk.

Risks were identified in financial year 2012 in the planned new EuroSelect fund products and private placements. These products face the general risk that they cannot be realised or are realised late and the placement volume is smaller than expected. As a consequence, fee income will be delayed or reduced accordingly.

6.5.3 Financial risks

The IVG Group is exposed to various financial risks in the course of its business. These include in particular currency, liquidity and interest rate risks and counterparty default risk. Risk management is carried out by the corporate function Finance in accordance with guidelines approved by the company's boards.

IVG makes selective use of derivative financial instruments such as interest rate swaps, interest rate/currency swaps, interest rate caps, interest rate collars, swaptions, currency swaps and foreign exchange forward contracts as part of active interest and exchange rate management. Derivative financial instruments are used only on the basis of underlying operational transactions. Where there is an accounting mismatch (no balance-sheet natural hedge), hedge accounting relationships are created where possible. The designation of hedge accounting relationships helps avoid increased volatility of financial results, as the special hedge accounting avoids accounting imbalances resulting from differing recognition of underlying and hedge transactions.

The counterparty default risk for derivative financial instruments and financial transactions is kept to a minimum by the selection of financial institutions with excellent credit ratings. We examined the creditworthiness of any relevant financial institutions and saw no reason to make any impairment losses on derivatives with positive market values.

Currency risks
Due to its international investment and financing activity, IVG operates in various currency areas and is therefore exposed to currency risks. IVG limits this risk by the use of currency derivatives or by borrowing in the currency of the foreign currency investments. The largest currency positions are pounds sterling (GBP) and Eastern European currencies.

Investments in pounds sterling (GBP) are hedged with loans in GBP. A residual effect on net profit can result from internal Group loans valued at the balance sheet date. Project development in Poland and Hungary is partly financed by external bank loans or by the IVG Group in euro. Translation of the loans into local currency has an effect on net profit. In 2011, this amounted to -€6.7 million (2010: +€5.5 million). Until developed projects are sold, the loans are subject to currency risk. However, as most investors in these countries finance borrowings in euro, the currency risk is limited.

Information on loans in foreign currencies and currency derivatives is given in sections 9.2 and 9.3 of the notes.

Liquidity risks
Group financial planning instruments ensure the early identification of the liquidity situation. With a time horizon of up to three years, these systems show the expected development of liquidity.

The liquidity plan must ensure that the planned financing requirements (investments by the IVG Development and IVG Caverns segments, select planned purchases in the IVG Real Estate segment) and unforeseen liquidity needs are fulfilled. This means providing sufficient free credit lines and cash and adjusting the usual buy and sell plans to the possible liquidity needs far in advance. An overview of available cash at the end of 2011 can be found in the section entitled "Capital structure and financing sources" (Section 4.2).

Liquidity risks arise from loans that are due and intended for extension but perhaps cannot be extended and from delays in the progression of sales activities (for example for project developments). Other basic liquidity risks include obligations to make additional payments for project financing in the IVG Development segment and breached covenants for property loans.

Some property loans with agreed covenants such as a loan to value (LTV) have agreements that provide IVG with a remedy (special repayments or a collateral deposit) within a set time period (20 days for instance) if it exceeds the agreed LTV. Significant changes in the fair value of financed properties can generally lead to agreed LTVs being exceeded. IVG does not expect any covenants for property loans to be exceeded in 2012.

IVG does not anticipate any breaches in 2012 in its existing Group financing facilities (syndicated loans and bilateral lines of credit) due to its tailored and detailed covenant regulations. The LTV for its two syndicated loans and two bilateral lines of credit are identical, which would make further negative changes in market value in IVG properties of €0.26 billion manageable.

In 2012, IVG expects liquidity to be solid based on the above conditions and will be able to counter unforeseen risk if it arises thanks to pre- or post-financing of existing assets, for example. Nonetheless, if one or more of the risks described occurs this could threaten the company as a going concern, as described in Section 6.4.

Information on liquidity risks from project financing in the IVG Development segment can be found in Section 6.5.2.

Interest rate risks

Interest rate risks arise from interest rate fluctuations caused by the market. They affect the amount of interest expenses in the financial year as well as the market value of concluded derivatives. In addition to the interest rate performance (money market and swap rates), the credit margins IVG must pay are also relevant. The credit margins depend on the market conditions and IVG's creditworthiness. The margins may change in the case of a new loan, extending existing loans or breaching a covenant.

A major part of IVG's bank liabilities is fixed directly or via interest rate derivatives and therefore correlates with the fixed cash flow from rents, meaning that the effects of market interest rate fluctuations can be estimated in the medium term.

IVG hedges against the variable interest rate of its financial liabilities in some cases by using derivative financial instruments, mostly in the form of payer swaps but also via swaptions, caps and collars. To optimise its net interest income – while keeping in mind the implementation of the active buy-and-sell strategy – around 30% of the liabilities assumed have a variable interest rate. This figure is 40% of financial liabilities (2010: 39%) as at the end of the year after taking hedging instruments into account. IVG aims to reduce the variable exposure in 2012 by entering into new derivative transactions.

The average interest rate in the IVG Group, consisting of interest rate and credit margins, varied between 3.98% und 4.32% in 2011. In the process, interest savings in the interest rate (expiring swaps that were extended at a better rate, for instance) were offset by interest rate increases due to higher credit margins. In 2012, IVG expects the average interest rate to increase slightly.

The interest expenses of the IVG Group should increase by €18 million in the following year for an average rise in the refinancing rate of one basis point, taking into account the maturities of the fixed-rate positions. The nominal amount subject to interest rate risk can be derived from the maturities of the financial liabilities (credit margin increase risk), the maturities of the fixed-rate exposure (interest rate risk from swap markets) and the amount of remaining variable exposure after fixed-rates (interest rate risk from the money market) – (see section 9.2 of the notes to the consolidated financial statements).

6.5.4 Other risks

Legal risks

The IVG Immobilien AG Group is not subject to any pending or unresolved legal proceedings which could threaten the future of the Group. The pending legal proceedings relate almost exclusively to usual types of cases from operating business. If necessary, provisions are set aside in the equivalent amount for the costs and the main claim. Major legal proceedings for more than €40,000 are monitored and managed by the Legal & Compliance corporate function. Provisions totalling €3.6 million were set aside as at 31 December 2011 due to these legal proceedings. The provisions are allocated among the eleven disputes in total. No provisions have been set aside for another eleven proceedings, as they are either active disputes that we are likely to win or passive proceedings where the risk of adverse judgement is less than 50%.

An appeal has been filed at the Regional Court in Cologne to contest several resolutions passed at the 2010 General Meeting. After the Regional Court in Cologne rejected the claim on 26 November 2010, the Higher Regional Court of Cologne declared the resolutions relating to the formal discharge and election of Mr Bierbaum null and void at the appeal of the claimant in a ruling on 28 July 2011 and dismissed the remainder the appeal. The Higher Regional Court did not allow leave to appeal. However, the ruling is not yet legally binding as IVG Immobilien AG has filed an appeal against the denial of leave to appeal with the Federal Court of Justice.

The legal challenge in connection with the squeeze-out at IVG Deutschland Immobilien AG has been concluded. IVG Immobilien AG has reached a settlement with the former shareholders and committed to paying an additional amount of €0.66 per share and bearing the costs of the legal proceedings as well as the costs of legal representation for the claimants.

Environmental risks
IVG owned and owns land that is affected by contamination in some cases as a result of its industrial use in the past. In conjunction with the local authorities and by using its own resources, IVG has succeeded to date in securing and, where necessary, cleaning up the land and avoiding court orders.

The risk provisions for this clean-up remain unchanged at €7.0 million. The long-standing talks with the Ministry of the Environment of the German state of Lower Saxony aiming at a contractually assured and mutually agreed long-term method for cleaning up IVG's contaminated sites (most of which are in this German state) continue in 2012.

Damage risks
IVG holds adequate insurance to cover operational business risks. It is continually advised by one of the largest brokerage firms and regularly reviews its insurance coverage. In particular, it insures risks from the site in Etzel, including environmental contamination risks from the operation of pipelines. IVG has also taken out installation insurance for losses caused by the leaching of new caverns. The company's portfolio has all risks coverage and is separately insured against damage from terrorism. There is also the usual owner's liability insurance. At Group level, IVG has D&O insurance, professional indemnity insurance and other usual insurance coverage. During the past financial year there were no significant insurance damages in the operational business or at Group level.

Tax risks
The company has made adequate provisions (€30.2 million) for potential tax risks arising from tax audits, financial litigation and negotiated settlements.

7 Outset of 2012 and Outlook

7.1 Significant events after the balance sheet date

Acquisition of the Silberturm concluded
In the third quarter of 2011, the acquisition of the "Silberturm" property in the Frankfurt banking district for a club deal arranged by IVG Institutional Funds and led by IVG had been agreed. The acquisition was then concluded at the beginning of January, and the property was handed over to the tenants at the beginning of the year.

IVG EuroSelect 21 Munich Fund being marketed
At the beginning of January, IVG Private Funds launched a new closed-end property fund called IVG EuroSelect 21 Munich that has an investment volume of around €330 million. In the first six weeks, over €100 million of the planned fund capital of approximately €205 million was already placed. IVG will remain as a co-investor in the fund assets in the long term.

IVG EuroSelect 21 Munich invests in the largest Allianz location in Germany in Unterföhring, where the company has its headquarters and operations building. The operations building houses the Group's largest data centre and other items. With a total area of around 131,000 sqm, both buildings are let to Allianz until at least 31 December 2024 with an indexed rental agreement.

Launch of the IVG Garbe Logistik Fonds
With IVG Institutional Funds as a market leader in the area of specialised real estate funds and Garbe Logistic AG as a leading developer and asset manager in the area of logistics properties in Germany, the two companies decided in February to launch the "IVG Garbe Logistik Fonds" with a target volume of around €400 million. The fund will invest in logistics properties in top locations in Germany.

7.2 Forecast

The statements made in the forecast are based on IVG Immobilien AG's operational planning for 2012 and 2013 that was approved by the Management Board and Supervisory Board in January 2012. This planning was developed on the basis of premises regarding the general economic conditions and targets in the individual segments. The estimates of future business performance used in the planning take account of opportunities and risks arising under the expected market conditions in the competition.

BUSINESS ENVIRONMENT

Overall economic expectation

GDP growth in Europe is currently suffering from the downturn in sentiment among consumers and producers as a result of the sovereign debt crisis in the euro zone. Despite the global economic slowdown, Germany is very well positioned on an international level, with its competitive export sector benefiting from the depreciation of its currency.

The exodus of capital to “safe havens” is continuing. Germany is considered a particularly safe refuge, meaning that the government can also take out new loans at very favourable interest rates.

Whereas the seasonally adjusted unemployment rate in the European Union has risen slightly, the labour market in Germany remains in good shape.

Due to the continued inflation of around 3% in the euro zone, at least a temporary recession is likely in 2012. However, economic stagnation is also possible. Economic indicators point to significant regional differences in the development. Whereas Scandinavia and Poland will fare relatively well, recession has already set in in Southern Europe. Germany is recording considerably lower inflationary pressure with an annual price increase of 2% in January 2012. In the event of a national bankruptcy in Southern Europe, the German economy would be negatively impacted through decreasing exports, a renewed credit crunch and the need to consolidate public finances in view of increasing debts (due to public guarantees becoming payable), which could lead to a recession.

Real estate rental markets

Due to the economic uncertainty, a decline in market activity is expected in Europe in 2012. A reduction in vacancies is not yet taking place, as the majority of office users do not require additional space. Modern, high-quality space is nonetheless expected to become scarcer, as there will be very few completions of office buildings in 2012 and 2013. Prime rents in the Northern European markets should therefore be able to maintain their current level, whereas rents for second-class properties and rents in Southern Europe are likely to be subject to a certain downward pressure.

The slowdown in growth will not impact office lettings in Germany’s seven biggest markets. Modern space will be in increasingly short supply. Frankfurt am Main will be negatively impacted on the whole by continued restructuring in the banking sector.

A slowdown can be observed in the increase in prime rents in Germany’s top 7 locations. Rents in secondary locations recovered in some locations, such as the regional centres Hanover and Leipzig. In some cases, there has even been a greater increase in take-up here than in the major markets.

In general, a slight decline in demand and take-up can be expected on the markets. As a result of low completion figures, vacancy rates will remain more or less at the previous year’s level, with high-quality space becoming scarcer. Overall, the German office market will see a largely stable development, provided a dramatic intensification of the sovereign debt crisis in the euro zone, and therefore a renewed recession, can be avoided.

Real estate investment markets

Investors are continuing to focus on the UK, Germany and France. The continued high demand for real estate investments and increased risk aversion among investors are leading to a renewed focus of investments on the core segment. Stable yields are anticipated in Northern Europe, while in Southern Europe and in the segment of second-class properties yields will tend to rise. The upward pressure due to lower expectations for rental growth is countered by the high yield difference between properties and German government bonds. Prices for non-core properties will tend to decrease, as these do not match the requirements profile of investors and lenders. Investments will continue to be limited by a shortage of financing.

PROBABLE GROUP DEVELOPMENT

In the next two years, IVG plans to continue the strategic sales programme in the IVG Real Estate segment with a sales volume of approximately €600 million. This sales programme is intended to streamline the portfolio and focus on the real estate market in Germany, which IVG considers to be attractive. Investments in the existing portfolio are expected to total approximately €90 million in the same period. As in the previous year, the further consolidation of the investment market and the accompanying development in fair values were not included in the results planning for reasons of caution.

After the completion of the last project development, IVG aims to reduce the project pipeline with sales of around €1 billion by 2013. The sale of THE SQUAIRE project at Frankfurt Airport will free up equity of approximately €300 million. Further sales relate to projects in Eastern Europe and Paris.

The repayment of the SynLoan II will progress in line with planning in the next two years through the completion of around twelve caverns and the associated sales totalling around €340 million to the IVG Cavern Fund. In the IVG Caverns segment, first-time recognition at fair value – due to reaching the eligibility limit of 300,000 m³ relevant for IFRS fair value accounting – is planned for up to 13 development caverns by 2013.

In the IVG Institutional Funds segment, the focus in the next two years will remain on stabilising assets under management while at the same time rearranging the portfolio. In addition to purchases and sales in the portfolio funds, innovative new products for German and international institutional investors will therefore also be launched. For 2012, a significant step towards this has already been taken following the closing of the Silberturm transaction in Frankfurt am Main and the launch of several new funds, in some of IVG is also participating.

Planning for the IVG Private Funds segment is based on the launch of closed-end funds with properties/projects from IVG's portfolio in the next two years. In line with this strategy, selling for the IVG EuroSelect 21 Munich closed-end fund with a building complex from IVG's own portfolio was begun successfully in the first part of 2012.

IVG plans to reduce financial liabilities to approximately €3.5 billion by means of sales in the next two years and thereby reduce the effect of the financial result on consolidated net profit. Equity is to be brought to a ratio of close to 30%.

Revenues planning for the specified planning period is as follows: In the IVG Real Estate segment we expect to generate roughly €230 million to €250 million p.a. from leasing business, while sales proceeds of around €1 billion are anticipated in the IVG Development segment – primarily due to the sale of THE SQUAIRE – and of around €15 million p.a. in the IVG Caverns segment. Further revenue drivers are the IVG Institutional Funds segment with expected revenues of around €65 million p.a. and the IVG Private Funds segment with approximately €15 million p.a.

Barring any major unplanned valuation effects or cost increases in recent project developments, IVG expects to achieve a break-even result in 2012 and a significant consolidated net profit in 2013.

This Management Report includes forward-looking statements and information. Such statements are based on current expectations and certain assumptions. Therefore they contain a range of risks and uncertainties. A number of factors, many of which lie beyond IVG's control, have an effect on the operations, performance, corporate strategy and the results of IVG. These factors may mean that actual results, performance and success of IVG differ considerably from these statements. Should one or several of these risks or uncertainties materialise, or if the assumptions should turn out to be incorrect, actual results may differ considerably either positively or negatively from those results which were included in the forward-looking statements as expected, anticipated, intended, planned, believed, projected or estimated earnings. IVG assumes no responsibility for this and does not intend to update these forward-looking statements or to correct them if a different development is expected.

Bonn, 29 February 2012

Professor Dr Wolfgang Schäfers

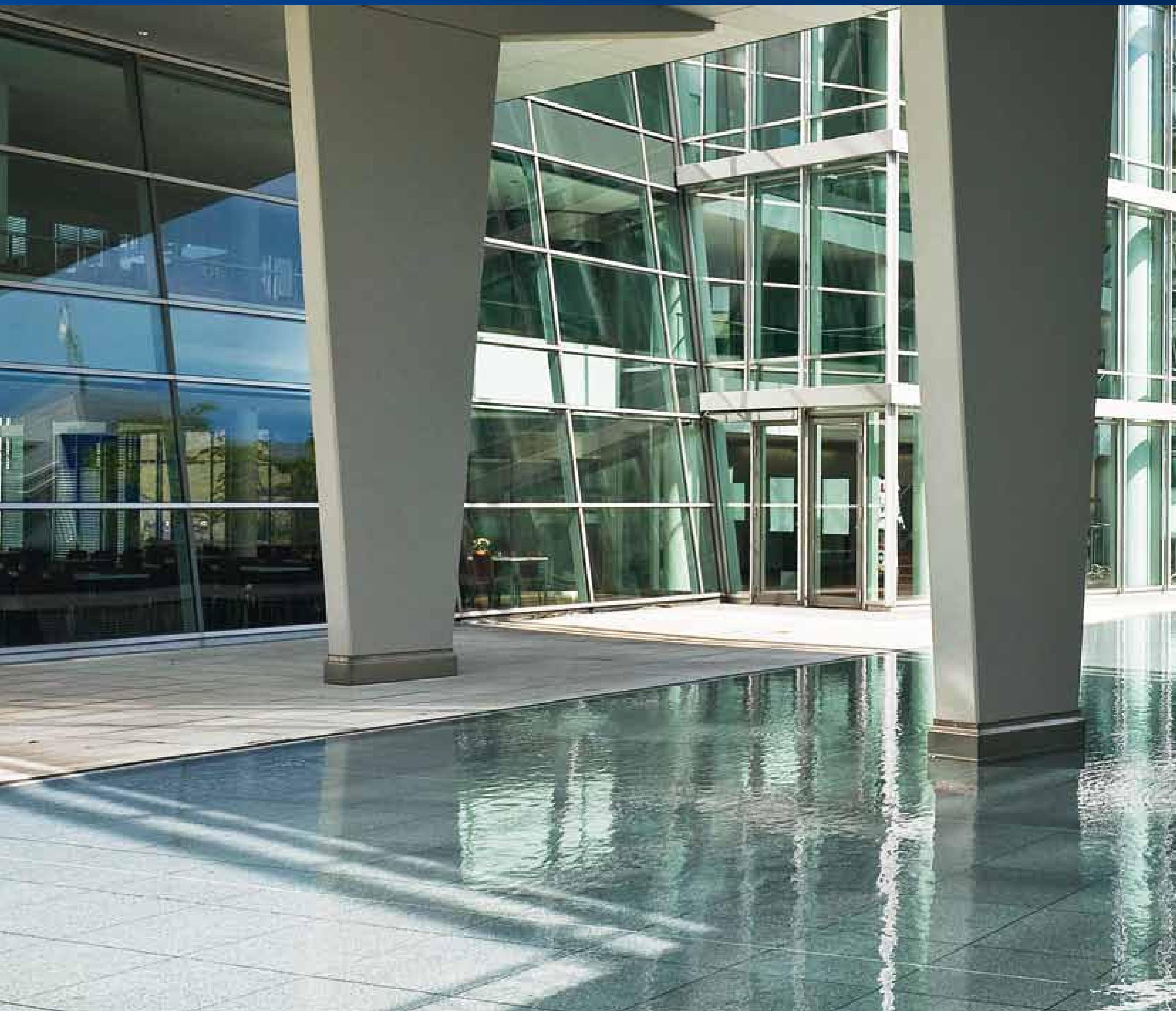
Christian Kühni

Dr Hans Volkert Volckens

Preserving Real Assets:

Sustainability – performing in the long term as well

The issue of corporate sustainability is a fixed component of our business activities. We now document relevant activities in extensive reporting. Last year we carried out targeted screening of our portfolio. The results help us to improve the key ecological figures for our portfolio.



Consolidated Financial Statements

Consolidated Financial Statements

Consolidated income statement

for the financial year 2011

in € m	Notes	2011 Before changes in value [1]	2011 Unrealised changes in value [1]	2011 Total	2010 Before changes in value [1]	2010 Unrealised changes in value [1]	2010 Total
Revenues	7.1	517.6		517.6	821.8		821.8
Changes in inventories and other own work capitalised	7.2	95.1		95.1	170.3		170.3
Unrealised changes in market value of investment property	7.3	0.0	35.7	35.7	0.0	53.0	53.0
Realised changes in market value of investment property	7.4	-3.0		-3.0	-0.1	0.0	-0.1
Other operating income	7.5	18.8	1.6	20.4	24.0	1.2	25.2
Material expenses	7.6	-233.0	-114.0	-347.0	-524.7	-45.4	-570.1
Personnel expenses	7.7	-70.9		-70.9	-71.0	0.0	-71.0
Depreciation and amortisation of intangible assets and property, plant and equipment	7.8	-7.4	-1.3	-8.7	-6.6	-3.5	-10.1
Expenses from investment property	7.9	-72.8		-72.8	-68.2	0.0	-68.2
Other operating expenses	7.10	-128.6		-128.6	-112.5	0.0	-112.5
Gains/losses from associated participations accounted for using the equity method	7.11	2.7		2.7	15.8	0.0	15.8
Income from equity investments	7.12	2.8		2.8	1.9	0.0	1.9
Earnings before interest and taxes (EBIT)		**121.3**	**-78.0**	**43.3**	**250.9**	**5.3**	**256.2**
Financial income	7.13	23.7	68.8	92.5	18.9	62.7	81.6
Financial expenses	7.13	-245.9	-107.4	-353.3	-234.1	-82.6	-316.7
Financial result		**-222.3**	**-38.6**	**-260.9**	**-215.2**	**-19.9**	**-235.1**
Net profit before income taxes		**-100.9**	**-116.6**	**-217.6**	**35.7**	**-14.6**	**21.1**
Income taxes	7.14			91.6			2.1
Consolidated net profit				**-126.0**			**23.2**
Share attributable to Group shareholders				-158.0			-8.8
Share attributable to hybrid capital providers				32.0			32.0
Share attributable to third parties				0.0			0.0
Undiluted earnings per share in €	7.15			-1.11			-0.07
Diluted earnings per share in €	7.15			-1.11			-0.07 [2]

[1] Additional disclosures not required under IFRS: The unrealised changes in value include all valuation effects from IAS 2, IAS 21, IAS 36, IAS 39 and IAS 40 without tax effects.
[2] For the adjustment of the diluted earnings per share in the previous year, please see Section 2 "Basis of preparation".

Consolidated statement of financial position

as of 31 December 2011

Assets

in € m	Notes	31.12.2011	31.12.2010
Non-current assets			
Intangible assets	8.1	251.3	250.0
Investment property	8.2	3,964.4	4,760.7
Property, plant and equipment	8.3	156.8	128.9
Financial assets	8.4	188.8	153.9
Investments in participations accounted for using the equity method	8.4	95.4	81.9
Derivative financial instruments	9.3	0.0	3.5
Deferred tax assets	9.4	404.0	271.0
Receivables and other assets	8.5	59.7	47.6
Total non-current assets		**5,120.4**	**5,697.5**
Current assets			
Inventories	8.6	1,025.1	1,065.0
Receivables and other assets	8.5	165.9	177.0
Income tax receivables	9.4	12.4	45.2
Securities	8.7	1.3	2.0
Cash and cash equivalents	8.8	237.9	274.9
		1,442.5	**1,564.2**
Non-current assets held for sale	8.9	341.3	30.7
Total current assets		**1,783.8**	**1,594.9**
Total assets		**6,904.2**	**7,292.4**

Equity and liabilities

in € m	Notes	31.12.2011	31.12.2010
Equity			
Subscribed capital	9.1	207.9	126.0
Capital reserve	9.1	762.8	622.1
Treasury shares	9.1	-0.5	-0.5
Other reserves	9.1	-64.9	-101.3
Retained earnings	9.1	80.0	238.5
Equity attributable to Group shareholders	9.1	**985.3**	**884.8**
Hybrid capital	9.1	400.9	400.9
Minority interests	9.1	0.0	0.3
Total equity		**1,386.3**	**1,286.1**
Liabilities			
Non-current liabilities			
Financial liabilities	9.2	4,181.0	4,143.1
Derivative financial instruments	9.3	51.7	46.0
Deferred tax liabilities	9.4	104.5	71.5
Pension provisions	9.5	17.9	16.3
Other provisions	9.6	32.3	27.4
Liabilities	9.7	45.7	3.2
Total non-current liabilities		**4,433.0**	**4,307.4**
Current liabilities			
Financial liabilities	9.2	697.3	1,145.4
Derivative financial instruments	9.3	44.1	66.5
Other provisions	9.6	80.2	54.4
Liabilities	9.7	214.9	354.8
Income tax liabilities	9.4	48.3	77.8
Total current liabilities		**1,084.9**	**1,698.9**
Total equity and liabilities		**6,904.2**	**7,292.4**

Consolidated statement of comprehensive income

for the financial year 2011

in € m	31.12.2011	31.12.2010
Consolidated net profit	**-126.0**	**23.2**
Market valuation available-for-sale securities		
Changes to other cumulative consolidated net profit recognised as income	2.2	4.3
Realisation/changes to other cumulative consolidated net profit recognised as income	-1.3	0.0
Market valuation of hedging instruments		
Changes to other cumulative consolidated net profit recognised as income	-17.5	8.8
Realisation/changes to other cumulative consolidated net profit recognised as income	48.7	23.0
Adjustment for currency translation of foreign subsidiaries	0.9	0.5
Actuarial earnings and losses from performance-based pension plans and similar obligations	-1.4	-2.7
Deferred taxes on value adjustments set off directly against equity	3.9	-3.7
Income and expenses recognised in equity	**35.4**	**30.2**
Total comprehensive income	**-90.6**	**53.4**
Share attributable to Group shareholders	-122.7	21.4
Share attributable to hybrid capital providers	32.0	32.0
Share attributable to third parties	0.0	0.0

Consolidated statement of cash flows

for the financial year 2011

in € m	31.12.2011	31.12.2010
Earnings before interest and taxes (EBIT)	**43.3**	**256.2**
Unrealised changes in market value of investment property	-35.7	-53.0
Realised changes in market value of investment property	3.0	0.1
Depreciation and appreciation of intangible assets and property, plant and equipment	8.7	8.9
Other non-cash income and expenses	149.1	-46.5
Changes in receivables and inventories of other segments (not including operative segments Development, Real Estate and Private Funds)	-24.8	41.3
Changes in liabilities and provisions	-77.9	-41.3
Non-distributed earnings of associated companies	-2.3	-16.2
Dividends received	9.5	9.3
Cash flow from current activities	**72.9**	**158.8**
Changes in inventories for developing of real estate in Development, Real Estate and Private Funds segments including sale of real estate and project development companies *	-183.0	-182.3
Cash flow from short/mid-term investments in operating activities	**-183.0**	**-182.3**
Cash flow from operating activities before interest and taxes	**-110.1**	**-23.5**
Interest expenses	-234.1	-205.4
Interest income	38.8	13.2
Net tax payment	-1.0	-17.6
Cash flow from operating activities	**-306.4**	**-233.3**
Investment in investment property	-36.2	-59.7
Proceeds from disposal of investment property	487.1	267.9
Investment in investment property/asset under construction	-78.7	-122.6
Investment in intangible assets and property, plant and equipment	-24.5	-10.9
Investments for acquiring consolidated companies (less cash balances)	-1.3	0.0
Proceeds from disposal of consolidated companies (less cash balances)	0.0	105.4
Investments in financial assets and other assets	-81.9	-31.4
Proceeds from disposal of financial assets and other assets	37.7	60.1
Cash flow from investing activities	**302.2**	**208.8**
Dividends paid to providers of hybrid capital	-32.0	-32.0
Proceeds from capital increase (including transaction costs)	221.3	0.0
Proceeds from bank loans	70.0	488.2
Repayment of bank loans	-279.3	-367.2
Other cash outflows from financing activities	-12.6	-64.4
Cash flow from financing activities	**-32.6**	**24.6**
Net change in cash and cash equivalents from operations	-36.8	0.1
Cash and cash equivalents as of 01.01.	**274.9**	**274.9**
Changes in cash and cash equivalents due to exchange rate movements	-0.3	-0.1
Cash and cash equivalents as of 31.12.	**237.9**	**274.9**
thereof cash in property disposal group	*0.0*	*0.0*
Cash and cash equivalents reported on the balance sheet	237.9	274.9

Further information on the cash flow statement can be found in section 11.6
* Gain on disposal is included in other operating income

Statement of changes in equity

in € m	Subscribed capital	Capital reserve	Treasury shares	Other reserves Market valuation avail.-for-sale securities	Market valuation hedging instruments	Hedge of net investment
Balance at 01.01.2010	**126.0**	**621.6**	**-0.5**	**4.8**	**-115.8**	**12.9**
Consolidated net profit						
Earnings recognised directly in equity				3.5	28.1	
Total comprehensive income	**0.0**	**0.0**	**0.0**	**3.5**	**28.1**	**0.0**
Accrual on profit distribution for hybrid capital						
Capital increase	0.0	0.0				
Share-based payment		0.5				
Changes to group of consolidated companies/others						
Balance at 31.12.2010 / 01.01.2011	**126.0**	**622.1**	**-0.5**	**8.3**	**-87.8**	**12.9**
Consolidated net profit						
Earnings recognised directly in equity				-0.2	35.7	
Total comprehensive income	**0.0**	**0.0**	**0.0**	**-0.2**	**35.7**	**0.0**
Accrual on profit distribution for hybrid capital						
Capital increase	81.9	150.5				
Share-based payment		1.3				
Changes to group of consolidated companies/others		-11.1				
Balance at 31.12.2011	**207.9**	**762.8**	**-0.5**	**8.1**	**-52.1**	**12.9**

Adjustments for currency translation	Retained earnings	Equity attributable to Group shareholders	Hybrid capital	Minority interests	Total equity
-35.3	**250.1**	**863.8**	**400.9**	**0.4**	**1,265.1**
	-8.8	-8.8	32.0	0.0	23.2
0.5	-1.9	30.2			30.2
0.5	**-10.7**	**21.4**	**32.0**	**0.0**	**53.4**
		0.0	-32.0		-32.0
		0.0			0.0
		0.5			0.5
	-0.9	-0.9		-0.1	-1.0
-34.7	**238.5**	**884.8**	**400.9**	**0.3**	**1,286.1**
	-158.0	-158.0	32.0	0.0	-126.0
0.9	-1.0	35.4			35.4
0.9	**-159.0**	**-122.6**	**32.0**	**0.0**	**-90.6**
		0.0	-32.0		-32.0
		232.4			232.4
		1.3			1.3
	0.5	-10.6		-0.3	-10.9
-33.8	**80.0**	**985.3**	**400.9**	**0.0**	**1,386.3**

Notes to the consolidated financial statements

1 General

IVG Immobilien AG (IVG) together with its subsidiaries is one of the largest publicly listed real estate companies in Europe. The Group operates in the IVG Investment division in the IVG Real Estate, IVG Development and IVG Caverns segments and in the IVG Funds division in the IVG Institutional Funds and IVG Private Funds segments.

The company is registered in the Commercial Register of the Regional Court in Bonn (HRB 4148). Its registered office is in Bonn, Germany. The address is: IVG Immobilien AG, Zanderstrasse 5-7, 53177 Bonn, Germany.

The annual financial statements of IVG Immobilien AG and the consolidated financial statements of IVG Immobilien AG have received an unqualified auditors' opinion from PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf, and will be published in the electronic German Federal Gazette (Bundesanzeiger).

The IVG consolidated financial statements for financial year 2011 were signed off for publication by the Management Board.

2 Basis of preparation

IVG has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions in accordance with Section 315 a (1) of the Handelsgesetzbuch (HGB – German Commercial Code).

The domestic and foreign company financial statements included in the consolidated financial statements are prepared at the same balance sheet date as the IVG annual financial statements (31 December 2011) and are based on uniform accounting principles.

To improve clarity, various items in the consolidated balance sheet and the consolidated income statement have been combined and are explained in the notes. Assets and liabilities are classified as non-current – with a maturity of more than one year – and current. Pension provisions and deferred taxes are generally shown as non-current.

In the IVG Development segment, the typical operating cycle for inventories often exceeds a one-year period, so that inventories that are expected to remain more than one year are reported as current here also.

The income statement is classified according to the total cost method.

In the income statement and segment reporting, unrealised valuation effects resulting from the write-down of and the reversal of write-downs on inventories (IAS 2), changes in exchange rates (IAS 21), impairment losses and reversals of impairments losses (IAS 36), the fair value measurement of investment property (IAS 40) (excluding tax effects) and most of the fair value measurement of financial instruments (IAS 39) are reported in the separate column "unrealised changes in value". The fair value measurement of financial instruments refers to all IAS 39 valuations except for earnings from subsequent valuation of minority interests in German partnerships and impairment losses on receivables. Due to the form of presentation, the consolidated income statement and segment reporting consist of the total of the two columns "before changes in value" and "unrealised changes in value".

The consolidated financial statements are prepared in euro. All amounts, including those for the previous year, are shown in millions of euro (€ m) unless stated otherwise.

Slight differences may arise when adding up individual figures in the tables of these consolidated financial statements. This is due to figures being rounded up or down.

The shortages in the credit markets triggered by the financial and banking crisis in 2008 and worsened by the sovereign debt crisis of the European Union have not eased in the year under review, which has continued to make the refinancing required under our business model difficult. In 2011, IVG again succeeded in negotiating loan extensions in a significant amount. IVG was also able to conduct two capital increases successfully in 2011. In terms of remaining key potential risks, we addressed the risk of the contractual implementation of the extensions for which there was a binding commitment in the term sheets. There are also possible increased costs in Development. Viewed in isolation, the risks above can be controlled accordingly by means of counter measures and preventive measures. Sufficient precautions have been taken against any remaining identifiable risks.

The group could be threatened as a going concern if the expected sale of caverns and properties for the purpose of repayment and liquidity creation cannot occur as planned, the extensions agreed in 2011 for the syndicated loan from 2009 and/or the "core" financing cannot be implemented on a contractual basis, and the resulting liquidity requirement cannot offset by pre- or post-financing of existing assets.

Due to the measures introduced, going concern is taken for granted and the financial statements have been drawn up on the basis of the going concern assumption.

From 30 June 2011, diluted earnings per share have been adjusted for the inclusion of non-dilutive effects in prior periods that was not in line with the standards.

The adjusted figures for the previous year are set out below:

per share in €	Diluted EPS * before adjustment	Adjustment	Diluted EPS * after adjustment
Consolidated net profit 2011	0.02	-0.09	-0.07

* EPS = Earnings per Share

Changes to accounting principles

The International Accounting Standards Board (IASB) has made various amendments to existing International Financial Reporting Standards (IFRS) and adopted new IFRS, which are applicable since 1 January 2010.

At the same time, the IFRS Interpretations Committee (IFRS IC) has adopted new interpretations (IFRIC) which are applicable since 1 January 2011, unless otherwise stated. The respective transitional provisions have been followed.

The following is a listing of the new and revised standards and interpretations that are required to be applied as of 2011. None of these regulations had any material impact on the consolidated financial statements of IVG.

Changes to IFRS 1
"First-time Adoption of International Financial Reporting Standards" – Limited exemption from comparative IFRS 7 disclosures

Improvements to IFRSs 2010
"Improvements to International Financial Reporting Standards" with regard to individual changes to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34 and IFRIC 13

Changes to IAS 24
"Related Party Disclosures" – Change to definitions and simplification of disclosure requirements for government-related entities

Changes to IAS 32
"Financial Instruments: Disclosure and Presentation" – Classification of rights issues

Changes to IFRIC 14
"IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 19
"Extinguishing Financial Liabilities with Equity Instruments"

Furthermore, the accounting, valuation and notes are based on the same accounting and valuation methods that were used for the 2010 consolidated financial statements.

New accounting principles

Standards, amendments and interpretations of existing standards that are not yet applicable or are not applied at an early stage:
As at 28 February 2012, the International Accounting Standards Board (IASB) and the IFRS IC have published the following standards and interpretations which have not yet been adopted by the EU in some cases. The effects of the first-time adoption of these amendments on IVG's consolidated financial statements are currently under consideration.

The IASB has published the IFRS 9 "Financial Instruments" standard on the categorisation and accounting of financial assets and financial liabilities. The standard replaces the regulations for the categorisation and measurement of financial assets contained in IAS 39 "Financial Instruments: Recognition and Measurement" with a less complex approach and also regulates the accounting and presentation of financial liabilities and the derecognition of financial instruments. IFRS 9 must be applied for the first time starting on 1 January 2015.

The IASB has published the standard IFRS 10 "Consolidated Financial Statements". The standard defines the concept of control for consolidation purposes. The new approach combines the concept of power of disposal and the possibility of influencing variable returns from an equity investment in order to determine whether there is a state of control. The standard replaces the guidelines on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements", and SIC-12, "Consolidation – Special-purpose Entities". IAS 27 is to be renamed "Separate Financial Statements"; the standard will deal only with regulations on separate financial statements in future. IFRS 10 must be applied for the first time starting on 1 January 2013.

The IASB published the standard IFRS 12 "Disclosure of Interests in other Entities". The standard sets out the required details for companies that report in accordance with the two new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements"; the standard replaces the obligations currently included in IAS 28 "Investments in Associates" and the regulations on notes to consolidated financial statements currently contained in IAS 27 "Consolidated and Separate Financial Statements". IAS 28 was renamed "Investments in Associates and Joint Ventures" and will regulate the required application of the equity method in future, which previously was required for accounting of shares in associates only and now also applies to the accounting of joint ventures. IFRS 12 must be applied for the first time starting on 1 January 2013.

The IASB has published the standard IFRS 13 “Fair Value Measurement”. The standard describes how the fair value is to be determined, and extends the information on the fair value. IFRS 13 must be applied for the first time starting on 1 January 2013.

The IASB has issued a change to IAS 1 “Presentation of Financial Statements”, according to which reporting of “other earnings” items in the statement of comprehensive income is divided into two categories. Future posting via the income statement (“recycling”) will thus be recognised separately. It must be applied for the first time retrospectively for reporting years beginning 1 July 2012.

The IASB has published a revised version of IAS 19 “Employee Benefits”. The main change to accounting of employee benefits involves abolition of the previously optional delayed recognition of actuarial gains and losses (“corridor method”). The extended and amended notes disclosures may have an impact on IVG. IAS 19 must be applied for the first time starting on 1 January 2013.

The following standards and interpretations will probably not have a significant effect on IVG’s consolidated financial statements:

Changes to IFRS 1
“First-time Adoption of International Financial Reporting Standards” – Regulations on hyperinflation

Changes to IFRS 7
“Financial Instruments: Disclosures” – Additional disclosures for the derecognition of financial assets;
“Financial Instruments: Disclosures” – Enhancements of the disclosures for financial instruments netted under IAS 32 by disclosure requirements in connection with certain compensation claims that do not lead to off-setting

IFRS 11
“Joint Arrangements” – Changed definitions and abolition of the option of proportionate consolidation at jointly managed companies; compulsory application of equity accounting. The standard replaces IAS 31 “Interests in Joint Ventures”.

Changes to IAS 12
“Income Taxes” – Deferred taxes: recovery of underlying assets

Changes to IAS 32
“Financial Instruments: Disclosure and Presentation” – Introductory clarification of essential requirements for offsetting financial assets and financial liabilities in the balance sheet

IFRIC 20
“Stripping Costs in the Production Phase of a Surface Mine” – relates to the measurement of stripping costs of a surface mine incurred during the production phase.

Discretionary decisions

Certain discretionary decisions are made by management with regard to the application of accounting principles. This applies in particular to the following matters:

- It must be determined whether assets available for sale can be sold in their present condition and how likely it is that they will be sold. If that is the case, the assets and any related liabilities must be classified and valued as “assets or liabilities available for sale”.
- Properties must be allocated to property, plant and equipment, inventories or investment property.
- In the case of property under construction intended for future use as an investment property, it must be determined when the change from measurement at cost to fair value measurement is to take place.
- Any relationship between a company and a special purpose entity must be examined to see if the special purpose entity is essentially controlled by the company.
- In the case of the disposal of financial assets or the classification of leases, it must be determined whether all opportunities and risks normally associated with ownership of financial assets or leased assets are transferred to other companies.
- In the case of assumption of control of a subsidiary or the acquisition of assets, it must be determined whether these transactions should be classified as a business combination pursuant to IFRS 3 or as acquisition of a group of assets or net assets.

The decisions made by the IVG Group in this regard are described in the explanation of accounting principles in the notes.

Assumptions and estimates

Preparation of the consolidated financial statements in accordance with IFRS requires that certain assumptions and estimates are made which have an effect on valuations of recognised assets, liabilities, income, and expenses as well as disclosure of contingent liabilities. These assumptions and estimates apply (among others) to

- the valuation of investment property. The most important valuation parameters here are expected cash flows, discount and capitalisation rates.
- accounting and valuation of provisions. Expected yield of the plan assets and discount factor and other trend factors are important valuation parameters for pension provisions and other liabilities.
- future assumptions about impairment of goodwill with regard to forecasting and discounting future cash flows.
- recognisability of deferred tax assets. These are recognised as soon as recoverability of future tax advantages is probable. The actual tax situation in future financial years and therefore the actual applicability of deferred tax assets can vary from the estimate made at the time the deferred tax assets were capitalised.

Investment property is valued only by external appraisers. Where market values cannot be determined from sales of comparable properties, valuations are performed using the discounted cash flow (DCF) method under which future cash flows are discounted to present value as at the balance sheet date. These assessments include assumptions about the future. Due to the large number of properties involved and their geographical distribution, uncertainty about individual valuations is subject to a statistical balancing effect.

As of the balance sheet date, IVG continues to assume that future variations in fair value will result mainly from factors beyond IVG's control. This includes mainly discount and capitalisation rates used in valuation. Potential effects of amended assumptions of these two valuation parameters can be seen in the table below. For example, land which is not valued on a cash flow basis is not included in the sensitivity analysis.

Sensitivity analysis of investment property (real estate)

		2011 Capitalisation rate in % *		
		-0.25	0	0.25
Discount rate in % *	**-0.25**	3,725	3,635	3,566
	0.00	3,658	3,567	3,490
	0.25	3,592	3,507	3,428

		2010 Capitalisation rate in % *		
		-0.25	0	0.25
Discount rate in % *	**-0.25**	4,213	4,110	4,016
	0.00	4,136	4,036	3,943
	0.25	4,061	3,963	3,873

Sensitivity analysis of investment property (caverns)

	2011 Discount rate in % *		
	-0.25	0	0.25
Fair value of caverns	438	432	426

	2010 Discount rate in % *		
	-0.25	0	0.25
Fair value of caverns	429	424	420

* See section 6.2

The discount factor is one important estimation parameter for pension provisions and other liabilities. The decrease in the discount rate leads to an increase in the cash value of pension commitments and, therefore, to a decrease in equity. An increase (or decrease) of the discount rate by 0.25% would reduce or increase the cash value of the commitments to company pension plans of the IVG Group by €1.6 million (2010: €1.5 million) and €1.7 million (2010: €1.5 million) respectively. The risk premium of senior industrial bonds as against risk-free sovereign bonds has increased significantly from 1.49% to 2.20% compared with the last balance sheet date.

Further information about the assumptions and estimates involved can be seen in the individual notes to the items. All assumptions and estimates are based on current ratios and estimates at the balance sheet date. In estimating future business development, the realistic future economic climate in the industries and regions in which the IVG Group operates at the time of reporting was also taken into account. Although management expects that the assumptions and estimates applied are appropriate, any unforeseeable changes to these assumptions can affect the net assets, financial position and results of operations of the Group.

3 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all companies (including special-purpose entities) whose financial and operational policies are controlled by the Group. The ability to exert control is generally equated with ownership of more than half the voting rights. Potential voting rights that are exercisable or convertible at all times are considered when assessing control.

Subsidiaries are fully consolidated from the time when control is transferred to the parent and deconsolidated when control ceases.

The capital consolidation of acquired subsidiaries is carried out in accordance with the purchase method under IFRS 3 by offsetting the cost of shares against the pro rata revalued equity of the subsidiaries.

This means that the cost of acquiring shares is the fair value of assets given, equity instruments issued and any liabilities incurred or assumed at the time of the transaction. Costs directly attributable to the acquisition are expensed in the period in which they arise. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at fair value at the acquisition date when consolidated for the first time.

Any hidden reserves or losses discovered are adjusted in line with the corresponding assets and liabilities in the subsequent consolidation.

Any excess of the cost of an acquisition of shares over the fair value of the acquired share of net assets is recognised as goodwill. Goodwill is not amortised but is instead subject to impairment testing on an annual basis or whenever there is evidence of a reduction in value. Any negative goodwill is recognised as income after reassessment of the acquired net assets. If a group of non-operational assets is acquired and therefore IFRS 3 does not apply, the total purchase price will be split in accordance with fair value. During deconsolidation, the remaining carrying amount of goodwill is taken into account in calculating the disposal proceeds.

Transactions in which the interest in a subsidiary changes without control over it being lost are to be reported directly in equity as equity transactions.

In the event of loss of a controlling position in a subsidiary, the remaining interest in the former subsidiary is to be measured at fair value.

Intragroup transactions and positions as well as unrealised earnings on intragroup transactions are eliminated. Tax accruals and deferrals are recognised pursuant to IAS 12 for temporary differences arising on consolidation.

Sales of goods and services within the IVG Group are generally made on arms-length terms.

(b) Associated equity investments accounted for using the equity method

In the case of associated equity investments accounted for using the equity method, IVG exercises a significant influence but not control. Upon addition, associated equity investments accounted for using the equity method are recognised at cost including directly attributable ancillary costs, which are divided into the acquired share of the equity in the associated equity investment as well as any newly-valued assets, goodwill or liabilities. In the subsequent valuation, the prorated after-tax results, distributed dividends and any changes in equity are added or subtracted from the carrying amount.

The significant influence on equity investments in which less than 20% of the voting rights is attributable to IVG is a result of the membership in management bodies and/or supervisory bodies in particular as well as due to other indicators, for example preparation of fund-specific expertise that grant IVG the means to exert influence on decision-making processes related to business and fiscal policy.

The overall carrying amount measured using the equity method is subjected to an impairment test in line with IAS 36 if there is evidence in line with the provisions for financial instruments to suggest that an asset is impaired. If the realisable value falls below the carrying amount of an associated equity investment accounted for using the equity method, an impairment is charged in the amount of the difference. If the reasons for a previously recognised impairment no longer apply, the write-down is reversed accordingly in income.

Unrealised intragroup profits on transactions between Group companies and associated equity investments are eliminated to the extent of the Group’s interest in the associated equity investment.

The following assets, liabilities, revenues and annual results from associated equity investments are attributable to the Group based on its shareholdings ratio:

in € m	2011	2010
Assets	202.3	229.1
Provisions and liabilities	109.0	148.1
Revenues	11.2	78.0
Net profit for the year	2.4	8.9

As in the previous year, there were no material unrecognised accumulated losses.

4 Group of consolidated companies

The group of consolidated companies encompasses 258 subsidiaries and 14 associated companies. The associated companies were accounted for using the equity method.

All substantial German and foreign subsidiaries and associated companies controlled directly or indirectly by IVG and/or on which IVG exercises significant influence are included in the consolidated financial statements of IVG.

Over the past financial year, IVG did not make any major acquisitions that are to be classified as business combinations pursuant to IFRS 3.

Shares in subsidiaries or associated companies not considered to be material from the Group's point of view are recognised as other equity investments in line with IAS 39.

	Germany	Other countries	2011	2010
Number of fully consolidated companies	152	106	258	265
Number of investments accounted for using the equity method	7	7	14	13
Total number of companies	**159**	**113**	**272**	**278**

The list of shareholdings is given as an appendix to the notes and includes companies affiliated with consolidated Group companies, equity investments accounted for using the equity method and certain other equity investments.

Loss of control of subsidiaries

Sales in the year under review related to property companies in Germany, France, and Belgium with sales proceeds totalling €47.2 million.

Considering IVG's remaining shares in two companies of 5.1% each (€1.3 million), the sale of these subsidiaries results in a contribution to earnings of -€3.6 million. This amount is recognised in the realised changes in market value/revenues from project development and changes in inventories.

in € m	2011
Disposal proceeds for subsidiaries	47.2
Costs and taken obligations relating to disposal	2.2
Net disposal price	45.0
Portion of the price paid in cash or cash equivalents	47.2
Amount of cash or cash equivalents paid	7.2
In the course of disposals of subsidiaries, the Group surrendered the following assets and liabilities:	
- Investment property	0.8
- Other non-current assets	0.0
- Inventories	118.6
- Other assets	29.2
- Assets of property disposal group/assets held for sale	189.0
- Other receivables	0.0
- Liabilities to banks	75.3
- Other liabilities	141.0
- Deferred taxes	-5.1
- Liabilities property disposal group	83.7

5 Currency translation

Foreign currency transactions are translated in the individual financial statements of companies included in the consolidated financial statements using the exchange rate at the date of the transaction. Monetary balance sheet items in foreign currencies are translated using the mid exchange rate at balance sheet date and any resulting translation gains and losses are recognised in income.

Foreign subsidiaries are generally treated as independent entities; their financial statements are translated into Euro using the functional currency method. Under this method, equity items are translated using historical exchange rates and assets (including goodwill) and liabilities are translated using the exchange rate at balance sheet date. Any resulting currency translation differences are recognised in equity and reported in other reserves until a subsidiary is deconsolidated. Income and expenses of subsidiaries are translated into Euro using average monthly exchange rates.

The same process is applied to translation of currencies of foreign associated equity investments valued using the equity method.

The exchange rates used for translation in the course of consolidation are as follows:

Currency	Country	Exchange rate at 31.12.2011 in €	Exchange rate at 31.12.2010 in €
100 SEK	Sweden	11.2179	11.1418
1 GBP	UK	1.1976	1.1594
1 USD	United States	0.7715	0.7474
100 CZK	Czech Republic	3.8929	3.9839
100 HUF	Hungary	0.3214	0.3587
100 PLN	Poland	22.4916	25.2500

6 Accounting principles

6.1 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are carried at cost less any accumulated depreciation and amortisation. The cost of acquired assets comprises costs directly attributable to their acquisition. This also includes estimated costs for demolition, reconstruction and restoration of land.

The cost of self-constructed assets includes all costs directly related to the construction process and construction overheads which can be allocated. Capitalised borrowing costs are included in the cost of production.

Grants received for intangible assets and property, plant and equipment are deducted from cost.

Salt and surface rights relating to caverns are not amortised as they have an indefinite useful life. All material depreciable assets are depreciated on a straight-line basis, generally with depreciation periods as follows:

Other buildings (not investment property)	50 years
Plant and machinery	10 – 19 years
Motor vehicles	3 – 6 years
Office equipment	3 – 10 years
Computer software, licences and rights of use	3 – 5 years

The residual values and useful lives are reviewed at each balance sheet date and adjusted as necessary.

Gains and losses arising from disposal of assets, determined as the difference between the income from property disposal and the carrying amount less any directly attributable costs of property disposal, are recognised in income under other operating income or expenses.

Goodwill is any excess of the cost of a business acquisition over the Group's interest in the fair value of the net assets of the company being acquired at the acquisition date and is attributed to intangible assets. Goodwill arising from acquisitions of associated companies is included in the carrying amount of the equity investment in associated companies. Goodwill is carried at cost less any accumulated impairment losses. It is allocated to cash-generating units and tested for impairment annually and any time there are reasons for an impairment of value. The determination of gains and losses from company disposals includes the carrying amount of any goodwill attributed to the business which is being sold.

6.2 Investment property

Property is classified as investment property if it is held to generate rental income and/or for capital appreciation. Real estate developed for future use as investment property is reported as investment property. Otherwise, real estate is accounted for in property, plant and equipment. The IVG Group recognises properties that are held as available for sale during normal business operations in line with the regulations of IAS 2. Properties constructed or developed with the intention of selling them are also reported under inventories. The same applies to properties previously held as financial investments where there has been a start to development with a view to sale.

Upon acquisition, investment property is valued at cost including ancillary purchase costs.

In subsequent reporting years, investment property is valued at fair value. Real estate under construction intended for future use as investment property is carried at fair value as soon as this figure can be reliably determined. In the early development phases of investment property under construction, reliable estimates of the fair value are not available, meaning that this investment property under construction is initially carried at amortised cost. Fair value of properties can usually be determined with the acquisition of the construction permit. Due to geological uncertainties, caverns are not measured at fair value unless more than 300,000 m³ of economically usable hollow space is achieved, which is roughly 50% of the maximum hollow space per cavern.

Borrowing costs (see Section 6.5) are capitalised in the case of investment property under construction as long as valuation is made at amortised cost.

The stated fair values of the investment property are based on valuations performed by reputable neutral appraisers (especially Jones Lang LaSalle GmbH) and calculated in accordance with the international valuation standards (IVS) of the International Valuation Standards Council (IVSC). Specifically, valuation is performed based on net cash inflows discounted to present value using the DCF method or based on market or comparative prices if available. All investment property is valued on the basis of the individual property and reflects the market conditions at the end of each quarter.

Under the DCF method, expected future cash flows from a property are discounted to the valuation date with the particular fair market discount rate for each property. Over a planning period of ten years, the annual surplus (net operating income) is estimated for each property.

It is derived from the addition of anticipated cash inflows and outflows. The cash inflows are normally the net rents and the outflows are the expenses, especially the operating expenses, which the owner has to pay. Net rents are based on a contractual rent increase in line with the expected inflation rate in the ten-year planning phase. Vacancy periods after the contractual lease expires are taken into account for each property. The discount rate as at 31 December 2011 averaged between 7.09% and 9.48% per country location (2010: between 6.91% and 9.61%). This results in the net present value of the net cash flows for the relevant periods. The residual value for the property being valued is forecasted for the end of the ten-year planning period. The stabilised net cash flows of years ten and eleven are capitalised as an annuity using the growth-implied capitalisation rate. The capitalisation interest rate in the financial year averaged between 6.09% and 8.15% per country location (2010: between 5.92% and 7.95%). The residual value is then also discounted to the valuation date using the discount rate. The total of the discounted net cash flows and the discounted residual value minus a local transaction cost discount of a potential buyer represents the fair value of the property being valued.

We also refer you to the information on risks in the real estate sector in Section 6.5 of the Group management report as well as to Section 2, Assumptions and estimates, of these Notes regarding the sensitivity analyses of the key valuation parameters.

Investment property is no longer recognised once it is sold or let as part of a finance lease. Gains and losses from disposal of investment property are recognised in the year of sale.

6.3 Impairment of assets (impairment test)

Intangible assets which have an indeterminable useful life are not amortised over their expected useful lives; they are subject to an impairment test annually or whenever required.

Other intangible assets and property, plant and equipment are tested for impairment whenever events or changes of circumstances indicate that the carrying amount exceeds the recoverable amount.

An impairment loss is recognised in the amount by which the recoverable amount is exceeded by the carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

During the course of impairment tests, it may be necessary to carry out a valuation at the level of cash-generating units (CGU). In the IVG Group, CGUs are formed on the basis of legal entities or a group of entities, but limited to the segment level at a maximum. If a goodwill has been allocated to a CGU or group of CGUs, and if the carrying amount of the CGU or group of CGUs exceeds the recoverable amount, an extraordinary impairment loss will be recognised for the allocated goodwill in the amount of the difference between the recoverable amount and the carrying amount. If the write-down is larger than the allocated goodwill, the carrying amounts of the CGU's or group of CGUs' other assets will be reduced pro rata by the remaining balance.

If the reasons for impairment cease to apply, impairment is reversed up to the amortised or depreciated carrying amount that would have resulted if no impairment loss had been recognised. Where impairment losses are recognised for goodwill, these are not reversed if the reasons cease to apply in subsequent periods.

6.4 Financial assets and liabilities

Within the IVG Group, arms-length sales and purchases of financial assets are recognised on the trading day. This is the day on which the Group undertakes to buy or sell the asset.

Financial assets are no longer recognised if the contractual rights to cash flows from the asset expire or ownership of the financial asset is transferred. The latter occurs when all principal opportunities and risks arising in connection with the ownership of the asset are transferred or the authority to control the asset is relinquished.

The following shows the valuation categories and accounting and valuation methods used in the Group. Classification depends on the purpose for which the financial asset was acquired.

(a) Assets valued at fair value through profit and loss

(a 1) Derivative financial instruments and hedging

As part of an active interest rate and foreign exchange management, IVG systematically uses derivative financial instruments such as interest rate swaps, combined interest rate/currency swaps, interest caps, interest collars, currency swaps and currency futures solely for hedging purposes. The use of derivatives for speculative purposes is not permitted by internal policies.

Derivative financial instruments are recorded at the date of contract conclusion and are recognised as financial assets or liabilities at fair value regardless of their purpose.

Options are initially recognised or expensed as derivative financial instruments in the amount of the option premium and then valued at fair value.

Valuation is based both on statements from financial institutions (mark to market) and mathematical analysis of the value (option pricing model).

The market value of interest rate swaps and interest rate/currency swaps is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current interest rate yield curves.

Changes in the fair value of these derivatives are recognised directly in income, unless the derivative financial instruments have a designated and sufficiently effective hedging function in relation to an underlying transaction. In this case, recognition of the changes in fair value depends on the type of hedging relationship.

Cash flow hedges are designated in order to recognise a hedge against a risk that future cash flows from a recognised asset or liability, or a planned transaction that is highly likely to take place, will vary. In this context, unrealised gains and losses from the hedge are initially recognised in equity (other reserves). In the case of options, only the intrinsic value is recognised in equity.

They are not transferred to the income statement until the underlying hedged transaction is recognised in income. If planned transactions are hedged and in a later period these transactions are used for a financial asset or a financial liability, all amounts included up to this time in equity are released and recognised in income in the reporting year in which the underlying hedged transaction influenced the result for the period. If the transaction leads to the use of non-financial assets or liabilities, the amounts recognised directly in equity are offset against the initial valuation of the asset or liability.

Net investment hedges are used to hedge foreign currency risks from equity investments with foreign functional currencies and to disclose hedging relationships in the balance sheet. Unrealised gains and losses from hedge transactions are recognised in equity until disposal of the equity investment.

In line with the rules and formal requirements of IAS 39, the requirements for the recognition of hedging transactions are fulfilled by IVG at each balance sheet date. In particular, the hedges must be fully documented, to show both the hedging relationship and the risk management strategy and targets.

Furthermore, the hedging relationship must be sufficient, i.e. the changes in fair value of the hedge transaction must prospectively and retrospectively cover a spread of 80% to 125% of the parallel changes in fair value of the underlying transaction. In line with IAS 39, only the effective part of a hedging relationship is recognised in line with the described rules. The ineffective part of a hedging relationship is directly recognised in the income statement.

When a hedging instrument expires or is disposed of or the hedged item no longer meets the criteria for hedge accounting, the accumulated gains or losses remain in equity and are only recognised in the income statement when the underlying transaction is realised or no longer expected to take place. Any future gains and losses from the hedge are recognised in earnings for the period from the end of the designation on.

(a 2) Other assets valued at fair value through profit and loss
The fair value of publicly listed shares and securities is measured using the current quoted market price. The fair value of financial assets for which there is no active market or no quoted price in an active market, the price is determined using suitable valuation techniques.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. They arise when the Group provides a debtor directly with money, goods or services without any intention of trading the receivable. Loans and receivables are initially carried at fair value taking transaction costs into account, and recognised at subsequent balance sheet dates at amortised cost.

The carrying amount of any doubtful receivables is reduced to the lower recoverable amount. Besides necessary specific individual impairments, additional lump-sum impairment losses are recognised for at-risk receivables on the basis of general credit risk. For trade receivables, the nominal amount less any accumulated impairment losses is assumed to equal fair value.

Impairment of receivables is partially realised using impairment accounts. The decision as to whether a default risk should be recognised by way of an impairment account or as a direct reduction in the receivable depends on the reliability of the assessment of the risk situation.

Receivables denominated in foreign currencies are translated using the average exchange rate at the balance sheet date. Gains or losses on currency translation are recognised in the financial result.

Cash and cash equivalents includes cash in hand, bank balances and short-term deposits belonging to IVG Immobilien AG and those companies not yet included in the cash clearing system, with a term of less than three months.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets designated as available for sale or not classified under any of the other categories mentioned. Initial valuation is made at fair value taking account of transaction costs. Subsequent valuation is made at fair value where this can be reliably determined. Any unrealised gains and losses are recognised in equity (other reserves) after taking deferred taxes into account. Upon disposal, proceeds will be recognised as gains or losses.

At each balance sheet date, financial assets and groups of financial assets are reviewed for any indications of impairment.

For equity instruments classified as available-for-sale financial assets, a material or sustained decline of the fair value to less than cost is seen as an indication of impairment. If indications of long-term impairment exist for available-for-sale assets, the asset is written down to fair value. The cumulative losses previously recognised directly in equity are then recognised in income under depreciation and amortisation. Impairment losses of equity instruments recognised in income are not reversed in income.

6.5 Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is assigned by the weighted average cost formula. The cost of finished goods and work in progress includes costs of product design, materials and supplies, direct labour, other direct costs, and directly allocable overheads.

So long as they can be directly allocated to the purchase, construction or production of a qualifying asset, borrowing costs are capitalised as part of costs in the period in which all major work is completed in order to furbish the asset for its intended use or sale.

At the IVG Group, a period exceeding twelve months was chosen. Otherwise borrowing costs will be expensed. The financing rate underlying the capitalised borrowing costs is 4.2% (2010: 4.0%). The financing rate is an average weighted financing rate, determined by the IVG Group and applied where no directly allocable borrowing was taken up. For property-specific financing, the actual interest expense, less any income derived from intermediate assets, is recognised.

The net realisable value is the estimated selling price less estimated costs to completion and the estimated costs of sale.

6.6 Construction contracts

A construction contract is defined in IAS 11 as a contract specifically negotiated for the construction of an asset.

If the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract income is recognised over the duration of the contract. If it is probable that total contract costs will exceed total contract income, the expected loss is recognised as an expense immediately. The Group uses the percentage of completion method to determine the revenue to be reported in a given financial year. The percentage of completion is the percentage of contract costs incurred until the balance sheet date compared to the expected total cost of the contract.

If the outcome of a construction contract cannot be measured reliably, contract income is only recognised to the extent that it is probable that incurred contract costs can be recovered.

The Group reports as an asset the gross amount due from customers for construction work – for all contracts in progress for which costs incurred plus reported earnings (or less recognised losses) exceed total progress billings. Progress billings not yet paid are reported under trade receivables.

The Group reports as a liability the gross amount due to customers for contract work – for all contracts in progress for which progress billings exceed costs incurred plus reported earnings (or less recognised losses).

6.7 Non-current assets held for sale

In accordance with IFRS 5, non-current assets to be sold as part of an asset deal are reported separately as available for sale in the consolidated financial statements if the disposal is highly probable within the next twelve months. If the disposals are planned as share deals, the other assets and liabilities to be disposed of are reported separately in the consolidated balance sheet in addition to the non-current assets.

Items available for sale are valued at the lower of their carrying amount and fair value less selling costs at the time of reclassification and at each subsequent balance sheet date. Depreciation and amortisation are no longer recognised from the date of reclassification. In variance to these valuation rules, investment property will continue to be valued in accordance with the relevant regulations of IAS 40 (revised 2008), due to the option to use fair value for accounting purposes. Gains or losses arising from the valuation of individual non-current assets held for sale or disposal groups are recognised as income from continuing operating activities until they are sold.

6.8 Financial liabilities

Loan liabilities and other liabilities are measured at fair value at first-time recognition, taking account of transaction costs.

Any difference between the amount of a loan (after deduction of transaction costs) and the amount repaid is recognised in the income statement over the contractually agreed loan term using the effective interest method. Valuation in subsequent periods is made at amortised cost.

Pursuant to IAS 32, a company has an equity instrument only if it has no conditional or unconditional contractual obligation to deliver cash or another financial asset.

In effect, IAS 32 determines that the right of shareholders to demand that a company pay out the value of its shareholding at any time means that this should be recognised as a liability, even if the legal form of the shareholder is only a residual interest. Liabilities to limited partnership (KG) minority shareholders should therefore be valued at the fair value of the claim for reimbursement of limited liability capital. Changes in value are recognised in the financial result as “Revaluation of minority interests”.

Liabilities are classified as non-current liabilities if the agreement provides for repayment after twelve months. Liabilities denominated in foreign currencies are translated using the mean exchange rate at the balance sheet date. Gains or losses on currency translation are recognised in the financial result. Derivatives recognised as liabilities are carried at fair (market) value. The fair values of financial liabilities disclosed in the notes are determined by discounting the contractually agreed future cash flows at the market rate of return that the Group would currently obtain for similar financial instruments.

6.9 Income taxes

Deferred tax assets and liabilities are recognised using the balance sheet liability method for temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS balance sheet.

Deferred tax assets for temporary differences and for tax loss carryforwards are recognised to the extent that it is probable that the temporary difference or unused tax loss carryforwards can be offset against future taxable income.

Deferred tax assets and liabilities are measured using the tax rates and tax laws effective or substantively effective at balance sheet date and expected to apply when the asset is realised or the liability settled.

The income tax rate for German Group companies is 31% (2010: 31%).

As well as the uniform corporation tax rate (KSt) and the solidarity surcharge, this also includes an average business tax rate (GewSt). The tax rates for foreign companies vary between 10% and 35% (2010: between 10% and 35%).

Deferred tax liabilities are recognised for temporary differences in connection with equity investments in subsidiaries and associated companies, except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

Unpaid amounts of current income taxes are recognised as a liability. If the amount already paid for income taxes exceeds the amount due, the difference is recognised as an asset.

6.10 Pension provisions

Pension provisions and similar obligations result from obligations towards employees. Obligations arising from defined benefit plans are valued in accordance with the projected unit credit method. Using this method, forecast future increases in salaries and benefits are taken into consideration in addition to benefits and entitlements known at balance sheet date. The biometric basis is provided by the actuarial tables 2005G by Dr Klaus Heubeck. Actuarial gains and losses from amendments and changes to actuarial assumptions are recognised directly in equity under retained earnings in the period in which they arise. The amount of obligations at the end of the year is set off against plan assets at fair value (finance status). Pension provisions are calculated taking into account any resulting asset values and after deduction of past service costs.

6.11 Other provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised for decommissioning obligations, the remediation of environmental damage, reconstruction obligations, legal proceedings and other obligations when the Group has a legal or constructive obligation to a third party, and it is probable that settling the obligation will require an outflow of resources embodying economic benefits, and the amount of the obligation can be reliably estimated.

Other provisions are valued in accordance with IAS 37 and IAS 19 by using the best estimate of the amount of the obligation. For individual risks, this is the most likely amount. Provisions with a remaining term of more than one year are discounted using an interest rate appropriate in terms of risk and maturity. Provisions for reconstruction obligations are discounted at 4.0% (2010: 4.8%).

Contingent liabilities and contingent assets are possible liabilities or assets resulting from past events, of which the existence is determined by way of the incidence of one or more uncertain future events that do not lie within IVG's control. In addition, this means a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are recognised at fair value if they are acquired during the acquisition of a company.

Contingent assets are not recognised. Where an outflow of economic resources is likely, information about contingent liabilities will be made in the notes to the consolidated financial statements. The same applies to contingent assets, as soon as an economic benefit becomes likely.

6.12 Share-based payment

In accordance with IFRS 2, obligations from share-based remuneration components for managers are calculated by means of financial analysis using an option pricing model.

Share-based remuneration settled with equity is valued at fair value at the grant date. The fair value of the obligation is recognised time rated in income under personnel expenses over the vesting period of the option. Exercisable options which are not tied to market conditions are taken into account in the assumptions about the number of options expected to be exercised.

Obligations from cash-settled plans are recognised as other provisions and revalued at fair value at each balance sheet date. Expenses are also recognised over the vesting period of the option.

6.13 Leases

Leases for which substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases. Payments received or made under an operating lease are recognised in the income statement over the term of the lease. Real estate leasing contracts are operating leases in accordance with this definition. Land for which IVG is granted use under heritable building rights contracts with long terms of up to 100 years is classified as operating leasing at IVG, as the principal opportunities and risks arising from this land are attributed to the party granting the heritable building rights (the lessor) due to its unlimited useful life. Leases which transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee are classified as finance leases.

If assets are leased under a finance lease, the present value of the minimum lease payments is carried as a lease receivable and the lease item is recognised as a disposal. Any difference between the gross receivable and the present value of the receivable is recognised in the financial result over the lease term. Interest income is recognised over the lease term using the annuity method, reflecting a constant annual return.

Book profits which are the difference between the present value of minimum lease payments and the remaining carrying amounts of lease items are recognised in income under other operating profit if the lease agreements concluded are manufacturer or dealer leases.

6.14 Revenue recognition

Rental income
Revenues from letting, renting and property management less any revenue deductions are recognised as soon as the remuneration is contractually agreed or may be reliably determined and it is likely that any related conditions will be met.

Proceeds from disposal of property
Proceeds from sales transactions (such as investment property) are recognised if:

- all significant risks and rewards of ownership have been transferred to the acquirer
- the Group retains neither titles nor effective control over the object
- the amount of income and the costs incurred or to be incurred in respect of the transaction can be measured reliably
- it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group.

Proceeds from provision of services
Revenues from the provision of services (fund management, property management fees, commissions and operation of caverns) are recognised in the financial year in which the services are provided.

For services provided in more than one reporting year, revenues are recognised as a ratio of services actually provided to the total amount of services to be provided.

7 Notes to the consolidated income statement

7.1 Revenues

For further information about revenues, see Section 11.7 (Segment reporting).

7.2 Changes in inventories and other own work capitalised

in € m	2011	2010
Increase in inventories of finished goods and work in progress	213.1	533.9
Decrease in inventories of finished goods and work in progress	-125.5	-369.3
Other own work capitalised	7.5	5.7
	95.1	**170.3**

At €180.1 million, the increases in inventories of finished goods and work in progress result mainly from the scheduled construction progress of THE SQUAIRE project (2010: €397.3 million).

These are offset by negative changes in inventories due to successful sales of project developments, primarily the Hackesches Quartier project, Berlin (€115.3 million).

7.3 Unrealised changes in market value of investment property

in € m	2011	2010
Germany	44.6	70.4
France	-0.2	-10.7
Finland	-0.4	-6.7
UK	0.0	-0.8
BeNeLux	-6.8	2.3
Other countries	-1.5	-1.5
	35.7	**53.0**

Unrealised changes in market value of €35.7 million (2010: €53.0 million) comprise -€55.8 million (2010: -€87.8 million) from the IVG Real Estate segment and €91.5 million (2010: €140.8 million) from the IVG Caverns segment.

This includes unrealised changes in the market value of investment property under construction in the amount €87.6 million (2010: €143.8 million), all of which relates to caverns under construction in financial year 2011 (2010: €140.8 million).

Unrealised market value gains of €127.5 million (2010: €195.7 million) are contrasted by market value losses of €91.8 million (2010: €142.7 million).

7.4 Realised changes in market value of investment property

Realised changes shown are changes in market value of investment property disposed of during the period from the end of the last quarter or from a later completion date until the date of disposal.

Of the realised changes in market value in financial year 2011, -€2.4 million (2010: €1.0 million) relate to sales of investment property of the IVG Real Estate segment and -€0.6 million (2010: -€1.1 million) to sales of caverns.

The disposals of €652.5 million (2010: €283.9 million) were offset by proceeds of €658.8 million (2010: €288.1 million). Disposal costs totalling €9.3 million (2010: €4.3 million) were incurred in connection with the transactions.

7.5 Other operating income

in € m	2011	2010
Earnings from disposal of consolidated companies and from participations accounted for using the equity method	0.0	9.4
Income from non execution of a premium option	0.0	2.6
Gains/losses from the realisation of a subsequent purchase price adjustment	0.0	1.9
Other operating income from the retraction of impairments	1.6	1.2
Income from reimbursements received/costs passed on from reconstruction obligations; Tenant improvements	5.5	0.5
Other operating income	13.3	9.7
	20.4	**25.2**

Other operating income of €2.6 million relates to settlement payments for the early termination of rental agreements. Income from the sale of property, plant and equipment, income from input tax adjustments and insurance refunds are reported here.

7.6 Material expenses

in € m	2011	2010
Project development	207.3	427.1
Purchased services	21.6	81.4
Project development (PoC)	0.0	12.6
Raw materials and consumables	4.2	3.6
Impairment losses on inventories	117.0	59.4
Appreciation in value-inventories	-3.1	-14.0
	347.0	**570.1**

The decrease of material expenses in the financial year is primarily a result of a lower project volume in the IVG Development segment.

Project development expenses mainly consist of purchased construction services, architects' fees and planning costs. At €190.7 million, the item consists mainly of expenses for THE SQUAIRE project in Frankfurt a. M. (2010: €380.4 million).

In the reporting year under review no expenses were incurred in connection with construction contracts (cumulative until 31 December 2010: €28.8 million). There were no construction contracts with a positive balance due from customers as of 31 December 2011 (2010: positive balance of €21.3 million). Project development (PoC) in the previous year related to the completed Hackesches Quartier project.

The unrealised changes in value reported under material expenses relate to impairment losses recognised on the net realisable value in the IVG Development segment in the year under review, and relate mainly to THE SQUAIRE project in Frankfurt a. M. in the amount of €116.6 million (2010: €38.9 million).

Reversals of impairment losses on inventories relate primarily to the Goldsteinstrasse project in Niederrad, Frankfurt a. M., with -€2.1 million due to the changed market conditions in the property valuation. In the previous year, the item related mainly to the IVG Front Office Asnières SAS, Paris, project in the amount of -€7.2 million and the IVG Development (Euston Road) Limited, London, project in the amount of -€3.4 million.

7.7 Personnel expenses

in € m	2011	2010
Salaries and wages	56.6	56.0
Social security contribution	12.6	14.3
thereof for pensions	*8.0*	*9.9*
Expenses from performance plans	1.7	0.8
	70.9	**71.0**

The average number of employees in 2011 was 614 plus 54 employees (Management Board, trainees, employees in the passive phase of partial retirement or on parental leave) (hourly-paid employees: 0, salaried employees: 668). In 2010, the average number of employees was 623 plus 59 employees (Management Board, trainees, employees in the passive phase of partial retirement or on parental leave) (hourly-paid employees: 0, salaried employees: 682).

Expenses for pension schemes chiefly comprise expenses for fixed contribution plans, including employer contributions to statutory pension schemes.

7.8 Depreciation and amortisation of intangible assets and property, plant and equipment

in € m	2011	2010
Depreciation and amortisation	7.4	6.6
Impairment losses	1.2	3.5
	8.7	**10.1**

Write-downs mainly relate to impairment losses in the IVG Caverns segment in connection with caverns that are currently under construction.

7.9 Expenses from investment property

in € m	2011	2010
Expenses from leased investment property	64.6	61.4
Expenses from partially vacant investment property	8.2	6.8
	72.8	**68.2**

This item primarily includes maintenance, land tax, operating expenses and taxes and fees which are directly attributable to investment property.

The ratios at the balance sheet date are the decisive factor in differentiating between leased and vacant investment property.

7.10 Other operating expenses

in € m	2011	2010
Purchased external services	22.9	19.7
Auditing, legal and consultancy fees	17.3	20.0
Service/maintenance	14.3	3.5
Data processing	9.9	11.4
Communications and marketing	8.3	10.8
Rents/leasing expense	6.3	6.1
Loss for obligation of repurchase	5.5	0.0
Impairment losses on receivables	4.6	4.1
Travel expenses and ancillary personnel costs	3.8	4.0
Other taxes	3.6	5.0
Levies/fees/banking charges/early redemption penalties/charitable donations	2.2	4.2
Office, postal and telephone expenses	1.6	1.6
Insurance premiums	1.6	1.4
Rent guarantees and general leases	0.8	3.7
Other expenses	25.7	17.0
	128.6	**112.5**

Of the auditing, legal and consultancy fees, €3.4 million (2010: €2.5 million) relate to PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Germany), of which €1.9 million (2010: €2.2 million) was with respect to fees for auditing financial statements, €0.0 million (2010: €0.1 million) for tax consultation, €1.3 million (2010: €0.2 million) for other certification services and €0.2 million (2010: €0.0 million) for other services. Of the costs for other certification services, costs of €1.1 million (2010: €0.0 million) directly attributable to the capital increases were deducted from equity.

Purchased services relate mostly to expenses for services in connection with property management.

The commitment to purchase back an investment property which was sold in Finland in 2005 results in an impending loss of €5.5 million.

The increase in costs for service and maintenance resulted mainly from ongoing operating costs after the completion of THE SQUAIRE in the year under review.

Other taxes consist mainly of property acquisition tax for properties not shown as investment property.

The increase in other expenses to €25.7 million is due to the reimbursement of a pro rata tax advantage to the buyer of a property (€13.2 million). This position also contains subsequent costs from disposals in previous years, unrealised transactions, expenses for litigation, transport and distribution, among other costs.

7.11 Gains/losses from associated participations accounted for using the equity method

Gains/losses from associated participations accounted for using the equity method developed as follows:

in € m	2011	2010
Proportional results for the fiscal year	1.9	9.7
Appreciation of receivables	0.8	0.0
Appreciation of investments accounted for using the equity method	0.0	6.6
Depreciation of receivables	0.0	-0.5
	2.7	**15.8**

Prorated intragroup profits of €0.4 million in connection with the acquisition of an investment in associate Petrarca Fondo from the associated equity investment Real Estate Investor Fund 1 s.a.r.l., were eliminated against the initial value of Petrarca Fondo.

7.12 Income from equity investments

in € m	2011	2010
Income from equity investments	3.1	2.2
Impairment of equity investments and shares in affiliates	-0.3	-0.2
	2.8	**1.9**

Income from equity investments contains mainly €3.0 million (2010: €1.9 million) in distributions of the IVG Cavern Fund.

7.13 Financial result

in € m	2011	2010
Foreign currency income	20.8	38.8
Foreign currency expenses	-26.8	-39.1
Foreign currency earnings	**-6.0**	**-0.3**
Interest income	21.3	21.0
Capitalised interest (assets)	6.9	6.2
Interest expense	-234.0	-224.8
Interest earnings	**-205.8**	**-197.6**
Income from hedging transactions	46.1	19.7
Expenses from hedging transactions	-67.9	-38.3
Earnings from hedging transactions	**-21.8**	**-18.5**
Income from valuation of financial assets	1.9	4.2
Expenses from valuation of financial assets	-12.7	-5.2
Income from valuation of financial assets	**-10.8**	**-1.1**
Earnings from subsequent valuation of minority interests	**-8.8**	**-5.3**
Other financial income	0.7	1.1
Other financial expenses	-8.3	-13.4
Other financial result	**-7.6**	**-12.3**
Financial result	**-260.9**	**-235.1**

Financial expenses (2011: €353.3 million; 2010: €316.7 million) refer to expenses from foreign currencies, interest expense (after deduction of capitalised interest), expenses from hedging transactions, expenses from valuation of financial assets, expenses from subsequent valuation of minority interests and other financial expenses.

Financial income (2011: €92.5 million; 2010: €81.6 million) refers to income from foreign currencies, interest income, income from hedging transactions, income from valuation of financial assets, income from subsequent valuation of minority interests and other financial income.

Foreign currency income and expenses mainly include currency effects from the foreign currency transactions of IVG Immobilien AG and from the valuation of internal and external loans in Euro to eastern European project companies.

Expenses and income from hedging transactions relate to gains and losses from the market valuation of hedge transactions not included in hedge accounting.

Other financial expenses include in particular bank fees and financing costs for structuring and concluding new and extended loans.

7.14 Income taxes

in € m	2011	2010
Current income tax expense	-24.5	-31.4
Income tax expense from other periods	20.1	12.2
Deferred taxes	96.0	21.3
	91.6	**2.1**

Tax reconciliation

Taxes on Group earnings before tax differ from the theoretical amount which would have resulted from applying the uniform Group tax rate of 31% (2010: 31%) to the earnings before tax as follows:

in € m		2011	2010
IAS/IFRS earnings before income taxes		**-217.6**	**21.1**
Expected tax expenses/income (Group tax rate)		**67.5**	**-6.5**
Effects of trade taxes		-5.0	3.6
Difference in foreign tax rates		-0.1	5.7
Changes in tax rates		-0.5	-0.2
Non-deductible expenses		-17.6	-19.8
Tax-free income		26.7	3.2
Deductible notional return on equity in foreign jurisdictions		8.6	19.8
Current non-deductible losses less current non-deductible losses carried forward and temporary differences for which there are no deferred taxes		-11.6	-15.4
Effects from other periods		24.3	12.2
Other		-0.7	-0.5
Effective income taxes (current and deferred taxes)		**91.6**	**2.1**
Group tax rate	in %	42.1	-10.0

7.15 Earnings per share

Basic earnings per share

The basic earnings per share is determined by dividing the consolidated net profit from the period due to the shareholders of the parent company by the weighted average number of ordinary shares in circulation during the reporting year.

		2011	2010
Amount of consolidated net profit attributable to Group shareholders	in € m	-158.0	-8.8
Weighted number of shares issued	in m	142.1	127.9
Basic earnings per share	€	-1.11	-0.07

The weighted number of shares issued was adjusted for the calculation of the earnings per share for all shares held in the year under review before the capital increase on 16 December 2011 and in the previous year from 126.0 million shares to 127.9 million shares, since the subscription rights to this capital increase included bonus elements. This adjustment had no effects on the earnings per share presented for 2010.

Diluted earnings per share

Calculation of the diluted earnings per share is basically consistent with basic earnings per share. However, the diluted earnings per share is calculated by adjusting the share of the consolidated net income for the period due to the shareholders of the parent company and the weighted average number of ordinary shares in circulation for all dilution effects of potential ordinary shares.

The IVG Group has potential ordinary shares resulting from the convertible bond issue. The earnings share of Group shareholders is diluted by all financial expenses (after tax) resulting from the convertible bond, interest for the relevant period, and bank fees, as these are discontinued upon conversion of the convertible bonds and have no further influence on the share of the Group shareholders. The weighted average number of ordinary shares in circulation increases by the weighted average number of additional ordinary shares which would have been in circulation if all potential ordinary shares with a dilution effect were converted.

For the adjustment of the diluted earnings per share in the previous year, please see Section 2 “Basis of preparation”.

		2011	2010
Amount of consolidated net profit attributable to Group shareholders	in € m	-158.0	-8.8
Interest expense from bond (after taxes)	in € m	11.9	11.7
Amount of consolidated net profit attributable to Group shareholders (diluted)	in € m	-146.1	2.9
Weighted number of shares issued	in m	142.1	127.9
Effect of potential conversion of bond	in m	8.7	8.7
Adjusted weighted number of shares issued	in m	150.8	136.6
Diluted earnings per share	in €	-1.11	-0.07

The diluted result presented corresponds to the basic earnings per share, since the effect from the potential conversion of the bond would reduce only the loss per share (protection against dilution of equity).

Earnings per share determined pursuant to EPRA

Earnings per share determined on the basis of EPRA recommendations are based on earnings derived from the operational main business of the IVG Group. Neither unrealised nor realised changes in market value, especially of investment property, are taken into account.

The EPRA earnings per share are determined as follows:

		2011	2010
Amount of consolidated net profit attributable to Group shareholders	in € m	-158.0	-8.8
Unrealised changes in market value of investment property	in € m	-35.7	-53.0
Realised changes in market value from the sale of investment property and equity investments *	in € m	5.8	-12.2
Taxes on realised changes in market value from the sale of investment property and equity investments	in € m	0.1	0.9
Negative goodwill/impairment of goodwill	in € m	0.0	0.0
Changes in fair value of financial instruments	in € m	32.6	18.6
Deferred taxes on above	in € m	14.4	28.9
Minority shares on above	in € m	0.0	0.0
Adjusted amount of consolidated net profit attributable to Group shareholders	in € m	-140.8	-25.6
Weighted number of shares issued	in m	142.1	127.9
EPRA earnings per share	in €	-0.99	-0.20

* Also includes the result from the disposal of equity investments

8 Notes to the consolidated statement of financial position – assets

8.1 Intangible assets

2011 in € m	Concessions, indust. property rights and other rights as well as licenses to such rights	Goodwill	Total
Acquisition costs at 01.01.	**10.6**	**269.0**	**279.6**
Exchange rate differences	-0.3	0.0	-0.3
Change in the group of consolidated companies	0.1	0.0	0.1
Additions	0.3	1.2	1.5
Disposals	-0.1	0.0	-0.1
At 31.12.	**10.5**	**270.3**	**280.8**
Amortisation at 01.01.	**9.8**	**19.8**	**29.5**
Exchange rate differences	-0.3	-0.1	-0.3
Additions	0.4	0.0	0.4
thereof extraordinary	*0.1*	*0.0*	*0.0*
Disposals	-0.1	0.0	-0.1
At 31.12.	**9.7**	**19.7**	**29.5**
Carrying amount at 31.12.	**0.8**	**250.6**	**251.3**
Carrying amount at 01.01.	**0.8**	**249.2**	**250.0**

2010 in € m	Concessions, indust. property rights and other rights as well as licenses to such rights	Goodwill	Total
Acquisition costs at 01.01.	**10.4**	**269.0**	**279.4**
Exchange rate differences	-0.1	0.0	-0.1
Additions	0.2	0.0	0.2
Disposals	0.0	0.0	0.0
At 31.12.	**10.6**	**269.0**	**279.6**
Amortisation at 01.01.	**9.5**	**19.8**	**29.3**
Exchange rate differences	0.0	0.0	0.0
Additions	0.2	0.0	0.2
thereof extraordinary	*0.0*	*0.0*	*0.0*
Disposals	0.0	0.0	0.0
At 31.12.	**9.8**	**19.8**	**29.5**
Carrying amount at 31.12.	**0.8**	**249.2**	**250.0**
Carrying amount at 01.01.	**0.9**	**249.2**	**250.1**

The reported goodwill is allocated to the cash-generating units (CGUs) IVG Institutional Funds (specialised real estate fund for institutional investors €239.1 million, 2010: €237.9 million) and IVG Private Funds (closed-end property funds for private investors €11.3 million, 2010: €11.3 million). The addition to goodwill in 2011 is due to the business acquisition of IVG Austria AG as part of the IVG Institutional Funds CGU. This acquisition transaction is no longer presented due to a lack of materiality.

In the case of the CGU IVG Institutional Funds, the relevant monitoring level for IVG's management is the development in the enterprise value, the major component of which is the total volume of funds under management.

IVG's management's monitoring of the CGU IVG Private Funds is carried out on the basis of profit from operations, for which the main determinant is the performance in raising equity for the closed-end property funds.

The realisable value for the CGUs IVG Institutional Funds and IVG Private Funds is determined by the calculation of their value in use. These calculations are based on medium-term budgets approved by management, which cover a period of three years. To determine the value of the annuity (value component from the end of the detailed planning period), sustainable operating cash flows are extrapolated using a growth rate for the CGU IVG Institutional Funds of 1.0% p.a. (2010: 1.0%). The growth rate reflects the long-term expectations. No growth rate was taken into account for the CGU IVG Private Funds in either 2010 or 2011. The weighted average cost of capital (WACC) for each CGU was calculated in line with the capital asset pricing model (CAPM). The discount rates were set on the basis of market data and amounted to 7.5% (2010: 6.8%) for the CGU IVG Institutional Funds and 13.5% (2010: 9.8%) for the CGU IVG Private Funds before taxes.

As the value in use exceeded the carrying amounts of the CGUs IVG Institutional Funds and IVG Private Funds, there was no need for impairment as of 31 December 2011. An increase of the discount rate of 0.5% and a reduction of the long-term growth rate of 0.5% from which the IVG Group determines the value in use for both funds' CGUs would not result in an impairment requirement.

8.2 Investment property

	2011			2010		
in € m	IP (at fair value)	IP under constr. (at fair value)	IP under construction (at cost)	IP (at fair value)	IP under constr. (at fair value)	IP under construction (at cost)
Carrying amount as of 01.01.	**4,149.2**	**443.9**	**167.6**	**4,252.6**	**327.5**	**187.6**
Exchange rate differences	0.0	0.0	0.0	4.2	0.0	0.0
Change in the group of consolidated companies	-0.8	0.0	0.0	0.0	0.0	0.0
Additions	36.0	40.9	52.5	59.7	82.0	46.2
Disposals	-235.2	0.0	0.0	-264.8	0.0	0.0
Realised changes in market value of investment property	-51.9	87.6	0.0	-90.8	143.8	0.0
Write-down	0.0	0.0	-0.9	0.0	0.0	-1.3
Appreciation	0.0	0.0	1.6	0.0	0.0	1.2
Reclassifications from IP under contruction valued at cost to IP under construction valued at fair value	0.0	46.5	-46.5	0.0	66.1	-66.1
Reclassifications from IP under construction to IP	228.3	-228.3	0.0	175.6	-175.6	0.0
Reclassifications to non-current assets held for sale	-726.0	0.0	0.0	-30.7	0.0	0.0
Reclassifications from non-current assets held for sale	0.0	0.0	0.0	43.4	0.0	0.0
Carrying amount at 31.12.	**3,399.7**	**390.5**	**174.2**	**4,149.2**	**443.9**	**167.6**

Of the additions in the financial year, €93.4 million (2010: €128.2 million) relates to investments in investment property under construction.

In the financial year, €27.3 million (2010: €40.5 million) was also invested in the property portfolio – €26.7 million (2010: €35.7 million) in Germany and €0.6 million (2010: €4.8 million) in the rest of Europe. Other investments of €8.7 million related to completed caverns.

Disposals for carrying amounts mainly result from the sale of six caverns (€179.8 million) to the IVG Cavern Fund. Disposals for carrying amounts mainly result from the sale of office and commercial property in Berlin (€30.0 million), Munich (€9.5 million), Langenfeld (€5.7 million), and Mannheim (€3.8 million).

The change in the group of consolidated companies relates to the sale of investment property in Belgium.

Real estate with a total value of €726.0 million (2010: €30.7 million) was reclassified in non-current assets held for sale (see Section 8.9).

8.3 Property, plant and equipment

2011 in € m	Land and buildings (own use)	Land and buildings – finance leasing	Technical plant and machines	Other plant, office equipment	Advance payments made and construction in progress	Total
Acquisition costs at 01.01.	**34.8**	**1.7**	**83.7**	**18.1**	**23.1**	**161.4**
Change in the group of consolidated companies	0.0	0.0	0.0	0.3	0.0	**0.3**
Additions	0.7	0.0	10.0	1.4	24.0	**36.0**
Disposals	-0.7	0.0	-0.6	-1.8	0.0	**-3.0**
Reclassifications	0.0	0.0	3.7	0.0	-3.7	**0.0**
At 31.12.	**34.8**	**1.7**	**96.8**	**18.0**	**43.3**	**194.6**
Amortisation at 01.01.	**6.0**	**0.1**	**11.9**	**12.4**	**2.2**	**32.5**
Additions	0.9	0.1	4.6	1.6	0.0	**7.2**
thereof extraordinary	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	***0.0***
Disposals	-0.2	0.0	-0.4	-1.4	0.0	**-1.9**
At 31.12.	**6.7**	**0.1**	**16.2**	**12.6**	**2.2**	**37.8**
Carrying amount at 31.12.	**28.1**	**1.5**	**80.7**	**5.3**	**41.1**	**158.8**
Carrying amount at 01.01.	**28.8**	**1.6**	**71.8**	**5.8**	**20.9**	**128.9**

2010 in € m	Land and buildings (own use)	Land and buildings – finance leasing	Technical plant and machines	Other plant, office equipment	Advance payments made and construction in progress	Total
Acquisition costs at 01.01.	**30.3**	**0.0**	**64.0**	**18.3**	**31.3**	**143.9**
Change in the group of consolidated companies	0.0	0.0	0.0	0.0	0.0	**0.0**
Additions	4.3	1.7	10.2	1.1	2.3	**19.7**
Disposals	-0.5	0.0	-0.4	-1.3	0.0	**-2.2**
Reclassifications	0.6	0.0	9.9	0.0	-10.5	**0.0**
At 31.12.	**34.8**	**1.7**	**83.7**	**18.1**	**23.1**	**161.4**
Amortisation at 01.01.	**5.2**	**0.0**	**8.2**	**11.3**	**0.0**	**24.7**
Additions	0.7	0.1	3.7	2.1	2.2	**8.7**
thereof extraordinary	*0.0*	*0.0*	*0.0*	*0.0*	*2.2*	**2.2**
Disposals	0.0	0.0	0.0	-1.0	0.0	**-1.0**
At 31.12.	**6.0**	**0.1**	**11.9**	**12.4**	**2.2**	**32.5**
Carrying amount at 31.12.	**28.8**	**1.6**	**71.8**	**5.8**	**20.9**	**128.9**
Carrying amount at 01.01.	**25.1**	**0.0**	**55.8**	**7.0**	**31.3**	**119.2**

Of the additions to property, plant and equipment totalling €36.0 million (2010: €19.7 million), €10.0 million relate to the technical plant and machines in the IVG Caverns segment, which in turn is due mainly to the expansion and completion of piping systems (€7.0 million) and the installation of piping systems.

Additions totalling €24.0 million were also recorded in advance payments made and construction in progress in the year under review. This amount related mainly to investments of €12.2 million in connection with cavern field expansion and €10.7 million for THE SQUAIRE Metro transport system for the IVG THE SQUAIRE Parking BetriebsGmbH.

Depreciation decreased from €8.7 million in 2010 to €7.2 million. In the previous year, this item contained a write-down on an item of technical equipment in the IVG Caverns segment (€2.2 million).

8.4 Financial assets and investments in participations accounted for using the equity method

2011 in € m	Shares in equity investments accounted for using the equity method	Equity investments and shares in affiliates	Shares in other equity investments
Acquisition costs at 01.01.	**81.9**	**6.7**	**113.2**
Exchange rate differences	0.7	0.0	-1.6
Additions	21.0	0.0	22.5
Changes at equity	-7.2	0.0	0.0
Disposals	-1.0	0.0	-0.7
Reclassifications	0.0	0.0	-50.5
At 31.12.	**95.4**	**6.7**	**82.9**
Amortisation at 01.01.	**0.0**	**3.6**	**21.3**
Exchange rate differences	0.0	0.0	-0.7
Impairments	0.0	0.2	2.1
Write-up or appreciation	0.0	0.0	0.0
Unrealised gains and losses recognised in other reserves	0.0	0.0	-2.7
Disposals	0.0	0.0	-0.2
Reclassifications	0.0	0.0	-16.3
At 31.12.	**0.0**	**3.8**	**3.5**
Carrying amount at 31.12.	**95.4**	**2.9**	**79.4**
Carrying amount at 01.01.	**81.9**	**3.1**	**91.8**

2011 in € m	Loans to affiliates	Loans to equity investments accounted for using the equity method	Loans to other companies	Other loans	Financial assets
Acquisition costs at 01.01.	**8.4**	**1.0**	**8.8**	**102.7**	**322.3**
Exchange rate differences	0.0	0.0	0.0	0.0	**-0.9**
Additions	0.5	0.8	0.0	53.2	**98.0**
Changes at equity	0.0	0.0	0.0	0.0	**-7.2**
Disposals	0.0	0.0	0.0	-8.3	**-10.0**
Reclassifications	0.0	0.0	0.0	0.0	**-50.5**
At 31.12.	**8.9**	**1.7**	**8.8**	**147.6**	**351.7**
Amortisation at 01.01.	**7.9**	**0.0**	**8.8**	**45.2**	**86.3**
Exchange rate differences	0.0	0.0	0.0	-1.6	**-2.4**
Impairments	1.0	0.0	0.0	5.1	**8.4**
Write-up or appreciation	0.0	0.0	0.0	0.0	**0.0**
Unrealised gains and losses recognised in other reserves	0.0	0.0	0.0	0.0	**-2.7**
Disposals	0.0	0.0	0.0	-5.8	**-6.0**
Reclassifications	0.0	0.0	0.0	0.0	**-16.3**
At 31.12.	**8.9**	**0.0**	**8.8**	**42.9**	**67.5**
Carrying amount at 31.12.	**0.0**	**1.7**	**0.0**	**104.7**	**284.3**
Carrying amount at 01.01.	**0.5**	**1.0**	**0.0**	**57.5**	**235.8**

2010 in € m	Shares in equity investments accounted for using the equity method	Equity investments and shares in affiliates	Shares in other equity investments
Acquisition costs at 01.01.	**83.2**	**8.7**	**129.1**
Exchange rate differences	0.9	0.0	5.1
Additions	24.2	0.0	7.2
Changes at equity	0.3	0.0	0.0
Disposals	-26.7	-2.1	-11.0
Reclassifications	0.0	0.0	-17.3
At 31.12.	**81.9**	**6.7**	**113.2**
Amortisation at 01.01.	**6.7**	**5.5**	**34.2**
Exchange rate differences	0.0	0.0	1.5
Impairments	0.0	0.2	5.2
Write-up or appreciation	-6.6	-0.1	-2.0
Unrealised gains and losses recognised in other reserves	0.0	0.0	-1.6
Disposals	-0.1	-2.1	-0.1
Reclassifications	0.0	0.0	-15.8
At 31.12.	**0.0**	**3.6**	**21.3**
Carrying amount at 31.12.	**81.9**	**3.1**	**91.8**
Carrying amount at 01.01.	**76.5**	**3.2**	**94.9**

2010 in € m	Loans to affiliates	Loans to equity investments accounted for using the equity method	Loans to other companies	Other loans	Financial assets
Acquisition costs at 01.01.	**9.4**	**2.0**	**8.8**	**114.4**	**355.6**
Exchange rate differences	0.0	0.0	0.0	0.0	**6.0**
Additions	0.5	0.8	0.0	6.4	**39.1**
Changes at equity	0.0	0.0	0.0	0.0	**0.3**
Disposals	-1.5	-1.9	0.0	-18.1	**-61.1**
Reclassifications	0.0	0.0	0.0	0.0	**-17.3**
At 31.12.	**8.4**	**1.0**	**8.7**	**102.7**	**322.5**
Amortisation at 01.01.	**9.4**	**0.0**	**8.8**	**43.2**	**107.7**
Exchange rate differences	0.0	0.0	0.0	4.3	**5.8**
Impairments	0.0	0.0	0.0	0.1	**5.5**
Write-up or appreciation	0.0	0.0	0.0	-2.5	**-11.2**
Unrealised gains and losses recognised in other reserves	0.0	0.0	0.0	0.0	**-1.6**
Disposals	-1.5	0.0	0.0	0.0	**-3.8**
Reclassifications	0.0	0.0	0.0	0.0	**-15.8**
At 31.12.	**7.9**	**0.0**	**8.8**	**45.2**	**86.7**
Carrying amount at 31.12.	**0.5**	**1.0**	**0.0**	**57.5**	**235.8**
Carrying amount at 01.01.	**0.0**	**2.0**	**0.0**	**71.2**	**247.9**

The addition to shares in equity investments accounted for using the equity method relate to the first-time consolidation of Petrarca Fondo Commune, Milan (€9.2 million), and the increases in equity of IVG Premium Green Fund (€11.8 million). The change accounted for using the equity method includes income of €2.3 million from the pro rata earnings of equity investments accounted for using the equity method less the associated distributed dividends of €9.5 million. The acquisition costs of the Petrarca Fondo and the prorated gains/losses from associated participations accounted for using the equity method explained under Section 7.11 were reduced by means of an elimination of the prorated intragroup profits of €0.4 million.

The changes in the shares in other equity investments result from additions, especially from the acquisition of shares in two Frankfurt office properties (the "Silberturm" office complex) as part of the co-investment strategy (€10.0 million) and calling in funds for the specialised cavern fund placed by IVG (€3.8 million) and from fund units held by a subsidiary of IVG (€8.8 million).

Fund units with an acquisition cost of €50.1 million including impairment losses of €16.6 million were reclassified as non-current assets held for sale and sold in the 2011 financial year. The equity investment in a property in Finland (€1.1 million) was also reclassified in non-current assets held for sale (see Section 8.9). Further reclassifications totalling €1.1 million acquisition costs and €0.3 million impairment losses relate to retained interests of 5.1% in a project company that was sold to the IVG Premium Green Fund placed by IVG.

At €47.0 million, the additions to other loans relate mainly to a vendor loan extended in connection with the sale of a property in France. At €5.4 million, further additions to other loans relate to capitalised interest on a loan in British pounds extended to a project partner of IVG Private Funds in 2007. In valuing this loan, an impairment of €4.9 million was conducted.

The sale of a loan to a German project development company was reported under disposals at €5.9 million. In connection with the sale, impairment of €5.8 million was also reduced. Other disposals of €2.4 million relate to the repayment of loans.

8.5 Receivables and other assets

	2011			2010		
in € m	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	47.7	0.1	47.6	38.6	0.9	37.7
Receivables from associated participations	21.0	0.0	21.0	19.6	0.0	19.6
Receivables from other taxes	29.2	11.5	17.7	24.5	0.0	24.5
Receivables from affiliates	5.3	0.0	5.3	5.7	0.0	5.7
Receivables from other equity investments	75.9	42.9	33.0	54.9	43.3	11.6
Surplus on plan assets (see Section 9.5)	1.8	1.8	0.0	2.8	2.8	0.0
Other assets	38.1	3.1	35.0	63.2	0.1	63.1
Accrued and deferred items	6.5	0.3	6.2	15.3	0.6	14.7
	225.5	**59.7**	**165.8**	**224.6**	**47.6**	**177.0**

The fair value of receivables and other assets approximate the carrying amounts.

Receivables from associated participations mainly refer to the project development companies HIPPON Verwaltungsgesellschaft mbH & Co. Salzufer I und II Vermietungs KG with €6.1 million (2010: €4.9 million), and Frankonia Parkstadt Schwabing GmbH, Nettetal, with €6.1 million (2010: €5.5 million) and the property companies Moosacher Straße mbH & Co. KG with €2.3 million (2010: €1.8 million). This item also includes receivables from the investment companies Rantasarfvik Oy, Helsinki, with €4.4 million (2010: €2.7 million) and IVG Real Estate Investor Funds s.a.r.l., Luxembourg, with €2.1 million (2010: €1.9 million).

The other tax receivables mostly relate to recoverable value added tax (USt).

Receivables from other equity investments include mainly (€62.5 million; 2010: €54.1 million) from a compensation agreement as part of the sale of cavern assets to the specialised cavern fund launched in 2008. The receivables are due to IVG's lease extensions and new leases for the caverns allocated to fund assets.

Other assets included receivables from disposals of assets of €5.4 million (2010: €2.6 million), receivables from financing from third parties of €1.4 million (2010: €1.8 million), and other assets of €31.3 million (2010: €37.3 million).

In financial year 2011, accounts receivable were written down by the Group in the amount of €4.6 million (2010: €4.1 million) and are recognised under other expenses.

8.6 Inventories

in € m	2011	2010
Raw materials and consumables	7.2	6.6
Unfinished goods, work in progress	970.7	998.6
Finished goods	46.6	55.8
Payments on account	0.6	4.0
	1,025.1	**1,065.0**

Of the inventories, €923.6 million (2010: €874.3 million) will probably remain for more than one year.

The decrease in work in progress is due mainly to the completion and subsequent sale of the Hackesches Quartier project, Berlin (2010: €114.7 million). This is offset by higher inventories than the previous year for THE SQUAIRE GmbH & Co. KG (+€62.0 million) and IVG THE SQUAIRE Parking GmbH & Co. KG (+€28.0 million).

Impairment losses for inventories (see Section 7.6) amounted to €117.0 million (2010: €59.4 million).

In 2011, borrowing costs of €9.0 million (2010: €25.8 million) were recognised in inventories.

The carrying amount of inventories stated at net realisable value is €910.1 million (2010: €963.7 million).

8.7 Securities and equity investments (current)

Other equity investments include mainly repurchased interests in EuroSelect funds. The interests were written down in the amount of €0.9 million in the year under review.

8.8 Cash and cash equivalents

This item includes primarily bank balances and to an insignificant extent short-term deposits belonging to IVG Immobilien AG, Bonn, and other Group companies. In 2011, the interest rates for cash and cash equivalents ranged from 0.5% to 3.37% (2010: between 0.35% and 2.75%).

8.9 Non-current assets held for sale

Assets held for sale of €341.3 million (2010: €30.7 million) was reclassified in non-current assets held for sale in the 2011 financial year.

Two investment properties from the IVG Real Estate segment classified as assets held for sale as at 31 December 2010 (total fair value of €30.7 million) were sold as planned in the year under review.

In the financial year, several investment properties, a disposal group and fund units were as reclassified in non-current assets held for sale that were sold in the financial year. This is mainly due to an investment property (fair value of €386.2 million) and fund units (fair value of €37.1 million), all from the IVG Real Estate segment.

Assets held for sale as at 31 December 2011 are mainly investment property from the IVG Real Estate segment (fair value of €340.2 million) and an equity investment in a property in Finland in the IVG Real Estate segment. The property in Finland is expected to be sold in financial year 2012.

9 Notes to the consolidated statement of financial position – equity and liabilities

9.1 Total equity

Details of the effects of deferred taxes on the individual components of income and expenses directly recognised in equity are shown in the following table:

in € m	2011			2010		
	Before deduction of taxes	Taxes	After deduction of taxes	Before deduction of taxes	Taxes	After deduction of taxes
Market valuation available-for-sale securities	0.9	-1.2	-0.3	4.3	-0.7	3.5
Market valuation of hedging instruments	31.1	4.6	35.7	31.8	-3.8	28.1
Adjustment for currency translation of foreign subsidiaries	0.9	0.0	0.9	0.5	0.0	0.5
Actuarial earnings and losses from performance-based pension plans and similar obligations	-1.4	0.5	-0.9	-2.7	0.8	-1.9
Income and expenses directly recognised in equity	**31.5**	**3.9**	**35.4**	**33.9**	**-3.7**	**30.2**

As at 31 December 2011, the share capital of IVG Immobilien AG amounted to €207,883,884.00 (2010: €126,000,000.00) and was divided into 207,883,884 (2010: 126,000,000) bearer shares with no par value.

At the balance sheet date, the authorised capital was as follows:

Authorised Capital II by issuing new no-par-value bearer shares with a pro rata share of the share capital of €1 each in exchange for cash	€16,114.00 (after partial utilization effective from 16 Dec. 2011; before €21,299,999.00 in accordance with the resolution of the General Meeting on 18 May 2011)

In addition, Authorised Capital I, II, and III were almost completely utilised before the balance sheet date via the placement of 69,283,885 new bearer shares with no par value. The subscription price was €2.10 per share. The gross proceeds amounted to approximately €145.5 million. Directly attributable transaction costs amounted to €10.0 million; this amount was deducted from the capital reserve as “Changes to group of consolidated companies/others” in the statement of changes in equity. The gross proceeds are to be used mainly for investing in the cavern business and therefore used in the medium-term to further reduce the company’s debt. The capital increase was entered in the Commercial Register on 16 December 2011.

This capital increase and the creation of the previously mentioned Authorised Capital II by resolution of the Annual General Meeting on 18 May 2011 were preceded in the period under review by another capital increase. The existing Authorised Capital II in accordance with the resolution of the Annual General Meeting on 20 May 2010 was almost fully utilised effective 14 February 2011, with shareholders’ subscription rights disapplied, through the placement of 12,599,999 new bearer shares with institutional investors as part of an accelerated book-building process. The disapplication of subscription rights served to achieve a market price and accelerated implementation of the transaction to create an inflow of funds that was as large as possible as well as secure and therefore strengthen the equity of the company as much as possible. The gross proceeds amounted to approximately €87 million. Directly attributable transaction costs amounted to €1.1 million; this amount was deducted from the capital reserve as “Changes to group of consolidated companies/others” in the statement of changes in equity. The placement price was €6.90 per share. This price was not significantly lower than either the closing price (XETRA) on the Frankfurt Stock Exchange on the day before the price determination or the average weighted market price of the reference period preceding the price determination. Due to the price determination immediately before the placement, it was possible to avoid elevated risk of price changes for the period of the subscription period that would have otherwise existed. Two-thirds of the issue proceeds from each capital increase will be used to initiate restructuring measures and for the related extension of the maturity profile of the bank liabilities of the company. The other third was used to finance THE SQUAIRE Parking project.

There were also three contingent capital increases as of the balance sheet date:

The share capital was increased contingently by €8,654,262.00. This contingent capital serves to grant shares to the holders of the convertible bonds issued by a Dutch subsidiary for a total amount of €400 million. The contingent capital increase will be implemented only to the extent called up by the holders of the rights to convertible bonds or of warrants from bonds with warrants.

The convertible bonds issued on 29 March 2007 have a term of ten years. They can be called in early by the holders for the first time with effect from 29 March 2014.

The share capital is also contingently raised by €22.0 million (Contingent Capital 2007). This contingent capital serves to fulfil the granting of shares to the bearers or creditors of convertible bonds or options which have been issued pursuant to the authorisation by the General Annual Meeting of 24 May 2007.

The share capital is also contingently raised by €30.0 million (Contingent Capital 2010). This contingent capital serves to fulfil the granting of shares to the bearers or creditors of convertible bonds or options which have been issued pursuant to the authorisation by the company's General Meeting of 20 May 2010.

IVG Immobilien AG once again issued no IVG shares to employees in 2011 as part of an employee savings scheme.

IVG held 32,229 treasury shares as at 31 December 2011 (2010: 32,230). This corresponds to 0.0155% of IVG's share capital, i.e. €32,229.00.

The other reserves comprise cumulative translation differences, changes in the fair value of financial instruments in the category "held for sale", derivatives designated to a specific hedge relationship, and any related deferred taxes.

Retained earnings contain the undistributed net earnings of companies included in the consolidated financial statements and actuarial profits from pensions obligations recognised in equity and any related deferred taxes.

At the General Annual Meeting on 18 May 2011, it was decided not to distribute any dividends to the shareholders for the 2010 financial year (2010: no dividends for the 2009 financial year).

9.2 Financial liabilities

	2011			2010		
in € m	Total	Non-current	Current	Total	Non-current	Current
Convertible bond	334.9	334.9	0.0	324.6	324.6	0.0
Bank loans	4,446.2	3,827.7	618.5	4,903.3	3,781.0	1,122.2
Finance leases	1.5	1.4	0.1	1.6	1.5	0.1
Financing liabilities to affiliates	3.2	0.0	3.2	4.2	0.0	4.2
Financing liabilities to associated companies	3.1	0.0	3.1	1.6	0.0	1.6
Liabilities to equity investments	0.8	0.0	0.8	0.7	0.0	0.7
Minority interests	70.9	15.7	55.2	36.0	36.0	0.0
Other financial liabilities	17.8	1.3	16.5	16.5	0.0	16.5
Total	**4,878.3**	**4,181.0**	**697.3**	**5,288.5**	**4,143.1**	**1,145.4**

The nominal values of floating and fixed-interest rate bank loans are denominated in the following currencies (equivalents in Euro):

in € m	2011	2010
Euro	4,408.1	4,840.5
Pounds Sterling	38.1	37.3
US Dollars	4.3	38.9
	4,450.5	**4,916.7**

The decrease in loans denominated in USD is due to repayment from sales proceeds of equity investments in Asian real estate funds.

The maturities of the floating and fixed-interest rate bank loans (including netting positions and accrued items) are as follows:

	2011		2010	
in € m	Fixed-interest liabilities	Weighted interest rate in %	Fixed-interest liabilities	Weighted interest rate in %
Up to 1 year	3.1	5.12	3.9	4.88
1 to 2 years	23.4	5.67	3.1	5.12
2 to 3 years	2.6	4.96	23.4	5.67
3 to 4 years	10.3	4.67	22.8	5.84
4 to 5 years	0.8	4.85	28.7	4.27
Over 5 years	42.7	5.03	4.8	4.85
Total	**82.9**	**5.15**	**86.7**	**5.15**

	2011		2010	
in € m	Variable-interest liabilities	Weighted margin in %	Variable-interest liabilities	Weighted margin in %
Up to 1 year	611.7	2.47	1,127.6	2.32
1 to 2 years	968.5	2.24	2,021.0	1.90
2 to 3 years	2,153.0	1.48	116.7	0.84
3 to 4 years	498.6	1.89	1,406.3	0.73
4 to 5 years	45.0	1.85	115.6	1.52
Over 5 years	90.8	1.47	42.8	1.85
Total	**4,367.6**	**1.84**	**4,830.0**	**1.63**

The average interest rate for all liabilities to banks and convertible bond amounts to 4.32% (2010: approximately 3.98%). Fixed interest loans are subject to an average interest rate of approximately 5.15% (2010: approximately 5.15%). Floating interest rate liabilities are subject to regular rate adjustments. The adjustments are mainly based on 1, 3, 6 or 12-month EURIBOR/LIBOR plus an average margin of 1.84% (2010: 1.63%).

Depending on term, interest rates in the euro zone were between 0.40% and 2.69% (2010: between 0.22% and 3.70%), those in the pound sterling zone were between 0.58% and 3.01% (2010: between 0.57% and 3.95%) and those in the US dollar zone were between 0.15% and 2.62% (2010: between 0.25% and 4.09%).

A part of the variable loans is backed by interest rate swaps. The nominal volumes of those interest rate swaps are as follows (annual averages):

in € m	2011	2010	
Year	Nominal	Year	Nominal
2012	2,329.1	2011	2,604.5
2013	1,066.7	2012	2,138.9
2014	793.8	2013	754.3
2015	516.2	2014	537.4
2016	28.1	2015	342.6
2017 ff.	0.0	2016 ff.	28.1

Bank loans are in part secured by charges on property:

in € m	2011	2010
Financial liabilities secured by charges on property	2,764.2	3,044.5
thereof on investment property	*2,172.3*	*2,345.6*

Fixed-term deposits with a carrying amount of €0.0 million (2010: €20.0 million) are also pledged as security for financial liabilities. Loan liabilities of €30.0 million (2010: €0.0 million) are secured by future rental receivables. As in the previous year, no items of property, plant and equipment are pledged.

9.3 Derivative financial instruments

The following derivative financial instruments were held at the balance sheet date:

	2011		2010	
in € m	Nominal volume	Market value	Nominal volume	Market value
Assets				
Interest rate hedges	0.0	0.0	477.5	3.5
Total	**0.0**	**0.0**	**477.5**	**3.5**
Liabilities				
Interest rate hedges	2,966.1	-88.9	2,590.7	-107.1
Total	**2,966.1**	**-88.9**	**2,590.7**	**-107.1**

The nominal value of all derivative financial instruments was €2,966.1 million (2010: €3,068.2 million). This does not include the writer put option as part of the “IVG Protect fund” (market value -€6.9 million as at 31 December 2011 and -€5.5 million as at 31 December 2010).

The opposed changes in the value of hedged items are not taken into account when determining the market values of derivative financial instruments. These therefore do not represent the combined amount that IVG would receive for hedges and hedged items on immediate direct sale under current market conditions.

The carrying amounts of the derivatives approximate to market value. Before derivative contracts are concluded, IVG runs a credit check on the business partner. As at 31 December 2011, all derivative contracts are with banks with good credit rating or banks that have accepted state emergency packages.

As at 31 December 2011, negative market values before deduction of deferred taxes of -€54.1 million (2010: -€85.1 million) are deferred in equity. Those consist of positive market values of €12.9 million (2010: €12.9 million) from net investment hedges and positive market values of €0.0 million (2010: €3.5 million) from cash flow hedges and negative market values of -€66.9 million (2010: -€101.5 million) from cash flow hedges.

The following effects resulted after the deduction of deferred taxes in the financial year 2011. A sum of +€31.1 million (2010: +€31.8 million) was recognised in equity which results from changes in market value of the cash flow hedges of -€17.5 million (2010: +€8.8 million) and from the release of the cumulated amount of prematurely released cash flow hedges of +€48.7 million (2010: +€23.0 million).

Ineffectiveness of cash flow hedge relationships led to a contribution to earnings of -€0.0 million in 2011 (2010: -€1.2 million).

In 2011, the hedge accounting relationship was ended early for interest rate swaps with a nominal value of €99 million (2010: €1,338.5 million). At the time of release, the swaps had a negative market value of -€2.2 million (2010: -€70.7 million).

The market value of swaps that are classified as net investment hedges, amounted to €0.0 million (2010: €0.0 million), the market value of derivatives allocated to a cash flow hedge relationship was -€45.2 million (2010: -€25.5 million). The market value of derivatives not included in hedge accounting amounted to -€43.7 million (2010: -€78.1 million).

The secured cash flows from the cash flow hedges occur as a consequence of interest payments. In future periods the following interest payments will be recognised in income in the following nominal volumes (annual averages):

in € m	2011	2010	
Year	Nominal	Year	Nominal
2012	1,215.0	2011	1,345.0
2013	1,040.5	2012	1,028.5
2014	769.7	2013	731.8
2015	511.1	2014	516.9
2016	28.1	2015	338.4
2017 ff.	0.0	2016 ff.	4.0

As at 31 December 2011 and 31 December 2010, there were no derivatives in net investment hedge relationships.

9.4 Income taxes

Deferred tax assets and liabilities are netted at individual company level and within fiscal units when the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority.

Deferred tax assets and liabilities changed as follows over the financial year:

	2011		2010	
in € m	Assets	Liabilities	Assets	Liabilities
Investment property	147.1	72.5	103.8	94.6
Receivables (particularly leasing)	0.8	11.4	0.4	20.8
Tax free provisions (including Section 6b of the German Income Tax Act (EStG))	0.0	11.7	0.0	9.8
Liabilities and provisions	44.0	60.1	49.8	37.0
Inventories	59.2	0.7	54.4	4.6
Financial assets and securities	0.7	0.0	8.7	7.1
Other temporary differences	3.8	4.4	4.1	12.4
Tax loss carryforwards	204.7	0.0	164.5	0.0
	460.3	**160.8**	**385.7**	**186.2**
Netting of deferred tax assets and liabilities	**-56.3**	**-56.3**	**-114.7**	**-114.7**
Recognition in financial statements	**404.0**	**104.5**	**271.0**	**71.5**
thereof current	*105.8*	*87.5*	*100.8*	*4.8*
thereof non-current	*298.2*	*17.0*	*170.2*	*66.7*

As at the 2011 balance sheet date, €13.4 million (2010: €9.4 million) of deferred tax assets and liabilities for hedge relationships and financial instruments in the category “held for sale” and for actuarial earnings and losses were recognised directly in equity.

On tax loss and interest carryforwards of €922.0 million (2010: €941.0 million) and temporary differences of €186.0 million (2010: €234.3 million) no deferred tax assets were recognised, as it is assumed that these will not be able to be used in the future.

Maturity of unrecognised tax loss carryforwards and interest carryforwards:

in € m	2011	2010
Up to 1 year	0.0	2.1
1 to 5 years	0.4	0.9
Over 5 years	921.6	938.0
	922.0	**941.0**

Due to the tax planning figures and planned internal structuring measures, the recoverability of the capitalisation of deferred tax assets from tax loss carryforwards was €64.4 million. Deferred tax liabilities resulting from temporary differences arising in connection with equity investments in subsidiaries of €6.4 million (2010: €6.3 million) are not recognised, as the Group can control the time when the temporary differences will be reversed and as it is likely that the temporary differences will not be reversed in the foreseeable future.

The receivables and liabilities from income taxes recognised in the balance sheet are split between the following term structures:

Current income tax receivables of €12.4 million (2010: €45.2 million) refer mainly to tax reimbursement claims from chargeable taxes and prepaid taxes.

Current income tax liabilities of €48.3 million (2010: €77.8 million) contain mainly income tax from a Belgian company of €15.4 million and income tax from a French company of €19.7 million.

9.5 Pension provisions

IVG maintains both defined benefit and defined contribution plans for its employees. These plans include provisions for retirement, disability and surviving dependants of employees.

The IVG Group uses statistical and actuarial calculations from actuaries in order to take account of anticipated future developments regarding expenses and obligations under defined benefit plans. These calculations are based on assumptions about discount rates, expected income from plan assets and future changes to wages and salaries.

Actuarial assumptions

The actuarial calculations of retirement benefit obligations and pension expenses are based on the following assumptions:

in %	2011	2010
Discount rate:	**4.75**	**5.00**
Expected return from:		
Plan assets CTA	0.50	1.00
Pledged reinsurance policies	4.50	4.50
Salary trend:		
Management Board and senior management	2.50	2.00
Employees	2.50	2.00
Pension trend:		
Special obligations	2.00	2.00
Pensions scheme	1.00	1.00
Employee turnover:		
Management Board and senior management	1.06	0.89
Pensions scheme	3.56	3.46
Basis of calculation:	Actuarial tables 2005G	Actuarial tables 2005G

Reconciliation of benefit obligations to provisions

The position of financing that results from the difference between the cash value of defined benefit obligations and the current value of plan assets is reconciled as follows to the pension reserve in the balance sheet:

in € m	2011	2010
Total funded benefit obligations at 31.12.	39.6	37.8
Total unfunded benefit obligations at 31.12.	5.0	4.1
Total benefit obligations at 31.12.	**44.6**	**41.9**
Less fair value of plan assets	-28.5	-28.4
Asset surplus recognised as assets	1.8	2.8
Provision at 31.12.	**17.9**	**16.3**

Fund financed pension obligations are shown at a surplus of €1.8 million (2010: €2.8 million) and are stated under other assets (see Section 8.5).

Changes in total benefit obligations

The changes in cash value of defined benefit obligations are as follows:

in € m	2011	2010
Benefit obligations at 01.01.	**41.9**	**36.0**
Service cost	1.6	1.5
Actuarial (gains) losses	0.9	2.7
Unrealised past service cost	0.0	1.9
Transfers of employees	0.0	-0.2
Interest expense	2.0	1.9
Pension payments	-1.8	-1.9
Benefit obligations at 31.12.	**44.6**	**41.9**

Changes in plan assets

The development of the fair value of plan assets in this financial year was as follows:

in € m	2011	2010
Fair value of plan assets at 01.01.	**28.4**	**24.8**
Expected income from plan assets	0.2	0.2
Losses (earnings) from actual income from plan assets	-0.6	0.1
Actual employer contributions	0.4	3.4
Actual contributions of legally independent insurance provider	0.0	-0.1
Fair value of plan assets at 31.12.	**28.5**	**28.4**

Actual loss from plan assets amounted to €0.3 million (2010: income of €0.3 million).

Plan assets comprise property (€1.8 million; 2010: €6.4 million), term deposits (€23.8 million; 2010: €20.5 million) and insurance policies (€2.9 million; 2010: €1.5 million). Plan assets do not include properties used by the Group or treasury instruments.

Determination of expected income from the plan assets normally follows the plan policies with respect to composition of asset classes and is calculated on the basis of publicly available market studies, forecasts and experience for each asset group.

In addition to the plan assets, there is a reimbursement claim from an insurance policy of €0.2 million (2010: €0.2 million).

In the financial year 2012, the Group anticipates IVG pension payments to employees in the amount of €1.9 million (2011: €1.8 million) and employer contributions to plan assets of €0.0 million (2011: €0.0 million).

Pension expenses

The expenses recognised in the income statement consist of the following items:

in € m	2011	2010
Service cost	1.6	1.5
Interest expense	2.0	1.9
Expected income from plan assets	-0.2	-0.2
Past service cost	0.0	1.9
Pension expenses	**3.4**	**5.1**

The expected income from plan assets and interest expenses is recorded in personnel expenses.

Expenses from fixed contribution plans amounted to €4.6 million (2010: €4.8 million) and are recognised in personnel expenses as pension expenses. This also includes employer contributions to statutory pension schemes.

Multi-year overview of pension obligations

The following table shows the change in cash value of all defined benefit obligations, the fair value of plan assets, the position of financing and adjustments for defined benefit obligations and for plan assets based on past experience:

in € m	2011	2010	2009	2008	2007
Cash value of defined benefit obligations	44.6	41.9	36.0	30.8	30.5
Present value of plan assets	28.5	28.4	24.8	22.6	22.0
Surplus/deficit (-)	16.1	13.5	11.2	8.2	8.5
Adjustment to liabilities based on past experience	-0.8	-0.1	0.2	0.1	4.0
Adjustment to assets based on past experience	-0.6	0.1	0.3	0.0	-0.4

The new actuarial losses in this year of €1.5 million (2010: €2.6 million) were recorded directly in equity under other reserves. Cumulative actuarial losses at the balance sheet date were €6.6 million (2010: €5.1 million).

9.6 Other provisions

The following changes were made to other provisions:

in € m	Opening balance	Net of provisions for early retirement with active value	Addition in the group of consolidated companies	Additions	Reversal	Accrued yield	Used	Closing balance	Non-current	Current
Obligations from plant closure	**8.7**	0.0	0.0	0.3	0.0	7.0	0.0	**16.0**	16.0	0.0
Imminent losses from pending transactions	**5.5**	0.0	0.0	8.0	3.6	0.0	1.0	**8.9**	0.5	8.4
Other personnel provisions	**22.4**	0.0	0.2	11.9	1.7	0.2	12.3	**20.7**	7.0	13.7
Provisions for early retirement	**1.9**	2.8 *	0.0	2.6	0.0	0.0	0.1	**1.6**	1.4	0.2
Provisions for performance plans	**0.6**	0.0	0.0	0.6	0.2	0.0	0.0	**1.0**	0.6	0.4
Provisions for environmental risks	**7.0**	0.0	0.0	0.0	0.4	0.0	0.2	**6.4**	6.1	0.3
Provisions for rent guarantees	**11.0**	0.0	0.0	2.0	0.5	0.1	9.1	**3.5**	0.5	3.0
Other provisions	**24.7**	0.0	0.4	34.8	1.2	0.1	4.4	**54.4**	0.0	54.4
	81.8	**2.8**	**0.6**	**60.2**	**7.6**	**7.4**	**27.1**	**112.5**	**32.1**	**80.4**

* The provions for early retirement were net of with the corresponding active value

Provisions for obligations from plant closure refer solely to the long-term letting of gas and oil caverns.

Loss provisions from pending transactions relate mainly to repurchase obligations concerning a property and repurchasing of real estate fund units.

In particular, other personnel provisions contain €8.2 million (2010: €9.0 million) from the wage tax obligation to VBL. The interest payment obligation due to VBL was reclassified to other liabilities. This also includes bonus payments, severance payments and special remuneration.

The early retirement obligations are measured at actuarial net present value – weighted by the probability that those employees who have not yet signed early retirement agreements will do so – and arrears for wages and salaries are measured at nominal value. See Sections 11.10 to 11.12 with regard to provisions for stock options.

The environmental risks provision relates almost entirely to risks from legacy munitions sites.

The Group makes provisions for rent guarantees given as part of sales agreements if the probability of claims is higher than 50%. In no case did rent guarantees lead to the Group remaining exposed to the main risks and opportunities of the assets sold.

The increase in other provisions relates mostly to obligations assumed in connection with the properties transferred to the IVG Premium Green Fund (€11.7 million) as well as the "Medienbrücke" project (€3.7 million) for subsequent construction costs after the transfer. The item also contains provisions for other tax risks of €12.6 million (2010: €12.2 million) in particular.

Probable cash outflows from provisions are €80.4 million (2010: €54.4 million) within one year, €16.1 million (2010: €18.5 million) within 1-5 years and €16.0 million (2010: €8.9 million) after 5 years.

The carrying amounts presented approximate fair value.

The year-on-year increase in trade payables is due to completion costs for various properties.

Liabilities from other taxes mainly consist of value added tax liabilities.

The decrease in liabilities from outstanding invoices as against the previous year is chiefly due to a lower volume of construction costs.

Other liabilities include in particular liabilities for social security in the amount of €49.7 million (2010: €58.3 million), which relate entirely to the obligation to VBL. Due to an installment payment agreement signed in the year under review, €5.0 million including incurred interest is scheduled to be paid on these liabilities every half-year.

The item also includes liabilities from rent deposit of €4.7 million (2010: €6.1 million), liabilities to employees from outstanding holidays of €2.3 million (2010: €2.2 million) as well as other liabilities of €21.8 million (2010: €54.7 million). The liabilities to third-party shareholders included in the item last year were reported in the year under review under financial liabilities to minorities.

9.7 Liabilities

	2011			2010		
in € m	Total	Non-current	Current	Total	Non-current	Current
Accounts payable	50.8	0.0	50.8	35.9	0.0	35.9
thereof to affiliates	*0.3*	*0.0*	*0.3*	*0.1*	*0.0*	*0.1*
Payments received for orders	2.5	1.2	1.3	3.6	0.0	3.6
Liabilities from other taxes	10.9	0.0	10.9	28.2	0.0	28.2
Liabilities from accrued interest	33.4	0.0	33.4	34.7	0.0	34.7
Liabilities from outstanding invoices	73.6	0.0	73.6	126.8	0.0	126.8
Other liabilities	79.4	43.2	36.2	121.3	2.4	118.9
thereof for social security	*50.4*	*42.2*	*8.2*	*58.3*	*0.0*	*58.3*
Deferrals	10.1	1.3	8.8	7.5	0.8	6.7
Total	**260.7**	**45.7**	**214.9**	**358.0**	**3.2**	**354.8**

10 Leasing

The Group is not subject to any relevant restrictions on financing, dividends or other leasing agreements as a result of its financing and operating leases, whether as lessor or lessee.

10.1 Operating leases

10.1.1 IVG as lessor

The IVG Group is lessor in a number of operating lease agreements for investment property, from which it derives the majority of its revenues and income. Furthermore, various rental agreements exist for other properties.

With regard to operating leases, investment property with a carrying amount of €3,224.5 million (2010: €4,196.0 million) was leased.

Also, rents were achieved from properties with a carrying amount of €340.2 million (2010: €30.7 million) which were recognised under non-current assets held for sale.

IVG will receive the following minimum lease payments from existing operating leases with third parties:

in € m	2011	2010
Up to 1 year	234.1	252.0
1 to 5 years	592.0	753.1
Over 5 years	901.2	857.8
	1,727.3	**1,862.9**

Due to the investment property and project developments sold in the financial year and the related rental agreements, future minimum lease payments to five years are falling, which could be only partially compensated for by the new rental agreements (THE SQUAIRE, caverns, and others).

The minimum lease payments represent expected net rents up to the end of the rent agreement or up to the earliest date at which the lessee (tenant) can cancel the agreement without regard to whether a cancellation or the waiver of a renewal option is actually expected.

10.1.2 IVG as lessee

Total expenses for operating leasing for IVG as lessee amounted to €6.3 million (2010: €6.1 million). As in the previous year, no contingent rent payments were made. The operating leases were primarily for properties let in various locations. The individual rent agreements are of minor significance for the financial position and financial performance of the Group. As in the previous year, income from sublets is negligible.

The following minimum lease payments are due in upcoming periods:

in € m	2011	2010
Up to 1 year	0.4	1.8
1 to 5 years	0.9	2.3
Over 5 years	1.1	0.0
	2.4	**4.1**

Due to the relocation of a foreign branch to a portfolio property, minimum lease payments in the next five years will fall by a total of €2.4 million.

The increase in minimum lease payments over five years is connected with the signing of a new general rental contract on parking spaces.

10.2 Finance leases

In 2010, IVG concluded an agreement on the construction of a logistics centre which is classified as a finance lease (IVG as lessee). The agreement has a term of ten years, or 15 years if the option is exercised.

The obligations from the finance lease fall due as follows:

	2011			2010		
in € m	Minimum lease payments	Discount	Present values	Minimum lease payments	Discount	Present values
Up to 1 year	0.2	0.0	0.2	0.2	0.1	0.1
1 to 5 years	0.6	0.1	0.5	0.8	0.2	0.6
Over 5 years	1.0	0.2	0.8	1.0	0.1	0.9
	1.8	**0.3**	**1.5**	**2.0**	**0.4**	**1.6**

11 Other notes

11.1 Financial risk management

11.1.1 Management of financial risk

The IVG Group is exposed to various financial risks in the course of its business: currency risk, credit risk, liquidity risk and interest rate risk. The overall risk management of the Group is focussed on the unpredictability of developments on financial markets with the objective of minimising the potentially negative impact on the financial position of the Group. To hedge itself against specific risks, the Group systematically uses derivative finance instruments.

The Management Board and Supervisory Board are informed regularly about the financial risk factors faced by the Group. Compliance with guidelines is monitored by the internal audit department.

The financial risk factors in the IVG Group are explained in the following. Additional information on this can be found in Section 6.5.3 of the Group management report.

(a) Currency risk
The Group operates on an international basis. As a result, it is exposed to currency risk as a result of changes in the exchange rates of various foreign currencies, primarily the British pound, the US dollar, the Polish zloty and the Hungarian forint.

Changes in exchange rates of IVG's financial instruments of derivatives and foreign currency positions not designated in hedge accounting can have an effect on the financial result, and changes in value of derivatives in hedge accounting can affect provisions for hedges in equity and the fair value of these derivatives.

If the Euro had been 10% stronger (or weaker) against other currencies as at 31 December 2011 or 31 December 2010, the financial result would have been +€6.8 million (-€8.3 million) higher (lower) (2010: +€4.5 million/-€5.5 million), of which €0.0 million (€0.0 million) would be from derivatives (2010: +€0.0 million/-€0.0 million). The effect on provisions for hedges in equity would be €0.0 million (€0.0 million) as at 31 December 2011 and €0.0 million (€0.0 million) as at 31 December 2010.

(b) Credit risk
There is no material credit risk within the Group. Derivative financial instrument contracts and financial transactions are only closed with financial institutions with high credit ratings or banks that have accepted state emergency packages, keeping counterparty default risk to a minimum. As a rule, the Group has no netting agreements with its transaction partners, so the fair values of the financial assets are their maximum credit risk. IVG is subject to a default risk from its operational business. This risk is minimised by a good tenant mix and the creditworthiness of tenants. Accounts receivable are monitored decentrally during normal operations. Default risks are covered by individual provisions. The maximum theoretical default risk is shown in the carrying amount of financial assets of €47.7 million presented in the balance sheet. There are further risks for loans, which are continually monitored by IVG. The maximum theoretical default risk is reflected in the carrying amount of the item of €104.7 million minus the securities held of €47.0 million.

(c) Liquidity risk
Group financial planning instruments ensure the early identification of the complex liquidity situation resulting from the implementation of the Group strategy and the Group planning process. In addition to financial planning with a time horizon of several years, the Group also has a rolling monthly liquidity plan for a planning period over twelve months. The 12-month liquidity overview is updated in a timely manner using actual data. The entire group of consolidated companies is mapped in the planning systems.

Prudent liquidity management includes a sufficient reserve of cash and cash equivalents (31 December 2011: €237.9 million, 31 December 2010: €274.9 million).

As at 31 December 2011, the IVG Group also had unused credit commitments of €0.01 billion (2010: €0.02 billion).

Due to the dynamism of the business environment in which the Group operates, the objective of IVG Immobilien AG is to provide the appropriate financing flexibility.

(d) Interest rate risk
Interest rate risks result from market fluctuations in interest rates and changes in margins when taking out new loans or extending existing loans. They affect the amount of future interest expenses in the IVG Group. They also affect the market value of financial instruments.

Changes in interest rates of IVG financial instruments of derivatives and foreign currency positions not designated in hedge accounting can have an effect on the financial result, and changes in value of derivatives in hedge accounting can affect provisions for hedges in equity and the fair value of these derivatives.

If market interest rates had been 0.25% higher (or lower) as at 31 December 2011, the financial result would have been -€1.9 million (+€1.9 million) lower (higher) (2010: +€0.7 million/-€0.8 million), of which +€2.6 million (-€2.6 million) would be from derivatives (2010: +€5.9 million/-€6.0 million).

The effect on provisions for hedges in equity would be +€7.9 million (-€8.0 million) as at 31 December 2011 and +€8.5 million (-€8.6 million) as at 31 December 2010.

11.1.2 Additional notes on financial instruments

Financial instruments can be classified as original or derivative financial instruments. Original financial instruments on the assets side include other financial investments, receivables, short-term securities and cash and cash equivalents. Financial assets available for sale are shown at fair value, provided it can be reliably determined. Other financial assets are shown at amortised cost. On the liabilities side, original financial instruments include liabilities valued at amortised cost. The inventory of original financial instruments is shown on the balance sheet and the amount of the financial assets is equivalent to the maximum default risk.

Where default risks are identifiable for financial assets, these risks are recognised as impairment losses. Fair values are determined in accordance with recognised valuation methods. For valuation of derivatives, see Section 6.4.

For impairment losses on financial assets, see Section 8.4.

Impairment losses on receivables and other assets are as follows:

in € m	2011	2010
At 01.01.	**16.6**	**16.6**
Additions	4.6	4.1
Reversal	-5.4	-3.3
Used	-1.2	-0.8
At 31.12.	**14.6**	**16.6**

As at the balance sheet date, there were overdue receivables and other assets which had not been subjected to impairment loss of:

Receivables and other assets which had not been subjected to impairment loss

			Overdue			
in € m	Carrying amount at 31.12.2011	Not overdue	Up to 90 days	91 to 180 days	181 to 364 days	Over one year
Loans	106.5	66.6	0.0	0.0	0.0	0.0
Receivables and other assets	184.6	125.6	18.4	3.1	1.7	1.1
	291.1	**192.2**	**18.4**	**3.1**	**1.7**	**1.1**

Receivables and other assets which had not been subjected to impairment loss

			Overdue			
in € m	Carrying amount at 31.12.2010	Not overdue	Up to 90 days	91 to 180 days	181 to 364 days	Over one year
Loans	58.9	19.6	0.0	0.0	0.0	1.5
Receivables and other assets	182.0	162.5	6.9	0.6	0.5	0.4
	241.0	**182.1**	**6.9**	**0.6**	**0.5**	**1.9**

Financial instruments were recognised in the income statement with the following net profit (pursuant to IFRS 7):

in € m	2011	2010
Financial assets and liabilities recognised in the income statement at fair value	-105.3	-46.1
thereof: initially recognised as such	*0.0*	*0.0*
thereof: held for trading purposes	*94.3*	*-18.7*
Non-current financial assets held for sale	-3.6	-3.1
Loans and receivables	30.2	31.0
Liabilities held at (amortised) cost	-163.1	-202.8

Net profit includes interest, dividends, impairment losses, reversals and earnings from the valuation of financial instruments at fair value, as well as currency effects.

The financial assets and liabilities can be classified in valuation categories and fair value levels with the following carrying amounts and fair values:

in € m	Valuation category according to IAS 39	Fair value level according to IFRS 7	Carrying amount at 31.12.2011	Amortised acquisition cost	Acquisition cost	Fair value recognised directly in equity	Fair value recognised as income	Not within application area of IFRS 7	Fair value at 31.12.2011
Financial assets									
Shares	AfS	VL 3	82.3			82.3			82.3
Loans	LaR	n.a.	106.5	106.5					106.5
Securities									
Securities and equity investments (current)	AfS	n.a. VL 3	1.3		0.5	0.8			1.3
Derivative financial instruments									
Derivatives in hedge accounting	n.a.	VL 2	0.0			0.0			0.0
Derivatives in non-hedge accounting	FAHfT	VL 2	0.0				0.0		0.0
Receivables and other assets									
Trade receivables	LaR	n.a.	47.7	47.7					47.7
Receivables from production orders	LaR	n.a.	0.0	0.0					0.0
Receivables from associated companies	LaR	n.a.	21.0	21.0					21.0
Receivables from affiliates	LaR	n.a.	5.4	5.4					5.4
Receivables from other equity investments	LaR	n.a.	75.9	75.9					75.9
Receivables from other taxes	n.a.	n.a.	29.2					29.2	29.2
Surplus on plan assets	n.a.	n.a.	1.8					1.8	1.8
Other assets	LaR	n.a.	38.2	38.2					38.2
Accrued items	n.a.	n.a.	6.5					6.5	6.5
Cash and cash equivalents	LaR	n.a.	237.9	237.9					237.9
In the item Non-current held for sale									
Shares	AfS	VL 3	0.0			0.0			0.0
Cash and cash equivalents	LaR	n.a.	0.0	0.0					0.0
Financial liabilities									
Convertible bond	FLAC	n.a.	334.9	334.9					306.5
Bank loans	FLAC	n.a.	4,446.2	4,446.2					4,332.9
Liabilities to affiliates	FLAC	n.a.	3.2	3.2					3.2
Minority interests	FLAC	n.a.	70.9	70.9					70.9
Finance leases	FLAC	n.a.	1.5						1.4
Other financial liabilities (including CP programme)	FLAC	n.a.	21.7	21.7					21.7
Derivative financial instruments									
Derivatives in hedge accounting	n.a.	VL 2	45.2			45.2			45.2
Derivatives in non-hedge accounting	FLHfT	VL 2 VL 3	50.7				43.7 7.0		50.7
Liabilities									
Accounts payable	FLAC	n.a.	50.8	50.8					50.8
Payments received for orders	n.a.	n.a.	2.5	2.5					2.5
Liabilities from other taxes	n.a.	n.a.	10.9					10.9	10.9
Liabilities from accrued interest	FLAC	n.a.	33.4	33.4					33.4
Liabilities from outstanding invoices	FLAC	n.a.	73.6	73.6					73.6
Other liabilities	FLAC	n.a.	79.4	79.4					79.4
Deferrals	n.a.	n.a.	10.1					10.1	10.1
In the item Liabilities in connection with non-current financial instruments held for sale									
Bank loans	FLAC	n.a.	0.0	0.0					0.0
Other liabilities	FLAC FLHfT	n.a. VL 2	0.0	0.0		0.0	0.0		0.0

Legend: AfS Available for Sale; afvtpl at fair value through profit or loss; LaR Loans and Receivables; FAHfT Financial Assets Held for Trading; FLHfT Financial Liabilities Held for Trading; FLAC Financial Liabilities At Cost; VL 1-3 Valuation level 1-3

The following graphic shows the development of level 3 financial instruments:

in € m	Available-for-sale financial assets			Financial liabilities held for trading
	Shares (financial assets)	Shares (non-current assets held for sale)	Securities and equity investments (current)	Derivatives in non-hedge accounting
At 1 January 2011	**95.0**	**0.0**	**1.4**	**5.5**
Total gains/losses	-0.5		-0.6	-1.4
thereof recognised in income	*-4.1*		*-0.6*	*-1.4*
thereof recognised in equity	*3.6*			
Purchases/increase in equity	22.6			
Disposals/decrease in equity	-0.5	-34.2		
Reclassifications	-34.3	34.2		
At 31 December 2011	**82.3**	**0.0**	**0.8**	**6.9**

The changes through profit or loss of the financial assets available for sale are reported in the income and expenses from the valuation of financial assets.

in € m	Valuation category according to IAS 39	Fair value level according to IFRS 7	Carrying amount at 31.12.2010	Amortised acquisition cost	Acquisition cost	Fair value recognised directly in equity	Fair value recognised as income	Not within application area of IFRS 7	Fair value at 31.12.2010
Financial assets									
Shares	AfS	VL 3	95.0			95.0			95.0
Loans	LaR	n.a.	58.9	58.9					58.9
Securities									
Securities and equity investments (current)	AfS	n.a. VL 3	2.0		0.6	1.4			2.0
Derivative financial instruments									
Derivatives in hedge accounting	n.a.	VL 2	3.5			3.5			3.5
Derivatives in non-hedge accounting	FAHfT	VL 2	0.0				0.0		0.0
Receivables and other assets									
Trade receivables	LaR	n.a.	38.6	38.6					38.6
Receivables from production orders	LaR	n.a.	21.3	21.3					21.3
Receivables from associated companies	LaR	n.a.	19.6	19.6					19.6
Receivables from affiliates	LaR	n.a.	5.7	5.7					5.7
Receivables from other equity investments	LaR	n.a.	54.9	54.9					54.9
Receivables from other taxes	n.a.	n.a.	24.5					24.5	24.5
Surplus on plan assets	n.a.	n.a.	2.8					2.8	2.8
Other assets	LaR	n.a.	41.8	41.8					41.8
Accrued items	n. a.	n.a.	15.3					15.3	15.3
Cash and cash equivalents	LaR	n.a.	274.9	274.9					274.9
In the item Non-current held for sale									
Shares	AfS	VL 3	0.0			0.0			0.0
Cash and cash equivalents	LaR	n.a.	0.0	0.0					0.0
Financial liabilities									
Convertible bond	FLAC	n.a.	324.6	324.6					296.5
Bank loans	FLAC	n.a.	4,903.3	4,903.3					4,830.3
Liabilities to affiliates	FLAC	n.a.	4.3	4.3					4.3
Minority interests	FLAC	n.a.	36.0	36.0					36.0
Finance leases	FLAC	n.a.	1.6	1.6					1.5
Other financial liabilities (including CP programme)	FLAC	n.a.	18.8	18.8					18.8
Derivative financial instruments									
Derivatives in hedge accounting	n.a.	VL 2	30.7			30.7			30.7
Derivatives in non-hedge accounting	FLHfT	VL 2 VL 3	81.9				76.4 5.5		81.9
Liabilities									
Accounts payable	FLAC	n.a.	35.8	35.8					35.8
Payments received for orders	n.a.	n.a.	3.6	3.6					3.6
Liabilities from other taxes	n.a.	n.a.	28.2					28.2	28.2
Liabilities from accrued interest	FLAC	n.a.	34.7	34.7					34.7
Liabilities from outstanding invoices	FLAC	n.a.	126.8	126.8					126.8
Other liabilities	FLAC	n.a.	121.3	121.3					121.3
Deferrals	n.a.	n.a.	7.5					7.5	7.5
In the item Liabilities in connection with non-current financial instruments held for sale									
Bank loans	FLAC	n.a.	0.0	0.0					0.0
Other liabilities	FLAC FLHfT	n.a. VL 2	0.0	0.0		0.0	0.0		0.0

Legend:
- AfS – Available for Sale
- afvtpl – at fair value through profit or loss
- LaR – Loans and Receivables
- FAHfT – Financial Assets Held for Trading
- FLHfT – Financial Liabilities Held for Trading
- FLAC – Financial Liabilities At Cost
- VL 1-3 – Valuation level 1-3

The fair value for financial instruments is determined on the basis of the following three-level valuation hierarchy:

1. Valuation level (VL 1):
   Measured according to a stock market price or market price on an active market.

2. Valuation level (VL 2):
   Measured according to a stock market price or market price for similar assets and liabilities or according to measurement methods for which the key inputs are based on observable market data.

3. Valuation level (VL 3):
   Measured according to measurement methods for which the inputs are not based on observable market data.

The above table of financial assets and liabilities show the three valuation levels in a separate column.

The table below shows the total of contractually agreed undiscounted interest payments and capital repayments from non-derivative financial liabilities, liabilities from property disposal groups, liabilities and net interest payments for derivative financial instruments:

	Bank liabilities and CPs at floating interest rates (interest and repayment)		Bank liabilities and loans at fixed interest rates (interest and repayment)		Derivative financial instruments		Other financial liabilities, liabilities and minority interests	
in € m	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Up to 1 year	-731.5	-1,234.1	-14.3	-15.3	-48.1	-62.4	-208.0	-255.2
1 to 2 years	-1,072.8	-2,091.5	-34.0	-14.3	-15.3	-45.4	-57.0	-2.4
2 to 3 years	-2,213.2	-143.5	-412.2	-34.0	-12.1	-5.2	-10.0	0.0
3 to 4 years	-518.0	-1,426.0	-10.8	-432.3	-7.8	0.5	-10.0	0.0
4 to 5 years	-48.3	-117.6	-1.0	-29.2	-0.3	2.4	-10.0	0.0
Over 5 years	-101.1	-43.6	-53.7	-5.9	0.0	0.1	-3.6	-37.5

Where the repayment date is to be determined by the other party, the liability is recognised on the basis of the earliest date in the time frame at which the IVG Group can be requested to make payments. Financial liabilities which the IVG Group can be required to pay upon demand, are allocated to the earliest time frame.

Floating-rate interest payments from liabilities were determined on the basis of the last fixed interest rate prior to 31 December 2011 or 31 December 2010. Foreign currency holdings were converted at the exchange rate at the balance sheet date. Changes in cash flows can result in particular from changes in interest rate levels, currency exchange rates, early repayment, prolongation of liabilities and future new contracts, leasing and derivatives.

For some property financing with agreed covenants, such as loan to value (LTV – ratio between net liabilities and fair value of financed property), where the agreed LTV is exceeded, some credit agreements allow IVG to make an extraordinary repayment or provision of additional guarantees within a fixed period in order to repair the level of loan to value. Significant changes in the fair value of financed properties can generally lead to agreed LTVs being exceeded.

11.2 Guarantees and contingent liabilities

in € m	2011	2010
Financial guarantees	128.4	64.8
thereof bank guarantees	*28.1*	*45.7*
Contractual guarantees	31.1	14.8
Other contingent liabilities	18.6	41.2
	178.1	**120.8**

The bank guarantees are guarantees given by banks to third parties to cover payment, performance and warranty obligations of Group companies.

Contractual warranty obligations include only letters of comfort of €31.1 million (2010: €14.8 million) issued to third parties. Adequate provisions have been recognised for rent guarantees given on property disposals.

Letters of comfort issued to third parties in respect of consolidated subsidiaries are only included to the extent that they give rise to separate obligations from the point of view of the Group as a whole.

Other contingent liabilities include the risk from the Allianz portfolio that was acquired in 2007. If IVG does not list a REIT on the stock exchange by 2012, it will have to pay an exit tax to Allianz amounting to an estimated €16.7 million (2010: €16.7 million) and additional interest of €1.9 million on deferred payment of taxes. The contingent liability from the previous year from re-purchasing a property (2010: €22.9 million) that was sold in 2005 led to the formation of a provision for the difference between the repurchase price and fair market value. Legal disputes regarding fee payments (2010: €1.6 million) were also recognised in the balance sheet.

No provisions were recognised in connection with ongoing or pending litigation, provided that in our opinion and the opinion of our legal advisors the probability of an outflow of resources is less than 50%. We consider that for all other risks the probability of an outflow of resources is less than 10%.

Significant outflows of resources from contingent liabilities impacting income are unlikely. There were no guarantees for bills of exchange or cheques.

11.3 Capital management

The main aim of capital management at the IVG Group is to ensure that the ability to meet liabilities and financial security continue to be upheld in the future.

Financial security is mainly evaluated using the equity ratio. The main elements of this ratio are the total assets of the consolidated financial statements and the equity and liabilities shown in the consolidated balance sheet, including the hybrid loan classified as equity and minority interests in incorporated companies, which also represents capital as defined in IAS 1 in the IVG Group. The equity ratio is an important key figure for investors, analysts, banks and rating agencies.

Management of the capital structure at IVG is carried out by adjustment of dividends, reduction of corporate capital or issuance of new capital, and the issuance of financial instruments which qualify as equity under IFRS. Our goal is to have a capital structure which is in line with business risks.

IVG is subject to the minimum capital requirements for public corporations. Compliance with these requirements is monitored on an ongoing basis. IVG complied with all requirements in 2010 as well as 2011.

in € m	2011	2010	Change in %
Equity	1,386.3	1,286.1	7.8
Total assets	6,904.2	7,292.4	-5.3
Equity ratio in % according to carrying amounts	20.1	17.6	13.9

The equity ratio increased, especially due to the capital increases carried out in the financial year and due to the sales of investment property and project developments and the reduction of financial liabilities due to repayments. This was offset by declining consolidated net profit of -€126.0 million (previous year: €23.2 million).

11.4 Other financial obligations

Financial obligations totalling €90.3 million (2010: €135.8 million) exist under contracts already awarded for commenced or planned investment projects and under contractual agreements with tenants and other parties.

Most of this amount is €78.5 million (2010: €71.6 million) for purchases, construction and maintenance investments in investment property, liabilities from project developments of €8.2 million (2010: €40.5 million), as well as a liability regarding obtaining certificates for a fund of €0.0 million (2010: €23.7 million). There is also an acquisition obligation of €2.6 million (2010: €0.0 million) for shares of a special fund.

The decrease of obligations in the project development area is mainly due to progress on THE SQUAIRE project and the successful completion of the Hackesches Quartier project in the first quarter of the financial year.

There is no longer a requirement to acquire certificates of a fund as at the balance sheet date, mainly due to the disposal of the certificates in the financial year.

For future obligations from lease agreements, we refer to the separate notes on finance and operating leases in Section 10.

11.5 Contingent assets

There were no material contingent assets at the balance sheet date.

11.6 Consolidated cash flow statement

The cash flow statement shows how the Group's cash position has changed due to inflows and outflows of cash and cash equivalents (see Section 8.8) over the course of the financial year. In accordance with IAS 7 (Cash Flow Statement), cash flows are classified into cash flows from operating activities and from investing and financing activities.

The cash and cash equivalents reported in the cash flow statement include all cash and cash equivalents, consisting of cash in hand and bank balances. Cash and cash equivalents of €24.9 million (2010: €64.3 million) relate to projects or only have limited availability to IVG due to contractual agreements.

Cash flow from investing and financing activities are determined directly from receipts and payments. In contrast, cash flow from operating activities is determined based on the consolidated net profit before taxes and interest (EBIT) using the indirect method. Under this indirect method, changes in balance sheet items relating to operating activities are adjusted for the effects of changes in the group of consolidated companies and changes in value caused by currency exchange rates.

As a result, the changes in balance sheet items reported in the cash flow statement cannot be reconciled with the corresponding figures in the published consolidated balance sheet.

11.7 Segment reporting

Segment reporting is prepared as follows in line with IFRS 8 "Segment Reporting" using the management approach. The performance indicator is the segment result (EBIT).

The reporting method is in line with the internal reporting to the chief operating decision-makers, IVG's Board of Management, and takes place on the basis of the operating divisions in which IVG acts.

The current business model leads to a classification into the divisions of IVG Investment and IVG Funds, the operating segments of which are described below.

IVG Investment division

(1) The **IVG Real Estate** segment is focused on optimising the value of the office properties in IVG's portfolio on the basis of an active portfolio management strategy. In doing so, the segment concentrates on specific real estate potentials and the risk-return situation as well as the cycles of the German and European markets. The investment focus is on the top German office property markets and selected European cities.

(2) The focus of the **IVG Development** segment is the development of office property projects in selected European cities and growth regions. IVG has introduced a clear focus on its future core business with a simplification of its corporate structure. In line with this, development business on IVG's own account is being systematically rolled back.

(3) The core business of the **IVG Caverns** segment is the construction, operation and leasing of caverns for oil and gas storage. Cavern lessees are companies of strong financial standing from the energy industry and public oil storage organisations. In operations, the division will concentrate on expanding the cavern field in Etzel near Wilhelmshaven and letting further caverns. The cavern field will be expanded from 52 caverns today to at least 130 caverns in total by 2022.

IVG Funds division

(4) The **IVG Institutional Funds** segment enjoys a top position as a provider and manager of specialised real estate funds with the largest share of managed and administered volume for institutional investors in Germany.

(5) With the EuroSelect funds, the **IVG Private Funds** segment offers private investors in the closed-end property funds market investment opportunities in attractive European properties and portfolios.

In addition, the IVG corporate functions are reported in segment reporting. They contain the central service units and Group functions of IVG. The main item included here is the central service unit of the Group, IVG Asset Management, which is responsible for the professional management of IVG's portfolio and fund properties and the buying and selling of individual properties and real estate portfolios.

IVG Asset Management and the other corporate functions are monitored by the chief operating decision-maker. Due to their size, they do not constitute reportable operating segments but are reported on together as the IVG corporate functions due to the similarity in their activity as internal service providers and their economic similarity.

Segment results

2011 in € m	Investment – Real Estate: Before changes in value	Real Estate: Unrealised changes in value	Real Estate: Total	Development: Before changes in value	Development: Unrealised changes in value	Development: Total	Caverns: Before changes in value	Caverns: Unrealised changes in value	Caverns: Total
External revenues	287.1		287.1	126.4		126.4	38.7		38.7
Internal revenues	2.6		2.6	1.0		1.0	0.0		0.0
Total revenues	**289.7**	**0.0**	**289.7**	**127.4**	**0.0**	**127.4**	**38.7**	**0.0**	**38.7**
Net rents from investment property	237.5		237.5	0.0		0.0	3.5		3.5
Other net rents	3.0		3.0	5.5		5.5	0.0		0.0
Income from service charges	37.8		37.8	5.0		5.0	0.0		0.0
Income from project disposals	8.3		8.3	110.5		110.5	1.1		1.1
Income from construction contracts	0.0		0.0	5.0		5.0	0.0		0.0
Income from transactions, concepts and sales	0.0		0.0	1.0		1.0	16.9		16.9
Income from fund and property management	0.0		0.0	0.0		0.0	9.4		9.4
Other revenues	3.1		3.1	0.4		0.4	7.7		7.7
Changes in inventories and other own work capitalised	-6.4		-6.4	94.2		94.2	7.5		7.5
Unrealised changes in market value of investment property	0.0	-55.8	-55.8	0.0		0.0	0.0	91.5	91.5
Realised changes in market value of investment property	-2.4		-2.4	0.0		0.0	-0.6		-0.6
Other operating income	11.7		11.7	2.6		2.6	1.5	1.6	3.1
Material expenses	-3.3	2.7	-0.6	-221.3	-116.6	-337.9	-9.3	-0.1	-9.4
Personnel expenses	-2.6		-2.6	-1.0		-1.0	-8.3		-8.3
Depreciation and amortisation of intangible assets and property, plant and equipment	-0.3	-0.3	-0.6	-0.1		-0.1	-5.4	-1.0	-6.4
Expenses from investment property	-72.8		-72.8	0.0		0.0	0.0		0.0
Other operating expenses	-61.6		-61.6	-34.9		-34.9	-8.2		-8.2
Gains/losses from associated participations accounted for using the equity method	0.6		0.6	1.8		1.8	0.0		0.0
Income from equity investments	2.7		2.7	0.0		0.0	0.0		0.0
Segment result (EBIT)	**155.4**	**-53.4**	**101.9**	**-31.2**	**-116.6**	**-147.8**	**16.0**	**92.0**	**108.0**
Financial result									
Net profit before tax									
Income taxes									
Consolidated net profit									
Segment assets			**3,979.8**			**1,018.6**			**811.1**
thereof investments in associated participations accounted for using the equity method			*78.8*			*1.9*			*0.0*
Investments			71.7			10.9			125.9

Funds												
Institutional Funds			Private Funds				Consolidation			Group		
Before changes in value	Unrealised changes in value	Total	Before changes in value	Unrealised changes in value	Total	IVG Corporate Functions	Before changes in value	Unrealised changes in value	Total	Before changes in value	Unrealised changes in value	Total
57.3		57.3	4.1		4.1	4.0	0.0		0.0	517.6	0.0	517.6
0.6		0.6	0.0		0.0	30.8	-34.9		-34.9	0.0	0.0	0.0
57.9	**0.0**	**57.9**	**4.1**	**0.0**	**4.1**	**34.7**	**-34.9**	**0.0**	**-34.9**	**517.6**	**0.0**	**517.6**
0.0		0.0	0.0		0.0	0.0	-0.5		-0.5	240.5	0.0	240.5
0.0		0.0	0.0		0.0	0.5	-2.4		-2.4	6.6	0.0	6.6
0.0		0.0	0.0		0.0	0.1	-0.6		-0.6	42.4	0.0	42.4
0.0		0.0	0.0		0.0	0.0	0.0		0.0	119.9	0.0	119.9
0.0		0.0	0.0		0.0	0.0	0.0		0.0	5.0	0.0	5.0
5.2		5.2	0.1		0.1	0.0	0.0		0.0	23.2	0.0	23.2
52.7		52.7	3.9		3.9	2.4	-0.1		-0.1	68.3	0.0	68.3
0.0		0.0	0.1		0.1	31.7	-31.4		-31.4	11.7	0.0	11.7
0.0		0.0	0.0		0.0	-0.1	0.0		0.0	95.1	0.0	95.1
0.0		0.0	0.0		0.0	0.0	0.0		0.0	0.0	35.7	35.7
0.0		0.0	0.0		0.0	0.0	0.0		0.0	-3.0	0.0	-3.0
1.3		1.3	0.4		0.4	19.9	-18.6		-18.6	18.8	1.6	20.4
-0.2		-0.2	-0.1		-0.1	-1.5	2.5		2.5	-233.0	-114.0	-347.0
-12.2		-12.2	-3.7		-3.7	-43.1	0.0		0.0	-70.9	0.0	-70.9
-0.3		-0.3	-0.1		-0.1	-1.3	0.0		0.0	-7.4	-1.3	-8.7
0.0		0.0	0.0		0.0	0.0	0.0		0.0	-72.8	0.0	-72.8
-28.4		-28.4	-6.3		-6.3	-40.3	51.0		51.0	-128.6	0.0	-128.6
0.3		0.3	0.0		0.0	0.0	0.0		0.0	2.7	0.0	2.7
0.0		0.0	0.1		0.1	0.0	0.0		0.0	2.8	0.0	2.8
18.3	**0.0**	**18.3**	**-5.5**	**0.0**	**-5.5**	**-31.7**	**0.0**	**0.0**	**0.0**	**121.3**	**-78.0**	**43.3**
										-222.3	-38.6	-260.9
										-100.9	**-116.6**	**-217.6**
												91.6
												-126.0
		268.1			**12.8**	**410.1**			**-0.1**			**6,500.3**
		14.8			*0.0*	*0.0*			*0.0*			*95.4*
		1.3			0.0	55.2			0.0			265.0

2010 in € m	Real Estate Before changes in value	Real Estate Unrealised changes in value	Real Estate Total	Investment Development Before changes in value	Investment Development Unrealised changes in value	Investment Development Total	Caverns Before changes in value	Caverns Unrealised changes in value	Caverns Total
External revenues	300.3		300.3	408.8		408.8	45.8		45.8
Internal revenues	2.7		2.7	0.0		0.0	0.0		0.0
Total revenues	**303.0**	**0.0**	**303.0**	**408.8**	**0.0**	**408.8**	**45.8**	**0.0**	**45.8**
Net rents from investment property	255.6		255.6	0.0		0.0	0.0		0.0
Other net rents	3.7		3.7	9.2		9.2	0.0		0.0
Income from service charges	37.6		37.6	1.9		1.9	0.0		0.0
Income from project disposals	3.0		3.0	388.7		388.7	5.2		5.2
Income from construction contracts	0.0		0.0	6.6		6.6	0.0		0.0
Income from transactions, concepts and sales	0.0		0.0	2.2		2.2	20.9		20.9
Income from fund and property management	0.6		0.6	0.0		0.0	13.2		13.2
Other revenues	2.5		2.5	0.2		0.2	6.5		6.5
Changes in inventories and other own work capitalised	-2.9		-2.9	172.4		172.4	0.9		0.9
Unrealised changes in market value of investment property	0.0	-87.8	-87.8	0.0		0.0	0.0	140.8	140.8
Realised changes in market value of investment property	1.0		1.0	0.0		0.0	-1.2		-1.2
Other operating income	9.6		9.6	1.2		1.2	4.6	1.2	5.8
Material expenses	-2.6	1.1	-1.5	-515.2	-46.5	-561.7	-8.3		-8.3
Personnel expenses	-1.9		-1.9	-0.8		-0.8	-7.0		-7.0
Depreciation and amortisation of intangible assets and property, plant and equipment	-0.4		-0.4	-0.1		-0.1	-4.3	-3.5	-7.8
Expenses from investment property	-68.2		-68.2	0.0		0.0	0.0		0.0
Other operating expenses	-47.8		-47.8	-36.8		-36.8	-6.4		-6.4
Gains/losses from associated participations accounted for using the equity method	5.6		5.6	9.6		9.6	0.3		0.3
Income from equity investments	2.0		2.0	0.0		0.0	0.0		0.0
Segment result (EBIT)	**197.3**	**-86.7**	**110.6**	**39.2**	**-46.5**	**-7.3**	**24.6**	**138.5**	**163.2**
Financial result									
Net profit before tax									
Income taxes									
Consolidated net profit									
Segment assets			**4,475.8**			**1,076.1**			**771.3**
thereof investments in associated participations accounted for using the equity method			*61.4*			*6.6*			*0.0*
Investments			88.4			21.0			131.1

	Funds												
	Institutional Funds			Private Funds				Consolidation			Group		
	Before changes in value	Unrealised changes in value	Total	Before changes in value	Unrealised changes in value	Total	IVG Corporate Functions	Before changes in value	Unrealised changes in value	Total	Before changes in value	Unrealised changes in value	Total
	50.2		50.2	6.1		6.1	10.7	0.0		0.0	821.8	0.0	821.8
	7.8		7.8	0.1		0.1	31.5	-42.1		-42.1	0.0	0.0	0.0
	58.0	**0.0**	**58.0**	**6.2**	**0.0**	**6.2**	**42.2**	**-42.1**	**0.0**	**-42.1**	**821.8**	**0.0**	**821.8**
	0.0		0.0	0.0		0.0	0.0	-1.4		-1.4	254.2	0.0	254.2
	0.0		0.0	0.0		0.0	0.4	-1.3		-1.3	12.0	0.0	12.0
	0.0		0.0	0.0		0.0	0.2	-0.2		-0.2	39.4	0.0	39.4
	0.0		0.0	0.0		0.0	0.0	0.0		0.0	396.9	0.0	396.9
	0.0		0.0	0.0		0.0	0.0	0.0		0.0	6.6	0.0	6.6
	2.2		2.2	2.4		2.4	0.0	0.1		0.1	27.8	0.0	27.8
	55.6		55.6	3.6		3.6	11.0	-9.0		-9.0	75.0	0.0	75.0
	0.2		0.2	0.2		0.2	30.1	-29.8		-29.8	9.9	0.0	9.9
	0.0		0.0	0.0		0.0	0.0	0.0		0.0	170.3	0.0	170.3
	0.0		0.0	0.0		0.0	0.0	0.0		0.0	0.0	53.0	53.0
	0.0		0.0	0.0		0.0	0.0	0.0		0.0	-0.1	0.0	-0.1
	1.2		1.2	6.7		6.7	18.3	-17.6		-17.6	24.0	1.2	25.2
	-0.2		-0.2	-0.6		-0.6	-7.9	10.0		10.0	-524.7	-45.4	-570.1
	-12.9		-12.9	-5.0		-5.0	-43.4	0.0		0.0	-71.0	0.0	-71.0
	-0.2		-0.2	-0.1		-0.1	-1.6	0.0		0.0	-6.6	-3.5	-10.1
	0.0		0.0	0.0		0.0	-0.1	0.2		0.2	-68.2	0.0	-68.2
	-28.0		-28.0	-5.2		-5.2	-37.7	49.4		49.4	-112.5	0.0	-112.5
	0.3		0.3	0.0		0.0	0.0	0.0		0.0	15.8	0.0	15.8
	0.0		0.0	0.2		0.2	-0.3	0.0		0.0	1.9	0.0	1.9
	18.2	**0.0**	**18.2**	**2.1**	**0.0**	**2.1**	**-30.6**	**0.0**	**0.0**	**0.0**	**250.9**	**5.3**	**256.2**
											-215.2	-19.9	-235.1
											35.7	**-14.6**	**21.1**
													2.1
													23.2
			260.5			**11.9**	**422.6**			**-0.1**			**7,018.0**
			14.0			*0.0*	*0.0*			*0.0*			*81.9*
			0.0			0.0	7.8			0.0			248.4

Key segment figures

The amounts reported in segment reporting are based on the same accounting principles that were used to prepare the consolidated financial statements.

The key segment performance indicator for IVG's chief operating decision-maker is the segment result (EBIT). The reconciliation of the segment result to consolidated net profit before taxes is provided as part of segment reporting.

Segment assets are reconciled with Group assets as follows:

in € m	31.12.2011	31.12.2010
Segment assets	**6,500.3**	**7,018.0**
Other Group assets		
Deferred tax assets	404.0	271.0
Derivative financial instruments	0.0	3.5
Group assets	**6,904.2**	**7,292.4**

Inter-segment revenues show the amount of revenues between the segments. Transactions between segments are made on an arms-length basis.

Geographical segments

2011 in € m	Germany	UK	France	BeNeLux	Finland	Poland	Other countries	Group
External revenues	452.6	1.1	21.6	9.2	22.2	4.6	6.3	**517.6**
Segment result (EBIT)	43.9	-1.6	-1.8	-9.6	6.4	2.8	3.2	**43.3**
Segment assets at carrying amounts	5,872.0	15.0	156.1	127.6	223.7	24.7	81.2	**6,500.3**
Investments	244.2	0.0	0.0	1.5	0.0	0.0	19.3	**265.0**

2010 in € m	Germany	UK	France	BeNeLux	Finland	Poland	Other countries	Group
External revenues	522.1	94.3	68.5	6.1	21.6	103.7	5.7	**821.8**
Segment result (EBIT)	182.9	29.5	-10.1	-37.7	3.4	16.6	71.6	**256.2**
Segment assets at carrying amounts	5,967.2	15.3	504.2	134.6	223.1	26.7	146.9	**7,018.0**
Investments	241.0	1.1	2.0	2.5	0.3	0.0	1.5	**248.4**

The geographical segments are based on the location of the individual properties.

Compared to the previous year, external revenues in the countries of Germany, the UK and Poland fell sharply since the previous year contained proceeds from the sale of project developments.

The segment result (EBIT) in Germany fell from €139.0 million to €43.9 million due in particular to impairment losses on a project development.

Due to the sale of three properties in France, external revenues dropped by €46.9 million and segment assets at carrying amounts fell by €348.1 million.

11.8 Events after the balance sheet date

Acquisition of the Silberturm concluded

The acquisition of the "Silberturm" property in the Frankfurt banking district was finalised at the beginning of January. Preparations to acquire the property had been made in the third quarter of 2011 and the building was acquired for a fund launched by IVG Institutional Funds. The property was handed over to tenants in February.

IVG EuroSelect 21 Munich Fund being marketed

At the beginning of January, IVG Private Funds launched a new closed-end property fund called IVG EuroSelect 21 Munich that has an investment volume of around €330 million. In the first six weeks, over €100 million of the planned fund volume of approximately €205 million was already placed. IVG will remain as a co-investor of the fund assets in the long term.

IVG EuroSelect 21 Munich invests in the largest Allianz location in Germany in Unterföhring, where the company has its headquarters and operations building. The operations building houses the Group's largest data centre and other items. With a total area of around 131,000 sqm, both buildings are let to Allianz until at least 31 December 2024 with an indexed rental agreement.

Launch of the IVG Garbe Logistik Fonds

With IVG Institutional Funds GmbH as a market leader in the area of specialised real estate funds and Garbe Logistic AG as a leading developer and asset manager in the area of logistics properties in Germany, the two companies launched the "IVG Garbe Logistik Fonds" with a target volume of around €400 million. The fund will invest in logistics properties in top locations in Germany.

11.9 Related party transactions

Related individuals are the Supervisory Board, Management Board and managerial staff and their close relatives. In addition to the consolidated subsidiaries, related companies include companies of the Mann Group, Karlsruhe, and the associated companies and unconsolidated subsidiaries of IVG. Companies of the bank Sal. Oppenheim, Cologne, were also included in related companies until the first quarter of 2010.

One manager has significant influence on the company Kancelaria Inwestycyjna PROPERTY. This company has entered into service agreements with IVG Curtis Plaza II Sp. z o.o. and IVG Asset Management GmbH, for which a total of €0.2 million was invoiced in 2011. One manager had significant influence on acb GmbH, Wiesbaden, in the previous year. This company had entered into agreements pertaining to accounting services with IVG Institutional Funds GmbH, for which a total of €0.5 million was invoiced in 2010.

Otherwise there were no material business dealings with managerial staff or their close relatives.

The main features of the remuneration system for the Management Board and Supervisory Board as well as detailed and individual information on the remuneration are given in the remuneration report (see Section 5.1 of the Group management report).

The total remuneration of the Management Board, the Supervisory Board and managerial staff (collectively members of management in key positions) was €19.7 million in the past financial year (2010: €21.0 million). Of this amount, €1.1 million (2010: €2.3 million) related to service cost for pensions. In financial year 2011, the management in key positions also received short-term remuneration components of €5.0 million (2010: €5.2 million) and share-based remuneration components (performance shares, performance cash plan and restricted stock units) of €0.0 million (2010: €0.4 million). Payments of €0.7 million (2010: €0.2 million) were made for the termination of employment.

In addition to the above-mentioned compensation to executive bodies for the Supervisory Board, Supervisory Board members working for IVG obtained a suitable salary commensurate with their function and years of service.

There were no transactions with close relatives of members of the Supervisory Board or Management Board.

Information on the members of the Management Board and the Supervisory Board is listed in accordance with Section 285 Number 10 of the Handelsgesetzbuch (HGB – German Commercial Code) in the Annual Report.

All business dealings with associated companies and unconsolidated subsidiaries (participation in global cash management, general contractor agreements, etc.) were conducted at arms length. In addition to the transactions described under financial assets and under gains/losses from participations accounted for using the equity method, the following significant transactions were entered into with associated companies and their subsidiaries:

in € m	2011	2010
Sale of land, buildings and other assets		
Amount of transaction	22.1	85.5
Unpaid amount at year end	0.0	2.8
Purchase of land, buildings and other assets		
Amount of transaction	9.6	0.0
Unpaid amount at year end	0.0	0.0
Services delivered		
Amount of transaction	1.0	0.2
Unpaid amount at year end	0.2	0.2
Services received		
Amount of transaction	1.8	0.0
Unpaid amount at year end	0.0	0.0
Refunded construction costs		
Amount of transaction	17.7	0.0
Unpaid amount at year end	2.9	0.0
Other receivables from associated companies		
Amount of transaction	7.0	-11.8
Unpaid amount at year end	35.2	28.2
Liabilities to associated companies		
Amount of transaction	4.0	0.8
Unpaid amount at year end	10.9	10.6
Pledged securities including financial guarantees		
Amount of transaction	14.3	0.0
Unpaid amount at year end	31.3	17.0

No receivables (2010: €0.4 million) from companies accounted for using the equity method were written down this financial year. Due to reversals of write-downs of €0.8 million (2010: €0.0 million), the corresponding impairment losses as at 31 December 2011 are €11.3 million (2010: €12.1 million).

In particular, guarantees of €12.5 million exist with unconsolidated subsidiaries.

No transactions were entered into with companies of Mann Group. IVG companies received €1.9 million worth of services in financial year 2010 from companies in the Sal. Oppenheim Group. In the previous year, there were receivables from bank balances amounting to €0.6 million and liabilities of €1.0 million.

11.10 Remuneration of the Management Board and Supervisory Board

The total remuneration of the Management Board in the past financial year amounted to €1.9 million (2010: €2.4 million). The fair value of the share-based payment in the form of participation in the 2011 Performance Cash Plan and the RSUs granted for the portion of the bonuses relating to achievement of the company targets for 2011 amounted to €1.0 million (2010: €1.0 million) at the grant date. On the basis of the ratios at the grant date, the members of the Management Board received 110,478 RSUs (2010: 69,892 RSUs).

Total payments to former Management Board members and their surviving dependants amounted to €1.4 million (2010: €1.6 million). The corresponding pension obligations totalled €17.2 million as at 31 December 2011 (2010: €16.3 million).

The total remuneration of the Supervisory Board totalled €0.4 million (2010: €0.4 million). The share-based payment granted in the financial year was included at the fair value at the grant date of €0.1 million (2010: €0.1 million).

11.11 2005 to 2008 Performance Share Plans

IVG has granted long-term incentives to the Management Board and selected managers since 1999. Since 2005 these incentives are arranged in the form of performance share plans.

The plans were open to all members of the Management Board of IVG Immobilien AG, the managing directors of the subsidiaries and other managers.

Overview

The beneficiaries received a commitment for a specific number of performance shares. Performance shares are virtual shares used as the basis for calculating the monetary amount to be paid to the beneficiaries under certain conditions after the performance period is over. Performance shares do not carry voting or dividend rights.

The number of performance shares which are converted and paid out in a cash amount at the end of the performance period depends on two performance factors:

1. An absolute increase in the price of the IVG share,
2. The average earnings per share, i.e. the diluted earnings per share (diluted EPS).

Performance targets 1 and 2 for calculating the number of performance shares to be paid out after the end of the performance period are determined independently from each other and each given a weighting of 50%.

The final number of performance shares is multiplied by the average share price of the IVG share on the 30 trading days before and 30 trading days after the General Meeting of IVG Immobilien AG in the year in which the performance period ends. Any increase of the final value against the start value in excess of 100% is not taken into account.

Should the final value of the IVG share has decreased by more than 30% against the start value, there is no payment of performance shares, irrespective of the diluted EPS performance factor.

The length of the performance period used for measuring the performance targets is three years. The performance period starts on the grant date and ends after the thirtieth trading day of the Frankfurt Stock Exchange after the General Meeting of IVG Immobilien AG in the third year. The right to obtain a certain monetary amount arises at the end of the performance period provided that the employment agreement with IVG or a subsidiary has not been terminated, among other conditions.

Basis data

The basis data for the performance share plans and for the valuation model parameters as at 31 December 2011 can be seen in the following overview.

A Monte Carlo simulation was used to determine option value:

		2008 PSP	2007 PSP
Issue date		30.06.08	30.06.07
Duration		3 years	3 years
Remaining duration		expired	expired
Basic share price (Ø 60 days)	in €	15.68	31.55
Participants in year of issue		53	45
Number of shares issued thereof Management Board		157,250 *52,000*	165,850 *76,000*
Value at 31.12.2011	in €	0.00	0.00
At 31.12.2011		0	0
Share price of IVG AG at 30.12.2011	in €	2.10	

	2008 Plan	2007 Plan
At 01.01.2010	**131,000**	**137,250**
Issued 2010	0	0
Exercised 2010	0	0
Expired 2010	19,000	137,250
At 31.12.2010	**112,000**	**0**
Issued 2011	0	0
Exercised 2011	0	0
Expired 2011	112,000	0
At 31.12.2011	**0**	**0**

11.12 2009 and 2010 Performance Cash Plans

Since 2009, IVG has granted participation in a Performance Cash Plan as a long-term incentive which is intended to encourage the achievement of performance indicators that are key to the company on the basis of challenging comparison parameters. The Supervisory Board of IVG decides each year whether and in what form a Performance Cash Plan will be issued.

The plan is open to members of the Management Board and managers/branch managers of IVG who report directly to the Management Board, with whom participation in the Performance Cash Plan is contractually agreed in their service or employment contract. In addition, the Management Board of IVG may approve the participation of individual employees or managers for one or more years independent of a contractual obligation.

The term of the plan begins with the month after the General Meeting and ends in each case after four full years, i.e. the term of the 2009 Performance Cash Plan runs from 1 June 2009 to 31 May 2013 and the 2010 Performance Cash Plan runs from 1 June 2010 to 31 May 2014.

At the start, the participants receive a commitment in the amount of a specified initial figure. This initial figure is multiplied by the performance multiplier shown in the following, resulting in the payoff amount after the expiration of the performance period of four years.

The performance multiplier varies between 0 and a maximum of 2 and is calculated based on the development of three equally weighted performance indicators:

1. Performance indicator (shareholder point of view):
   Performance of IVG shares as compared to the
   FTSE EPRA/NAREIT Developed Europe Index

2. Performance indicator (earnings point of view):
   Increase in the FFO I per share as compared to the planned figure

3. Performance indicator (assets point of view):
   Increase in the NAV per share as compared to the planned figure

The scaling of the three performance indicators takes place on the basis of current three-year medium-term planning approved by the Supervisory Board.

A claim to the cash payout from the Performance Cash Plan after the expiration of the fourth year presupposes that the member of the Management Board is still a member of the Management Board at the end of the term. In the case of the other plan participants, the prerequisite of the cash payout is that an employment agreement exists with IVG Immobilien AG or a Group company.

Basis data

The basis data for the Performance Cash Plans are shown in the following overview:

		2010 PCP	2009 PCP
Issue date		01.06.2010	01.06.2009
Duration		4 years	4 years
Remaining duration		29 months	17 months
Participants in year of issue		35	3
Participants on 31.12.2011		33	54
Value at 31.12.2011	**in €**	**470,618.89**	**508,071.24**
Value at 31.12.2011 per €100 initial value	in €	67.95	0.61
Value at 31.12.2011 per €100 of additional value	in €	-	100.02

	2010 PCP	2009 PCP *
Initial values at 01.01.2010	**0**	**1,580,000**
Issued 2010	0	2,271,168
Expired 2010	0	405,000
Initial values at 31.12.2010	**0**	**3,446,168**
Issued 2011	3,300,936	97,734
Expired 2011	476,250	445,000
Initial values at 31.12.2011	**2,824,686**	**3,098,902**

* including additional value

The values as at 31 December 2011 were reviewed externally on the basis of a Monte Carlo simulation.

At its first meeting in 2012, the Supervisory Board resolved to pay out the 2011 Performance Cash Plan. Accordingly, this was not included in the balance sheet in the 2011 financial year.

11.13 Restricted Stock Units

Since 2010, IVG Immobilien AG has granted the Management Board and those managers reporting directly to the Management Board a new type of bonus as a variable remuneration component with a short-term incentive effect, in addition to their basic salary. The amount of the bonus is based on the extent to which company results targets and personal targets are achieved, with each of these weighted at 50%. The level of target achievement can vary between 0% and 200% for each target. The company results targets are mostly derived directly from the medium-term planning agreed between the Management Board and the Supervisory Board. The targets and the scaling are agreed in writing between the company and the employee at the beginning of the financial year.

The portion of the bonus pertaining to the achievement of personal goals is paid out in the month of the General Meeting the following year. The portion of the bonus granted for the achievement of company targets is converted into limited share acquisition rights (restricted stock units or RSUs).

The number of share acquisition rights is calculated by dividing the pro rata bonus by the average IVG share price for the 30 trading days before and after the General Meeting of the following year. The RSUs are allocated on the first trading day after the expiry of the above-mentioned period of 30 trading days after the General Meeting ("allocation date").

After a vesting period of three years from the allocation date, real IVG shares are allocated for each RSU. If IVG does not hold any IVG shares at the conversion date or cannot dispose of them freely, the employee's claim is to be settled with a cash payment. In this case, the amount of the payment is based on the number of convertible RSUs multiplied by the closing price of the IVG shares in XETRA trading at the conversion date.

The regulations with regard to the amount of convertible RSUs are also linked with a so-called loyalty factor. If the employee leaves the IVG Group before the conversion date, conversion of the RSUs and crediting of the IVG shares after the end of the vesting period takes place only on a pro rata basis. If the employee leaves the Group during the first year after the allocation date of the RSUs, then 50% of the IVG shares are credited; if the employee leaves during the second year, 70% are credited; and if the employee leaves during the third year, 90% are credited.

In terms of the bonuses granted up to 2011 under the new compensation model and based on the expectations on the grant date regarding the development of the IVG shares and factoring in the estimated target achievement as at the balance sheet date, the vesting level and a fluctuation rate with a RSU entitlement, IVG expects a bonus amount of €1.9 million as at 31 December 2011 (2010: €0.5 million), which will then be used for the conversion into 477,633 RSUs (2010: 132,851 RSUs). A claim to bonus expired during the 2011 financial year due to an entitled employee having left the company.

In 2011, share-based payments (Performance Share Plans, Performance Cash Plans and Restricted Stock Units) resulted in expense of €1.8 million (2010: €0.8 million).

€1.4 million of the expense (2010: €0.5 million) related to bonus claims to be converted into RSUs (equity-settled) and €0.4 million (2010: €0.3 million) related to the Performance Cash Plan (cash-settled). For the Performance Cash Plans, there was a provision of €1.0 million as at 31 December 2011 (31 December 2010: €0.6 million).

12 Declaration on the German Corporate Governance Code pursuant to Section 161 AktG

On 18 November 2011, the Management Board and the Supervisory Board of IVG Immobilien AG jointly issued a new Declaration of Compliance with respect to the recommendations of the German Corporate Governance Code as published on 26 May 2010 pursuant to Section 161 of the German Stock Corporation Act (AktG). The Declaration is permanently available to shareholders in both form and content on the company's website (http://www.ivg.de/investor-relations/corporate-governance/entsprechenserklaerung).

Statement by the Management Board

The Management Board of IVG Immobilien AG is responsible for preparing the consolidated financial statements and the Group management report as well as all other information included in the Annual Report, and ensuring that it is complete and correct.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the supplementary provisions of Section 315a(1) of the German Commercial Code (HGB).

The Group management report includes an analysis of the financial position and financial performance of the Group and other disclosures required under Section 315 of the HGB.

An effective internal management and control system ensures that the data used to prepare the consolidated financial statements and internal reporting is complete and correct. This includes Group-wide financial reporting guidelines, a risk management system as required by the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (German Control and Transparency Act – KonTraG), an integrated approach to financial controlling as part of value-driven management, plus audits by the internal audit department. The Management Board is thus able to identify material risks at an early stage and to take timely action as needed.

The Statement pursuant to Section 37y(1) of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG) in conjunction with Section 297(2) Sentence 3 and Section 315(1) Sentence 6 of the HGB is as follows:

"We confirm that to the best of our knowledge the consolidated financial statements prepared in accordance with the requirements of the applicable accounting principles give a true and fair view of the net assets, financial position and results of operations of the Group and that the Group management report is in accordance with the consolidated financial statements and presents an accurate view of the Group's position and of the opportunities and risks for its future development."

Bonn, 29 February 2012

Professor Dr Wolfgang Schäfers

Christian Kühni

Dr Hans Volkert Volckens

Auditors' Report

"We have audited the consolidated financial statements prepared by the IVG Immobilien AG, Bonn, comprising the income statement, statement of comprehensive income, the statement of financial position, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We are required to advise that the continued existence of the Group as a going concern is threatened by risks that are outlined in Section 6.4 of the group management report. The section details the progress achieved in optimising the financing structure of IVG Immobilien AG, but also the fact that the liquidity of the Group depends on the further implementation of the planned property and caverns disposals as well as and the contractual implementation of agreed extensions of key finance arrangements."

Dusseldorf, March 1, 2012

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Uwe Schwalm	ppa. Martin Flür
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

Stability – knowing your options

We know that, like the past two years, 2012 will be another year of transition for us. At the same time, we are confident that our company has a solid foundation with its properties and caverns. And our new business model will enable us to operate highly successfully in the future.

Additional Information

EPRA Key Figures

Implementation of the EPRA Best Practice Recommendations

Based on the guidelines provided by EPRA on publishing key figures specific to real estate, IVG takes these guidelines into account in the following. The number of performance indicators and property-related key figures was increased as compared to the previous year and their presentation was prioritised in line with their importance. IVG will in future provide the most important performance indicators under EPRA ("EPRA Performance Measures") in a separate overview. Further detailed information on key figures specific to real estate will also be disclosed in the relevant segments and in the notes.

Deviation from individual recommendations in justified cases

For accounting reasons, it was not possible to implement the EPRA recommendations in the 2011 annual report in some areas. This pertains mainly to the presentation of the annual financial statement tables, especially the income statement, which is currently still based on the total cost method. However, it must be pointed out that not all EPRA requirements can be fully implemented due to the specific characteristics of IVG's business model. In the cases where IVG deviates from the EPRA recommendations, it strives to follow them to the furthest extent possible and to make additions and adaptations as needed to reflect the structure of the business model.

EPRA earnings

This is a performance indicator measuring sustainable income from property management. The figure is therefore comparable with the funds from operations (FFO) published by IVG. Its objective is to measure the company's operating performance and to clarify the extent to which potentially paid dividends are secured by consistent/recurring income.

in € m	2011	2010	Change in %
Amount of consolidated net profit attributable to Group shareholders	-158.0	-8.8	-
Unrealised changes in market value of investment property	-35.7	-53.0	-32.6
Realised changes in market value from the sale of investment property and equity investments	5.8	-12.2	-
Taxes on realised changes in market value from the sale of investment property and equity investments	0.1	0.9	-88.9
Changes in fair value of financial instruments	32.6	18.6	+75.3
Deferred taxes on above	14.4	28.9	+50.2
Adjusted amount of consolidated net profit attributable to Group shareholders	-140.8	-25.6	-
Weighted number of shares issued	142.1	127.9	
EPRA earnings per share	-0.99	-0.20	-

* On the basis of the average number of shares (31 December 2011: 142.1 million shares/31 December 2010: 127.9 million shares)

EPRA NAV

The net asset value is presented on the basis of assets and liabilities held by the company in the long term.

In contrast to the general IFRS practice, the aim is to compare only those asset and liability items that are held by the company in the long term, so as to give investors an impression of the company's sustainable net asset position. Non-sustainable items such as deferred taxes or the fair value of financial derivatives therefore are not included in the calculation.

EPRA NNNAV

To calculate the EPRA NNNAV, all asset and liability items are included in the calculation at their market values, in addition to the figures used in calculating the EPRA NAV.

The aim is to give investors a complete overview of all of a company's asset and liability items.

EPRA NAV and EPRA NNNAV

in € m	2011	2010	Change in %
Equity before minority interests	985.3	884.8	+11.4
Fair value adjustment with regard to derivative financial instruments	95.8	112.5	-
Deferred taxes	-299.5	-199.5	-
Diluted EPRA NAV	781.7	797.9	-2.0
Diltued EPRA NAV per share in € [1]	3.76	6.33	-40.6
Fair value adjustment with regard to derivative financial instruments	-98.5	-112.5	-
Fair value adjustment with regard to financial liabilities	146.1	101.1	+44.5
Deferred taxes	299.5	199.5	-
Diltued EPRA NNNAV	1,131.4	985.9	+14.8
Diltued EPRA NNNAV per share in € [1]	5.44	7.82	-30.4 %

[1] On the basis of the number of shares as at the balance sheet date 31 December 2011: 207.9 million shares/31 December 2010: 126.0 million shares

EPRA Net Initial Yield and EPRA "topped-up" Net Initial Yield

The net initial yield shows the annualised rental income, based on the rents actually paid as at the balance sheet date, less non recoverable operating costs in relation to the gross market value of the properties, i.e. the market value taking into account transaction costs in the event of a sale.

Another, related measure for calculating the profitability of the portfolio is the EPRA "topped-up" net initial yield. This measures the annualised contract rent after the expiry of incentives such as rent free periods less non recoverable operating costs, in relation to the gross market value.

Both of these profitability ratios are intended to help assess the quality of the portfolio with regard to sustainable generation of income.

EPRA Net Initial and "topped-up" Net Initial Yield

in € m	2011
Gross capital value of the relevant IVG Real Estate portfolio	3,644
Annualised contract rents as at the balance sheet date	227
Indexation effective in the next 12 months	2
Less non-allocable operating and maintenance costs [1]	27
Rent-free periods currently granted (expiring in the next 12 months)	4
EPRA NIY in %	5.4
EPRA „topped-up" NIY [2]	5.5

[1] Calculated based on the previous year's figures
[2] First measured in 2011; there is therefore no presentation of historical values

EPRA Vacancy Rate

To calculate the EPRA vacancy rate, the estimated market rent of vacant space is measured in relation to the estimated market rent of the total portfolio. Space under development is not included here.

The aim is to calculate the vacancy rate taking into account the current market conditions. The vacancy rate as at 31 December 2011 was 12.2% (31 December 2010: 11.2%)

Additional Data

Investment property – rental data (EPRA)

Branch	Lettable space excl. parking in '000 sqm	Gross Rental Income in € m	Net Rental Income in € m	Passing Rent at reporting date in € m/year	Estimated Rental Value in € m/year	Vacancy Rate in %	Net Initial Yield in %	„Topped-up" Net Initial Yield in %
Berlin	225	18.9	15.5	19.2	20.2	12.9	5.2	5.3
Dusseldorf	214	17.7	13.1	18.2	21.0	21.6	4.8	4.9
Frankfurt a. M.	368	49.7	41.4	48.9	51.0	13.3	5.2	5.3
Hamburg	369	39.8	37.6	37.4	37.5	16.7	5.2	5.3
Liebenau	34	0.7	0.4	0.6	-	-	3.1	3.1
Munich	567	69.3	59.4	68.4	73.6	5.2	5.3	5.4
Total Germany	**1,775**	**196.0**	**167.3**	**192.8**	**203.3**	**11.8**	**5.2**	**5.3**
Brussels	44	5.0	4.0	5.2	6.3	30.7	9.0	9.2
Helsinki	171	21.2	13.7	22.7	22.7	11.0	8.2	8.3
Paris	11	2.4	2.4	2.5	2.4	-	7.6	7.6
Budapest	1	0.1	0.1	0.1	-	-	-	-
London	0	-	(0.4)	-	-	-	-	-
Milan	8	0.4	(0.1)	0.2	0.6	39.9	-	-
Warsaw	0	0.0	(0.0)	-	-	-	-	-
Total International	**236**	**29.2**	**19.7**	**29.3**	**32.1**	**14.7**	**7.8**	**8.0**
Total	**2,011**	**225.2**	**187.0**	**222.1**	**235.3**	**12.2**	**5.4**	**5.5**

Project data

Country	Project/Object	Address	IVG share in %	Start of construction	Carrying amount [1] in € m
Germany	THE SQUAIRE	Airport, Frankfurt a. M.	98	2006	774.3
France	Front Office Asnières	38, Quai Aulagnier, Asnières-sur-Seine	100	2007	109.1
Germany	THE SQUAIRE Parking	Airport, Frankfurt a. M.	100	2010	40.2
Hungary	Infopark E	Neumann János u. 1./E, Budapest	100	2008	22.9
Poland	Drukarnia	ul. Jagiellonska 1, 85-067 Bydgoszcz	100	2006	17.8
Hungary	Stefánia Park	Stefánia út 101-103, 1143 Budapest	100	2007	9.1
					973.5

[1] Value of inventories as recognised on the balance sheet
[2] Economic occupancy rate (based on the contracts signed) as at 31 December 2011
[3] Based on investment costs as at 31 December 2011 and construction costs still outstanding on completion

Investment property – lease data

Branch	Average remaining term of lease, weighted by income: till break option in years	Average remaining term of lease, weighted by income: till end of contract in years
Berlin	3.3	8.6
Dusseldorf	4.7	9.2
Frankfurt a. M.	6.8	18.2
Hamburg	3.0	6.2
Liebenau	12.2	12.2
Munich	7.1	15.8
Total Germany	**5.6**	**13.2**
Brussels	1.5	2.5
Budapest	2.0	2.0
Helsinki	2.9	2.9
London	-	-
Milan	3.2	4.0
Paris	1.0	1.0
Warsaw	-	-
Total International	**2.5**	**2.7**
Total	**5.2**	**11.9**

Type of use	Occupancy rate [2] in %	Potential rent in € m	Degree of completion [3] in %	Transfer year	Lettable space in '000 sqm
Office, Hotel, Retail	82	44.0	97.7	2013	141.5
Office	28	8.4	100.0	2013	23.5
Parking	34	4.8	79.9	2013	-
Office	76	2.9	100.0	2012	17.1
Retail	93	1.7	100.0	2012	10.6
Office	95	1.0	100.0	2012	5.4
		62.8			**198.1**

Property Overview

	Year of con-struction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. park-ing in %
Berlin								
Berlin, Stromstr. 1-7/Alt Moabit 90 a-d "Focus Teleport"	1989	Core/Core+	100.0	Freehold	Office	27.3	26.3	96.4
Berlin, Leibnizstr. 49, 53, "Leibniz-Kolonnaden"	1999	Core/Core+	100.0	Freehold	Office	14.0	13.8	98.6
Berlin, Stralauer Allee 1, "Spreespeicher-Kühlhaus"	1928	Core/Core+	100.0	Leasehold	Office	17.6	17.6	100.0
Berlin, Stralauer Allee 2, "Spreespeicher-Getreidespeicher"	1913	Core/Core+	100.0	Leasehold	Office	18.5	17.8	96.4
Berlin, Rankestr. 17/Schaperstr. 12 + 13	1958	Core/Core+	100.0	Freehold	Office	4.9	4.8	97.3
Berlin, Tempelhofer Weg 64	1997	Core/Core+	100.0	Freehold	Office	5.9	5.7	96.5
Total: Core/Core+						**88.2**	**86.1**	**97.5**
Berlin, Am Borsigturm 13-17, 19, 27-33, "Büropark"	2000	Value Add	100.0	Freehold	Office	14.3	10.8	75.2
Berlin, Hallerstr. 1-6/Pascalstr. 15	1926	Value Add	52.5	Freehold	Office	13.2	10.6	80.0
Berlin, Am Borsigturm 44-46, 52-54, "Technologiezentrum"	1998	Value Add	100.0	Freehold	Office	9.1	5.7	62.4
Berlin, Taubenstr. 44, 45	1999	Value Add	100.0	Freehold	Office	4.4	0.0	0.0
Berlin, Tempelhofer Weg 62	1997	Value Add	100.0	Freehold	Office	8.0	5.9	73.9
Rostock, Handelsstr. 3	1978	Value Add	100.0	Freehold	Logistics	37.5	26.2	69.8
Berlin, Freiheit 15, 16	-	Value Add	100.0	Freehold	Logistics	0.0	0.0	-/-
Total: Value Add						**86.5**	**59.1**	**68.3**
Total: Core/Core+ & Value Add						**174.8**	**145.1**	**83.1**
Total: workout (income producing)						**50.2**	**42.3**	**84.4**
Total: workout (non income producing)						**0.0**	**0.0**	**-/-**
Total: income/non income producing						**50.2**	**42.3**	**84.4**
Total: Berlin						**225.0**	**187.5**	**83.3**
Brussels								
Brussels, Diegem Bessenveldstraat 9	1999		100.0	Freehold	Office	13.7	13.7	100.0
Luxembourg, Rue Thomas Edison 2	1993		100.0	Freehold	Office	5.8	5.8	99.1
Total: Core/Core+						**19.5**	**19.5**	**99.7**
Brussels, Chaussée de la Hulpe 154	1975		100.0	Freehold	Office	4.6	4.6	100.0
Total: Value Add						**4.6**	**4.6**	**100.0**
Total: Core/Core+ & Value Add						**24.1**	**24.0**	**99.8**
Total: workout (income producing)						**4.2**	**3.1**	**72.9**
Total: workout (non income producing)						**15.9**	**1.0**	**6.2**
Total: income/non income producing						**20.1**	**4.0**	**20.0**
Total: Brussels						**44.2**	**28.1**	**63.5**

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
0	69	3,646	3,641	3,567	3,513	0.1	3.5	2.1	49,420	6.8	6.8
145	148	2,556	2,516	2,155	2,354	1.6	2.3	16.8	41,930	4.7	4.7
100	0	2,224	2,224	2,224	2,224	0.0	8.0	0.0	36,950	5.0	5.0
60	0	2,113	2,030	2,008	1,715	3.9	2.5	1.1	33,020	5.1	5.1
1	40	707	699	665	696	1.2	3.4	5.1	10,360	5.8	5.8
130	2	582	576	582	576	1.1	2.6	-1.0	8,520	6.0	6.0
436	**259**	**11,828**	**11,686**	**11,200**	**11,079**	**1.2**	**3.9**	**4.3**	**180,200**	**5.5**	**5.5**
152	2	1,420	1,099	1,092	1,070	22.6	1.5	0.6	20,350	4.1	4.1
93	66	1,419	1,123	1,267	1,087	20.8	1.7	-11.3	17,980	5.1	5.1
107	30	833	540	548	552	35.2	1.9	-1.5	11,840	3.0	3.0
32	0	808	0	590	0	100.0	0.0	-100.0	11,120	3.4	3.4
148	2	802	612	496	612	23.7	1.6	23.4	10,120	4.9	4.9
0	0	1,093	713	630	713	34.8	3.1	13.2	6,500	6.4	6.4
0	0	426	426	419	426	0.0	3.0	1.6	6,440	6.4	6.4
532	**100**	**6,801**	**4,513**	**5,042**	**4,459**	**33.6**	**2.0**	**-10.5**	**84,350**	**4.5**	**4.5**
968	**359**	**18,629**	**16,199**	**16,242**	**15,538**	**13.0**	**3.4**	**-0.3**	**264,550**	**5.2**	**5.2**
291	**23**	**3,266**	**3,082**	**3,335**	**1,927**	**5.6**	**2.8**	**-7.6**	**43,390**	**2.7**	**2.7**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**3,270**	**6.3**	**6.3**
291	**23**	**3,266**	**3,082**	**3,335**	**1,927**	**5.6**	**2.8**	**-7.6**	**46,660**	**2.9**	**2.9**
1,259	**382**	**21,895**	**19,281**	**19,577**	**17,465**	**11.9**	**3.3**	**-1.5**	**311,210**	**4.9**	**4.9**
266	64	2,706	2,706	2,802	2,706	0.0	1.0	-3.4	24,520	10.6	10.6
173	78	1,713	1,651	1,597	1,651	3.6	2.2	3.4	21,220	7.5	7.5
439	**142**	**4,419**	**4,356**	**4,398**	**4,356**	**1.4**	**1.5**	**-1.0**	**45,740**	**9.2**	**9.2**
72	0	615	615	584	615	0.0	0.8	5.3	6,200	11.2	11.2
72	**0**	**615**	**615**	**0**	**615**	**0.0**	**0.8**	**-/-**	**6,200**	**11.2**	**11.2**
511	**142**	**5,034**	**4,971**	**4,982**	**4,971**	**1.2**	**1.4**	**-0.2**	**51,940**	**9.4**	**9.4**
81	**7**	**467,9**	**322,1**	**215,2**	**183,4**	**31.2**	**4.2**	**49.7**	**4,615,0**	**-/-**	**-/-**
259	**18**	**1,803**	**73**	**273**	**73**	**95.9**	**1.0**	**-73.1**	**38,978**	**-/-**	**-/-**
340	**25**	**2,271**	**395**	**488**	**257**	**82.6**	**3.6**	**-19.0**	**43,593**	**-/-**	**-/-**
851	**167**	**7,305**	**5,367**	**5,471**	**5,228**	**26.5**	**1.5**	**-1.9**	**95,532**	**4.2**	**4.2**

	Year of con-struction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. park-ing in %
Budapest								
Total: workout (income producing)						**1.3**	**1.3**	**100.0**
Total: income/non income producing						**1.3**	**1.3**	**100.0**
Total: Budapest						**1.3**	**1.3**	**100.0**
Dusseldorf								
Dusseldorf, Willstätterstr. 11-15	1986	Core/Core+	100.0	Freehold	Office	24.0	20.2	84.1
Dusseldorf, Eduard-Schulte-Str. 1	1994	Core/Core+	100.0	Freehold	Office	8.3	8.3	100.0
Ratingen, Zapp-Platz 1/Alter Kirchweg/Robert-Zapp-Str. 5	1972	Core/Core+	100.0	Freehold	Office	26.1	26.1	100.0
Dortmund, Stockholmer Allee 32	2001	Core/Core+	100.0	Freehold	Office	6.7	6.1	91.9
Bonn, Zanderstr. 5	1960	Core/Core+	6.0	Freehold	Office	5.1	5.1	100.0
Bonn, Zanderstr. 7	2003	Core/Core+	6.0	Freehold	Office	4.2	4.2	100.0
Cologne, Neue Weyerstr.e 6	1992	Core/Core+	100.0	Freehold	Office	4.3	3.1	71.5
Ratingen, D2 Park 5	1996	Core/Core+	100.0	Freehold	Office	5.6	5.6	100.0
Schleiden, Monschauer Str. 5-9/Am Markt 29-31/ Poensgenstr.19	1930	Core/Core+	100.0	Freehold	Office	6.7	6.7	100.0
Bonn, Zeppelinstr. 10-16	1962	Core/Core+	100.0	Freehold	Living	1.9	1.7	92.3
Total: Core/Core+						**92.7**	**87.0**	**93.8**
Dusseldorf, Franz-Rennefeld-Weg 2-6, "ABC"	2003	Value Add	100.0	Freehold	Office	13.1	11.0	84.3
Neuss, Jagenbergstr./Bonner Str., Gebäude 2	1990	Value Add	100.0	Freehold	Logistics	39.6	23.5	59.4
Dusseldorf, Hans-Böckler-Str. 33	1969	Value Add	100.0	Freehold	Office	10.0	6.6	66.0
Dusseldorf, Kanzlerstr. 8	1993	Value Add	100.0	Freehold	Office	9.1	6.5	71.4
Dusseldorf, Immermannstr. 59/Karlstr. 76	1961	Value Add	100.0	Freehold	Office	6.6	4.6	70.1
Krefeld, Fichtenhain A 13a, "Europark Fichtenhain A"	1994	Value Add	100.0	Freehold	Office	10.4	6.3	60.9
Dusseldorf, Kanzlerstr. 8a	1994	Value Add	100.0	Freehold	Office	4.8	1.0	20.6
Cologne, Kölner Straße 263	1994	Value Add	100.0	Freehold	Office	3.9	2.2	56.3
Dortmund, Westfalendamm 67	1974	Value Add	100.0	Freehold	Office	3.5	2.9	83.4
Dortmund, Martin-Schmeisser-Weg 18, 22	1991	Value Add	100.0	Freehold	Office	3.4	2.7	80.8
Düsseldorf, Friedrich-Ebert-Str. 55	1972	Value Add	100.0	Freehold	Office	2.5	0.6	25.9
Erkrath, Max-Planck-Str. 15/Lohbruchweg	1985	Value Add	100.0	Freehold	Office	3.5	2.3	65.9
Dortmund, Otto-Hahn-Str. 27	1992	Value Add	100.0	Freehold	Office	1.4	0.9	65.2
Duisburg, Lehmstr. 1-3	1979	Value Add	100.0	Freehold	Logistics	5.0	2.9	58.2
Total: Value Add						**116.7**	**74.2**	**63.6**
Total: Core/Core+ & Value Add						**209.4**	**161.2**	**77.0**
Total: workout (income producing)						**4.4**	**3.7**	**83.5**
Total: workout (non income producing)						**0.0**	**0.0**	**-/-**
Total: income/non income producing						**4.4**	**3.7**	**83.5**
Total: Dusseldorf						**213.8**	**164.9**	**77.1**

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
0	**0**	**99**	**99**	**95**	**99**	**0.0**	**2.0**	**3.3**	**3,960**	**2.2**	**2.2**
0	**0**	**99**	**99**	**95**	**99**	**0.0**	**2.0**	**3.3**	**3,960**	**2.2**	**2.2**
0	**0**	**99**	**99**	**95**	**99**	**0.0**	**2.0**	**3.3**	**3,960**	**2.2**	**2.2**
602	0	2,516	2,110	2,233	2,110	16.2	5.0	-5.5	32,150	5.9	5.9
149	0	1,186	1,186	1,163	1,186	0.0	8.0	2.0	18,640	5.1	5.1
83	97	1,636	1,636	1,576	1,636	0.0	3.7	3.8	16,740	8.4	8.4
0	116	816	750	804	605	8.1	3.2	-6.8	10,900	4.3	4.3
0	3	908	908	894	908	0.0	9.0	1.6	10,350	9.0	9.0
106	0	885	885	855	885	0.0	9.0	3.5	10,320	8.5	8.5
56	0	631	478	698	478	24.3	2.6	-31.6	8,640	4.6	4.6
71	33	669	669	819	669	0.0	7.0	-18.2	8,450	3.6	3.6
0	95	498	498	498	498	0.0	7.3	0.0	5,560	8.3	8.3
0	0	122	112	104	112	7.7	0.1	8.3	1,470	2.2	2.2
1,067	**344**	**9,869**	**9,233**	**9,643**	**9,088**	**6.4**	**5.9**	**-4.3**	**123,220**	**6.3**	**6.3**
150	82	2,185	1,904	1,558	1,765	12.9	2.6	22.1	31,420	3.4	3.4
0	672	2,669	1,764	2,690	1,764	33.9	4.7	-34.4	30,100	5.0	5.0
77	72	1,794	1,252	1,218	1,252	30.2	4.4	2.7	23,530	4.1	4.1
163	23	1,152	849	868	759	26.3	3.8	-2.1	14,940	2.7	2.7
20	19	946	724	766	665	23.5	2.8	-5.5	13,540	4.1	4.1
140	43	910	523	534	523	42.5	2.9	-2.0	8,820	2.5	2.5
109	6	638	134	324	134	79.0	1.0	-58.7	7,450	1.2	1.2
46	27	509	337	337	337	33.8	1.9	0.0	5,680	4.8	4.8
13	33	420	369	412	369	12.2	4.0	-10.5	5,230	4.2	4.2
95	0	413	352	224	352	14.8	2.2	57.1	5,200	2.9	2.9
17	0	264	107	280	107	59.5	2.7	-61.8	4,100	0.1	0.1
39	25	287	226	223	226	21.0	5.0	1.7	2,860	5.2	5.2
28	0	145	99	142	75	31.4	3.7	-30.0	2,080	2.7	2.7
0	60	203	113	192	113	44.1	6.0	-41.0	1,640	3.3	3.3
897	**1,062**	**12,534**	**8,753**	**9,767**	**8,442**	**30.2**	**3.5**	**-10.4**	**156,590**	**3.6**	**3.6**
1,964	**1,406**	**22,403**	**17,986**	**19,411**	**17,530**	**19.7**	**4.7**	**-7.3**	**279,810**	**4.8**	**4.8**
37	**0**	**603**	**482**	**536**	**460**	**20.2**	**1.8**	**-10.2**	**8,090**	**3.7**	**3.7**
0	**111**	**0**	**0**	**23**	**0**	**-/-**	**0.0**	**-100.0**	**33,940**	**-/-**	**-/-**
37	**111**	**603**	**482**	**559**	**460**	**20.2**	**1.8**	**-13.8**	**42,030**	**-/-**	**-/-**
2,001	**1,517**	**23,006**	**18,468**	**19,969**	**17,990**	**19.7**	**4.7**	**-7.5**	**321,840**	**4.0**	**4.0**

	Year of con-struction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. park-ing in %
Frankfurt am Main								
Frankfurt am Main, Theodor-Stern-Kai 1	2002	Core/Core+	100.0	Freehold	Office	65.5	53.6	81.8
Stuttgart, Buschlestr.1/Reinsburgstr. 26-34	1900	Core/Core+	100.0	Freehold	Office	89.1	84.2	94.5
Stuttgart, Uhlandstr. 2	1982	Core/Core+	100.0	Freehold	Office	51.6	51.3	99.5
Stuttgart, Plieninger Str. 140	1982	Core/Core+	100.0	Freehold	Office	20.9	20.9	100.0
Bad Homburg, Benzstr. 1	2005	Core/Core+	100.0	Freehold	Office	14.5	14.5	100.0
Frankfurt am Main, Colmarer Str. 5 + 11, "C³-ComConCenter"	2003	Core/Core+	94.0	Freehold	Office	16.2	14.4	88.4
Frankfurt am Main, Cargo City Süd, Logistik Center, Geb. 543	1999	Core/Core+	100.0	Leasehold	Logistics	11.7	11.7	100.0
Frankfurt am Main, Lahnstr. 34 - 40	1991	Core/Core+	100.0	Freehold	Office	6.8	6.8	100.0
Total: Core/Core+						**276.2**	**257.3**	**93.1**
Frankfurt am Main, Emil-von-Behring-Str. 8-14	1996	Value Add	100.0	Freehold	Office	33.3	18.6	55.7
Mannheim, Janderstr./Schildkrötstr., "High-Tech-Park I"	1994	Value Add	100.0	Freehold	Office	12.6	11.1	88.1
Mannheim, Gottlieb-Daimler-Str. 6-8	1973	Value Add	100.0	Freehold	Office	8.2	6.6	79.8
Mannheim, Janderstr. 2, 3, 4, 5, 6, "High-Tech-Park II"	2002	Value Add	100.0	Freehold	Office	7.8	7.6	96.7
Oberursel, In den Schwarzwiesen 9	1994	Value Add	100.0	Freehold	Office	6.1	6.1	100.0
Neu Isenburg, Siemensstr. 14	1993	Value Add	100.0	Freehold	Office	6.9	0.0	0.0
Ludwigsburg, Monrepostr. 49	1994	Value Add	100.0	Freehold	Office	5.4	5.0	92.2
Neu Isenburg, Dornhofstr. 18	1991	Value Add	100.0	Freehold	Office	3.6	0.7	19.3
Bad Homburg, Im Atzelnest 5	1991	Value Add	100.0	Freehold	Office	3.0	2.5	85.1
Bad Homburg, Im Atzelnest 3	1990	Value Add	100.0	Freehold	Office	2.5	2.4	98.5
Total: Value Add						**89.5**	**60.6**	**67.7**
Total: Core/Core+ & Value Add						**365.8**	**317.9**	**86.9**
Total: workout (income producing)						**1.7**	**1.0**	**56.5**
Total: workout (non income producing)						**0.0**	**0.0**	**-/-**
Total: income/non income producing						**1.7**	**1.0**	**56.5**
Total: Frankfurt						**367.5**	**318.9**	**86.8**
Hamburg								
Hamburg, Christoph-Probst-Weg 26-31, "Quartier am Zeughaus"	1930	Core/Core+	100.0	Freehold	Office	15.6	15.6	99.8
Hamburg, Suhrenkamp 71-77, "Penta Hof"	1999	Core/Core+	100.0	Freehold	Office	23.7	21.8	91.9
Hamburg, Baumwall 5-7, "Überseehaus"	1982	Core/Core+	100.0	Freehold	Office	11.1	9.9	89.8
Hamburg, Mittelweg 176-177	1994	Core/Core+	100.0	Leasehold	Office	14.0	14.0	100.0
Hamburg, Heidenkampsweg 99, 101, "City-Tor Hamburg"	1988	Core/Core+	100.0	Freehold	Office	18.6	16.9	90.8
Hamburg, Christoph-Probst-Weg 1-2, Quartier am Zeughaus 2. BA	2008	Core/Core+	100.0	Freehold	Office	13.8	11.4	82.4
Hamburg, Sonninstr. 24-28, "Sonnin-Hof"	1915	Core/Core+	100.0	Freehold	Office	20.9	17.1	81.7
Hamburg, Christoph-Probst-Weg 3-4, Quartier am Zeughaus 1. BA	2005	Core/Core+	100.0	Freehold	Office	13.6	9.2	68.0
Hamburg, Van-der-Smissen-Str. 1-2a, "Kreuzfahrtcenter"	1992	Core/Core+	100.0	Leasehold	Office	7.8	7.8	100.0
Hamburg, Blohmstr. 10-14, "Channel 9, 10, 11"	2006	Core/Core+	100.0	Freehold	Office	10.6	10.6	100.0
Hamburg, Karnapp 25, "Channeltower"	2002	Core/Core+	100.0	Freehold	Office	9.2	9.1	98.3
Hamburg, Altonaer Poststr. 9-13b, "Postamt"	1892	Core/Core+	100.0	Freehold	Office	8.8	8.7	99.1
Hamburg, Essener Bogen 6 a-d, (Gewerbepark Mitte)	2007	Core/Core+	100.0	Freehold	Office	5.4	5.4	100.0
Hamburg, Harburger Schloßstr. 24, "Channel 2"	1999	Core/Core+	100.0	Freehold	Office	3.7	3.7	100.0
Hamburg, Harburger Schloßstr. 22a, "Palmspeicher"	1995	Core/Core+	100.0	Freehold	Office	5.1	4.6	91.0

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
532	0	14,247	11,833	12,558	11,416	16.9	8.6	-5.8	239,800	3.6	3.6
592	4	12,293	11,716	11,719	11,716	4.7	8.6	0.0	198,530	6.0	6.0
570	0	8,106	8,087	8,121	8,032	0.2	8.4	-0.4	129,710	4.6	4.6
0	746	3,783	3,783	3,783	3,820	0.0	2.9	0.0	50,620	7.6	7.6
84	153	3,031	3,031	2,981	3,031	0.0	2.9	1.7	38,720	7.8	7.8
161	0	1,963	1,697	1,149	1,697	13.5	3.0	47.7	23,730	2.8	2.8
0	0	1,449	1,449	1,449	1,488	0.0	17.8	0.0	17,480	6.8	6.8
113	17	751	751	751	751	0.0	3.3	0.0	12,250	6.4	6.4
2,052	**920**	**45,622**	**42,348**	**42,511**	**41,950**	**7.2**	**7.6**	**-0.4**	**710,840**	**5.1**	**5.1**
551	16	4,343	2,474	2,947	2,474	43.0	2.7	-16.1	60,260	1.4	1.4
140	94	1,423	1,234	1,215	1,165	13.3	2.4	1.6	22,200	4.2	4.2
275	156	1,060	941	822	941	11.2	1.2	14.5	20,160	0.9	0.9
86	69	1,082	1,016	864	835	6.1	3.1	17.5	13,850	5.2	5.2
103	2	1,026	1,026	966	1,026	0.0	2.0	6.2	9,180	11.0	11.0
74	29	834	0	529	0	100.0	0.0	-100.0	8,250	3.0	3.0
83	9	451	420	438	420	6.9	1.7	-4.0	5,050	6.1	6.1
48	24	362	87	184	87	75.9	2.1	-52.6	4,180	0.9	0.9
42	4	294	251	53	251	14.5	2.3	376.7	3,840	1.7	1.7
52	4	222	208	314	15	6.4	5.9	-33.7	3,580	0.8	0.8
1,454	**407**	**11,096**	**7,657**	**8,332**	**7,213**	**31.0**	**2.4**	**-8.1**	**150,550**	**2.9**	**2.9**
3,506	**1.327**	**56,719**	**50,004**	**50,843**	**49,163**	**11.8**	**6.8**	**-1.6**	**861,390**	**4.7**	**4.7**
14	**19**	**174**	**107**	**109**	**107**	**38.6**	**1.1**	**-1.8**	**1,810**	**3.1**	**3.1**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**13,730**	**-/-**	**-/-**
14	**19**	**174**	**107**	**109**	**107**	**38.6**	**1.1**	**-1.8**	**15,540**	**-/-**	**-/-**
3,520	**1.346**	**56,893**	**50,111**	**50,951**	**49,270**	**11.9**	**6.8**	**-1.6**	**876,930**	**4.6**	**4.6**
201	31	2,588	2,569	2,308	3,276	0.7	2.7	11.3	47,060	4.3	4.3
347	113	3,062	2,803	3,056	2,803	8.4	4.2	-8.3	44,390	5.2	5.2
78	48	2,254	2,048	1,898	1,990	9.2	2.1	7.9	41,870	3.9	3.9
220	0	2,881	3,462	3,462	3,462	0.0	10.0	0.0	39,850	7.1	7.1
156	78	2,726	2,528	2,474	2,528	7.3	0.3	2.2	36,810	6.9	6.9
208	24	2,135	1,798	2,113	1,798	15.8	3.0	-14.9	35,890	4.7	4.7
0	188	2,982	2,640	2,524	2,639	11.5	1.4	4.6	35,040	6.8	6.8
241	33	2,125	1,430	2,003	1,430	32.7	3.1	-28.6	33,680	4.0	4.0
102	20	1,697	1,689	1,461	1,663	0.5	5.9	15.6	29,850	4.2	4.2
212	0	1,609	1,569	1,524	1,388	2.5	2.1	3.0	23,450	5.3	5.3
108	121	1,465	1,443	1,319	1,428	1.5	1.3	9.4	20,820	5.5	5.5
0	55	838	836	820	836	0.3	2.4	2.0	11,240	6.8	6.8
0	91	670	670	575	670	0.0	5.3	16.6	8,560	8.1	8.1
69	37	498	474	466	474	4.9	4.5	1.7	7,670	4.3	4.3
0	108	624	561	561	580	10.1	3.5	-0.1	7,500	6.4	6.4

	Year of con-struction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. park-ing in %
Hamburg, Harburger Schloßstr. 26, "Channel 3"	1999	Core/Core+	100.0	Freehold	Office	3.6	3.2	87.8
Hamburg, Harburger Schloßstr. 28, "Channel 4"	1999	Core/Core+	100.0	Freehold	Office	3.5	2.6	74.5
Hamburg, Harburger Schloßstr. 18, "Channel 1"	1998	Core/Core+	100.0	Freehold	Office	1.9	1.9	100.0
Oststeinbek, Willinghusener Weg 5 a-e	1990	Core/Core+	100.0	Freehold	Office	7.0	6.0	85.2
Hamburg, Harburger Schloßstr. 30, "Channel 8"	2000	Core/Core+	100.0	Freehold	Office	2.6	2.6	100.0
Flensburg, Friesische Str. 1-9/Rote Str. 2	1984	Core/Core+	100.0	Freehold	Office	3.3	2.6	77.9
Hanover, Freundallee 11	1987	Core/Core+	100.0	Freehold	Office	3.3	3.3	100.0
Total: Core/Core+						**207.0**	**187.8**	**90.7**
Hamburg, Großer Burstah 3/Trostbrücke 2	1966	Value Add	100.0	Freehold	Office	30.2	29.9	99.2
Hamburg, Rödingsmarkt 20	2010	Value Add	100.0	Freehold	Office	7.0	0.6	9.2
Hamburg, Schellerdamm 22-28, "Channel 5-7"	1997	Value Add	100.0	Freehold	Office	16.1	8.0	49.3
Schenefeld, Osterbrooksweg 36-49, (Lager-/Bürogebäude)	1959	Value Add	100.0	Freehold	Logistics	46.3	16.6	35.9
Hamburg, Heidenkampsweg 44-46	1984	Value Add	100.0	Freehold	Office	4.4	2.5	57.4
Hamburg, Lademannbogen 12, 12a	1978	Value Add	100.0	Freehold	Office	4.1	2.3	55.3
Langen, Lavener Weg 3/Im Steinviertel 45	1963	Value Add	100.0	Freehold	Logistics	13.5	13.5	100.0
Schenefeld, Osterbrooksweg 35, (Rechenzentrum)	1991	Value Add	100.0	Freehold	Other	4.1	4.1	100.0
Bad Schwartau, Markttwiete 8-10	1987	Value Add	100.0	Freehold	Retail	2.9	2.1	71.9
Total: Value Add						**128.5**	**79.6**	**61.9**
Total: Core/Core+ & Value Add						**335.6**	**267.4**	**79.7**
Total: workout (income producing)						**14.2**	**13.9**	**97.9**
Total: workout (non income producing)						**19.4**	**0.0**	**0.0**
Total: income/non income producing						**33.6**	**13.9**	**41.4**
Total: Hamburg						**369.1**	**281.3**	**76.2**
Helsinki								
Helsinki, Vallilan Toimisto	1930	Core/Core+	100.0	Freehold	Office	14.0	14.0	100.0
Helsinki, Vilhonkatu 5	1992	Core/Core+	100.0	Leasehold	Retail	6.6	5.4	81.7
Helsinki, Sörnäisten Rantatie 25	1961	Core/Core+	100.0	Freehold	Office	8.3	7.1	85.4
Vantaa, Plaza Forte	2002	Core/Core+	100.0	Freehold	Office	6.1	4.6	75.7
Vantaa, Pakkalan Kartanonkoski 3	1992	Core/Core+	100.0	Leasehold	Office	7.8	7.5	95.4
Helsinki, Radiokatu 20	1985	Core/Core+	100.0	Leasehold	Office	12.1	10.3	85.4
Vantaa, Pakkalan Kartanonkoski 12	2001	Core/Core+	100.0	Leasehold	Office	3.4	3.4	99.7
Espoo, Niittymäenpolku	1991	Core/Core+	100.0	Freehold	Office	5.4	4.0	74.4
Espoo, Scifin Alfa	1991	Core/Core+	100.0	Freehold	Office	5.5	4.0	72.3
Espoo, Kilon Timantti	1991	Core/Core+	100.0	Freehold	Office	4.6	3.7	80.1
Helsinki, Vanha Talvitie 11	1919	Core/Core+	100.0	Leasehold	Office	6.2	5.5	87.6
Helsinki, Latokartanontie 7	1987	Core/Core+	100.0	Leasehold	Office	3.6	3.2	90.6
Helsinki, Ykkösseppä	1989	Core/Core+	100.0	Leasehold	Other	4.7	4.4	93.2
Helsinki, Niittylänpolku 16	1988	Core/Core+	100.0	Freehold	Office	3.8	2.9	77.1
Helsinki, Kornetintie 6	1966	Core/Core+	100.0	Leasehold	Office	3.3	2.8	86.8
Total: Core/Core+						**95.3**	**82.7**	**86.8**
Helsinki, Kumpulantie	1952	Value Add	100.0	Freehold	Office	10.9	9.9	91.5
Espoo, Tapiontuuli, Itätuulenttie 1	1977	Value Add	100.0	Freehold	Office	6.9	4.7	68.0
Espoo, Sinimäentie 10 Kiineistö	1989	Value Add	100.0	Freehold	Office	11.0	6.9	62.7
Helsinki, Pasilanraitio 5	1984	Value Add	100.0	Leasehold	Office	6.7	6.2	91.6

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
86	79	573	481	239	418	16.0	3.8	101.3	7,140	1.6	1.6
43	31	534	400	531	400	25.1	1.5	-24.6	6,900	6.3	6.3
40	77	534	524	522	458	1.8	2.9	0.5	6,820	4.6	4.6
0	60	475	424	466	424	10.8	1.4	-9.1	5,030	8.6	8.6
2	13	377	375	355	375	0.3	0.8	5.9	4,640	7.4	7.4
32	0	362	290	351	290	19.9	2.6	-17.5	4,610	5.1	5.1
0	69	322	322	322	322	0.0	0.0	0.0	4,180	6.7	6.7
2,145	**1,276**	**31,333**	**29,337**	**29,351**	**29,652**	**6.4**	**3.4**	**0.0**	**463,000**	**5.4**	**5.4**
198	0	5,463	5,463	5,463	5,463	0.0	0.9	0.0	73,890	9.3	9.3
20	0	1,451	134	0	2	90.8	4.7	-/-	25,450	-/-	-/-
1	119	1,593	753	616	753	52.7	2.3	22.2	20,590	0.1	0.1
0	204	1,487	467	1,723	467	68.6	3.5	-72.9	15,530	6.1	6.1
27	32	476	263	427	226	44.8	2.8	-38.4	5,940	4.0	4.0
45	10	329	153	152	153	53.6	1.0	0.3	3,960	2.4	2.4
0	0	166	166	126	166	0.0	1.0	31.4	1,480	11.3	11.3
0	0	247	247	247	247	0.0	0.0	0.0	1,410	15.4	15.4
30	2	513	383	472	383	25.3	0.0	-18.8	0	-/-	-/-
321	**367**	**11,725**	**8,028**	**9,227**	**7,859**	**31.5**	**1.3**	**-13.0**	**148,250**	**5.9**	**5.9**
2,466	**1,643**	**43,057**	**37,365**	**38,577**	**37,512**	**13.2**	**2.9**	**-3.1**	**611,250**	**5.5**	**5.5**
9	**20**	**471**	**471**	**465**	**471**	**0.0**	**2.0**	**1.2**	**10,580**	**3.2**	**3.2**
143	**68**	**10**	**10**	**3,387**	**10**	**0.0**	**1.2**	**-99.7**	**39,055**	**6.9**	**6.9**
152	**88**	**481**	**481**	**3,852**	**481**	**0.0**	**2.0**	**-87.5**	**49,635**	**6.1**	**6.1**
2,618	**1,731**	**43,538**	**37,846**	**42,429**	**37,993**	**13.1**	**2.9**	**-10.8**	**660,885**	**5.5**	**5.5**
0	100	2,335	2,335	2,278	2,335	0.0	9.0	2.5	25,467	5.3	5.3
0	51	1,561	1,272	1,331	1,272	18.5	3.1	-4.5	17,390	5.0	5.0
0	104	1,259	1,243	1,209	1,243	1.3	6.7	2.8	14,875	6.4	6.4
0	199	1,349	1,100	1,010	1,100	18.4	1.0	8.9	13,927	5.7	5.7
0	243	1,385	1,305	1,346	1,305	5.7	1.0	-3.0	12,006	7.8	7.8
0	118	1,691	1,631	1,528	1,631	3.6	5.1	6.7	11,983	5.1	5.1
0	27	721	714	720	714	0.9	1.3	-0.8	6,221	7.9	7.9
0	157	879	698	893	698	20.5	3.6	-21.8	6,173	5.7	5.7
0	0	629	527	613	527	16.2	1.4	-14.1	4,777	3.6	3.6
0	95	555	480	493	480	13.5	0.8	-2.7	4,532	8.8	8.8
0	36	680	572	694	572	15.9	0.1	-17.6	4,230	6.7	6.7
0	36	581	531	573	531	8.6	0.8	-7.2	3,582	10.8	10.8
0	43	441	434	424	434	1.6	0.6	2.4	3,171	7.8	7.8
0	13	264	264	187	264	0.0	3.0	41.1	2,200	8.9	8.9
0	41	357	301	336	301	15.8	0.5	-10.7	1,989	7.6	7.6
0	**1,263**	**14,685**	**13,406**	**13,635**	**13,406**	**8.7**	**3.7**	**-1.7**	**132,523**	**6.2**	**6.2**
0	45	1,304	1,294	1,100	1,294	0.7	1.7	17.7	15,417	5.9	5.9
0	118	925	913	834	913	1.3	3.4	9.4	12,391	4.9	4.9
0	289	1,386	834	913	834	39.8	0.9	-8.6	10,109	3.7	3.7
0	62	1,234	1,037	884	1,037	15.9	1.7	17.4	9,166	5.4	5.4

	Year of con-struction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. park-ing in %
Helsinki, Kutomotie	1946	Value Add	100.0	Freehold	Office	7.7	7.1	91.7
Helsinki, Malmin Kauppatie 8	1987	Value Add	100.0	Leasehold	Office	5.1	4.1	81.0
Espoo, Kilon Helmi	1991	Value Add	100.0	Freehold	Office	4.6	2.7	58.3
Helsinki, Satomalmi	1989	Value Add	100.0	Freehold	Office	3.4	3.3	95.3
Helsinki, Kiiskinkatu 5 Kiinteistö	1991	Value Add	100.0	Leasehold	Office	4.2	4.2	99.6
Kokkola, Pitkänsillankatu 1-3	1887	Value Add	100.0	Freehold	Office	6.8	6.0	88.5
Kuopi, Satama 4	1940	Value Add	100.0	Freehold	Office	5.8	5.1	86.9
Helsinki, Kirkonkyläntie 3	1949	Value Add	100.0	Freehold	Office	1.4	1.3	98.7
Helsinki, Kamppi Parkki	-	Value Add	100.0	Freehold	Other	0.0	0.0	-/-
Total: Value Add						**74.5**	**61.4**	**82.5**
Total: Core/Core+ & Value Add						**169.7**	**144.1**	**84.9**
Total: workout (income producing)						**0.9**	**0.9**	**100.0**
Total: workout (non income producing)						**0.6**	**0.0**	**0.0**
Total: income/non income producing						**1.5**	**0.9**	**60.1**
Total: Helsinki						**171.2**	**145.0**	**84.7**
Liebenau								
Liebenau, Breslauerstr. 18	-	Value Add	100.0	Freehold	Other	27.2	11.2	41.4
Lippoldsberg, Birkenallee 1	-	Value Add	100.0	Freehold	Other	0.0	0.0	-/-
Total: Value Add						**27.2**	**11.2**	**41.4**
Total: Core/Core+ & Value Add						**27.2**	**11.2**	**41.4**
Total: workout (non income producing)						**6.4**	**2.7**	**42.4**
Total: income/non income producing						**6.4**	**2.7**	**42.4**
Total: Liebenau						**33.5**	**13.9**	**41.6**
London								
Total: workout (non income producing)						**0.0**	**0.0**	**-/-**
Total: income/non income producing						**0.0**	**0.0**	**-/-**
Total: London						**0.0**	**0.0**	**-/-**
Milan								
Milan, Via Dione Cassio 13/Via Clemente Prudenzio 14, 16	1980	Value Add	99.0	Freehold	Office	8.3	4.9	58.9
Total: Value Add						**8.3**	**4.9**	**58.9**
Total: Core/Core+ & Value Add						**8.3**	**4.9**	**58.9**
Total: Milan						**8.3**	**4.9**	**58.9**
Munich								
Unterföhring, Dieselstr. 6	2004	Core/Core+	100.0	Freehold	Office	65.6	65.6	100.0
Munich, Fritz-Schäffer-Str. 9	1981	Core/Core+	94.9	Freehold	Office	71.6	71.6	100.0
Munich, Rosenheimer Str. 145, 145a-i/Anzinger Str. 1-17	1939	Core/Core+	0.0	Freehold	Office	90.3	86.0	95.2
Unterföhring, Dieselstr. 4/Gutenbergstr. 8	1992	Core/Core+	100.0	Freehold	Office	65.4	65.4	100.0
Munich, St.-Martin-Str. 76	1993	Core/Core+	100.0	Freehold	Office	57.4	57.4	100.0
Grasbrunn, Robert-Bosch-Ring 57	2001	Core/Core+	100.0	Freehold	Office	34.4	34.4	100.0
Munich, Garmischer Str. 2-12/Ridlerstr. 51	1985	Core/Core+	100.0	Freehold	Office	22.9	21.3	92.8

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
0	49	728	664	777	664	8.8	1.0	-14.6	5,817	9.2	9.2
0	77	496	453	98	453	8.6	2.1	363.7	4,197	-/-	-/-
0	80	689	454	443	454	34.0	0.7	2.4	3,945	7.0	7.0
0	58	487	478	353	478	1.8	1.4	35.5	3,276	6.1	6.1
0	60	499	497	414	497	0.4	0.9	20.1	2,941	5.3	5.3
0	43	560	530	508	530	5.4	0.9	4.4	2,907	10.5	10.5
0	26	496	424	407	424	14.5	0.6	4.3	2,274	11.1	11.1
0	15	212	209	222	209	1.3	1.1	-5.6	1,505	7.1	7.1
0	37	78	78	78	78	0.0	2.0	0.4	1,344	5.2	5.2
0	**959**	**9,093**	**7,867**	**7,030**	**7,867**	**13.5**	**1.5**	**11.9**	**75,289**	**5.4**	**5.4**
0	**2,222**	**23,778**	**21,272**	**20,665**	**21,272**	**10.5**	**2.9**	**2.9**	**207,812**	**5.9**	**5.9**
0	**22**	**164**	**163**	**160**	**163**	**1.1**	**3.2**	**2.0**	**1,391**	**7.2**	**7.2**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**996**	**-/-**	**-/-**
0	**22**	**164**	**163**	**160**	**163**	**1.1**	**3.2**	**2.0**	**2,387**	**3.6**	**3.6**
0	**2,244**	**23,943**	**21,435**	**20,825**	**21,435**	**10.5**	**2.9**	**2.9**	**210,199**	**5.9**	**5.9**
0	13	423	423	271	423	0.0	3.8	55.8	13,800	1.3	1.3
0	0	172	172	172	172	0.0	35.0	0.0	1,620	10.6	10.6
0	**13**	**594**	**594**	**443**	**594**	**0.0**	**12.8**	**34.2**	**15,420**	**2.3**	**2.3**
0	**13**	**594**	**594**	**443**	**594**	**0.0**	**12.8**	**34.2**	**15,420**	**2.3**	**2.3**
0	**4**	**36**	**36**	**36**	**36**	**0.0**	**1.2**	**-0.1**	**5,570**	**0.1**	**0.1**
0	**4**	**36**	**36**	**36**	**36**	**0.0**	**1.2**	**-0.1**	**5,570**	**0.1**	**0.1**
0	**17**	**630**	**630**	**479**	**630**	**0.0**	**12.2**	**31.6**	**20,990**	**1.7**	**1.7**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**11,376**	**-/-**	**-/-**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**11,376**	**-/-**	**-/-**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**11,376**	**-/-**	**-/-**
0	55	714	460	490	460	35.6	3.2	-6.1	7,270	-/-	-/-
0	**55**	**714**	**460**	**490**	**460**	**35.6**	**3.2**	**-6.1**	**7,270**	**-/-**	**-/-**
0	**55**	**714**	**460**	**490**	**460**	**35.6**	**3.2**	**-6.1**	**7,270**	**-/-**	**-/-**
0	**55**	**714**	**460**	**490**	**460**	**35.6**	**3.2**	**-6.1**	**7,270**	**-/-**	**-/-**
926	0	11,195	11,195	11,195	11,195	0.0	13.0	0.0	211,270	4.2	4.2
672	0	10,270	10,270	10,270	10,270	0.0	9.0	0.0	168,810	5.4	5.4
0	197	9,455	9,006	8,647	8,890	4.7	1.5	4.2	128,830	6.8	6.8
166	0	7,026	7,026	7,026	7,026	0.0	13.0	0.0	117,910	5.5	5.5
1,259	28	7,354	7,354	6,831	7,354	0.0	5.2	7.7	109,820	6.2	6.2
561	82	3,814	3,790	4,564	2,384	0.6	10.0	-17.0	63,730	4.8	4.8
342	14	3,346	3,174	2,957	3,131	5.1	6.2	7.4	46,650	5.6	5.6

	Year of construction	Investment profile	IVG share 2011 in %	Type of ownership	Type of use	Lettable space excl. arking in '000 sqm	Rented space excl. parking in '000 sqm	Occupancy rate by area excl. parking in %
Munich, Landsberger Str. 155, "Artemis"	2000	Core/Core+	100.0	Freehold	Office	20.8	14.1	67.8
Munich, Arnulfstr. 25-27, "Pontis Haus"	1992	Core/Core+	100.0	Freehold	Office	13.6	11.1	81.5
Munich, Karl-Weinmair-Str. 9-11, "Fashion Mall Titan"	2008	Core/Core+	100.0	Freehold	Office	9.9	9.9	100.0
Munich, Heinrich-Kley-Str. 6, "Fashion Mall Bronce"	2007	Core/Core+	100.0	Freehold	Office	5.7	5.3	93.5
Nuremberg, Nordostpark 89-93	2002	Core/Core+	100.0	Freehold	Office	9.1	9.1	99.1
Nuremberg, Nordostpark 12-14	1999	Core/Core+	6.0	Freehold	Office	8.5	8.4	98.9
Munich, Sendlinger-Tor-Platz 5/Thalkircher Str. 2	1981	Core/Core+	100.0	Leasehold	Office	4.5	4.5	100.0
Nuremberg, Nordostpark 7-9	2008	Core/Core+	100.0	Freehold	Office	5.6	5.5	98.2
Nuremberg, Nordostpark 3-5	2007	Core/Core+	100.0	Freehold	Office	5.8	5.5	93.4
Regensburg, Frankenstr. 9	2003	Core/Core+	100.0	Freehold	Office	3.6	3.6	100.0
Munich, Arabellapark 26/28	1975	Core/Core+	100.0	Freehold	Office	2.1	2.1	100.0
Unterschleißheim, Einsteinstr. 2	1989	Core/Core+	100.0	Freehold	Office	2.8	2.8	100.0
Nuremberg, Nordostpark 26, Parkhaus	1993	Core/Core+	100.0	Freehold	Other	0.0	0.0	-/-
Nuremberg, Nordostpark 87, Kindertagesstätte	2001	Core/Core+	100.0	Freehold	Other	1.0	1.0	100.0
Total: Core/Core+						**500.7**	**484.5**	**96.8**
Munich, Implerstr. 7-9/Kapellenweg 4-6	1973	Value Add	100.0	Freehold	Office	13.9	12.4	88.9
Munich, Leopoldstr. 236-238, "Pallas-Haus"	1990	Value Add	100.0	Freehold	Office	10.3	5.6	54.7
Munich, Rosenheimer Str./Anzinger Str.	-	Value Add	100.0	Freehold	Other	2.7	0.4	13.8
Nuremberg, Nordostpark 51	1936	Value Add	100.0	Freehold	Logistics	2.4	1.8	73.2
Ottobrunn, Lise-Meitner-Str. 7	1968	Value Add	100.0	Freehold	Other	3.1	3.1	100.0
Ottobrunn, Ludwig-Bölkow-Allee	1981	Value Add	100.0	Freehold	Office	0.0	0.0	-/-
Ottobrunn, Lise-Meitner Str. - Kasino	2007	Value Add	100.0	Freehold	Other	0.0	0.0	-/-
Nuremberg, Nordostpark 62, 64, 66, 72	1962	Value Add	100.0	Freehold	Other	10.6	7.1	66.8
Brunnthal, Meisenstr.	1970	Value Add	100.0	Freehold	Other	0.9	0.9	100.0
Total: Value Add						**43.8**	**31.2**	**71.1**
Total: Core/Core+ & Value Add						**544.5**	**515.6**	**94.7**
Total: workout (income producing)						**7.9**	**6.5**	**82.7**
Total: workout (non income producing)						**14.1**	**13.3**	**94.1**
Total: income/non income producing						**22.0**	**19.8**	**90.0**
Total: Munich						**566.5**	**535.5**	**94.5**
Paris								
Courbevoie,117-121, avenue de l`Arche/47/49, rue des Fauvelles	2003	Core/Core+	100.0	Freehold	Office	11.0	11.0	100.0
Total: Core/Core+			**100.0**			**11.0**	**11.0**	**100.0**
Total: Core/Core+ & Value Add			**100.0**			**11.0**	**11.0**	**100.0**
Total: Paris			**100.0**			**11.0**	**11.0**	**100.0**
Warsaw								
Total: workout (non income producing)			**100.0**			**0.0**	**0.0**	**-/-**
Total: income/non income producing			**100.0**			**0.0**	**0.0**	**-/-**
Total: Warsaw			**100.0**			**0.0**	**0.0**	**-/-**
Total						**2,011.5**	**1,692.2**	**84.1**

Parking lots indoor	Parking lots outdoor	Expected rent in '000 €	Contract rent in '000 €	Contract rent t-12 in '000 €	Actual rent (net rent) in '000 €	Economic vacancy in %	WAULT in years	Like-for-like rents in %	Fair value of property actual in '000 €	NRI in %	NOI in %
281	0	3,208	2,164	1,887	1,885	32.5	4.4	14.7	45,070	2.5	2.5
150	0	2,389	2,076	2,117	1,938	13.1	2.1	-1.9	37,850	4.3	4.3
256	0	1,925	1,909	1,877	1,897	0.8	2.1	1.7	33,610	7.8	7.8
88	16	1,087	1,002	988	1,002	7.8	2.3	1.4	17,510	-/-	-/-
143	49	1,200	1,191	1,146	1,191	0.7	1.4	3.9	16,960	5.4	5.4
0	2	1,003	994	982	994	1.0	2.7	1.2	13,190	6.2	6.2
5	0	1,058	1,058	1,034	971	0.0	3.9	2.4	11,900	5.2	5.2
0	5	824	819	807	819	0.7	4.1	1.5	10,670	6.5	6.5
0	7	803	758	798	758	5.7	2.2	-5.0	10,570	6.4	6.4
47	24	386	386	385	386	0.1	4.5	0.2	5,490	5.4	5.4
0	11	264	264	264	264	0.0	3.7	0.0	4,900	4.8	4.8
36	0	489	489	444	523	0.0	1.1	10.1	3,770	14.1	14.1
406	0	204	165	172	165	18.9	1.3	-4.0	2,120	2.0	2.0
0	0	18	18	17	19	0.0	19.8	3.9	220	4.0	4.0
5,338	**435**	**67,318**	**65,107**	**64,406**	**63,061**	**3.3**	**7.3**	**1.1**	**1,060,850**	**5.3**	**5.3**
92	18	1,801	1,746	2,042	1,532	3.1	7.1	-14.5	29,960	5.6	5.6
138	12	1,546	853	1,101	853	44.8	1.6	-22.5	24,520	3.1	3.1
963	93	654	235	245	235	64	1,0	-4.0	18,290	-/-	-/-
0	106	118	85	83	85	28	1,4	2.8	6,470	-/-	-/-
0	10	273	273	258	273	0.0	3.4	6.1	3,880	3.9	3.9
1	0	0	0	0	0	-/-	0.0	-/-	3,370	-/-	-/-
0	0	0	0	0	0	-/-	0.0	-/-	3,170	-/-	-/-
0	117	263	263	210	247	0.0	3.4	25.2	2,470	-/-	-/-
0	0	128	128	128	128	0.0	2.0	0.0	1,310	12.6	12.6
1,194	**356**	**4,783**	**3,584**	**4,067**	**3,355**	**25.1**	**4.5**	**-11.9**	**93,440**	**2.7**	**2.7**
6,532	**791**	**72,100**	**68,692**	**68,473**	**66,416**	**4.7**	**3.2**	**0.3**	**1,154,290**	**5.1**	**5.1**
0	**33**	**1,225**	**1,066**	**1,199**	**1,069**	**12.9**	**3.2**	**-11.0**	**15,360**	**5.3**	**5.3**
441	**1,239**	**807**	**524**	**584**	**539**	**35.1**	**8.1**	**-10.3**	**48,730**	**-/-**	**-/-**
441	**1,272**	**2,032**	**1,590**	**1,783**	**1,607**	**21.7**	**4.8**	**-10.8**	**64,090**	**0.5**	**0.5**
6,973	**2,063**	**74,132**	**70,282**	**70,256**	**68,023**	**5.2**	**7.1**	**0.0**	**1,218,380**	**4.8**	**4.8**
180	0	2,550	2,550	2,428	2,550	0.0	1.0	5.0	31,900	7.6	7.6
180	**0**	**2,550**	**2,550**	**2,428**	**2,550**	**0.0**	**1.0**	**5.0**	**31,900**	**7.6**	**7.6**
180	**0**	**2,550**	**2,550**	**2,428**	**2,550**	**0.0**	**1.0**	**5.0**	**31,900**	**7.6**	**7.6**
180	**0**	**2,550**	**2,550**	**2,428**	**2,550**	**0.0**	**1.0**	**5.0**	**31,900**	**7.6**	**7.6**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**5,256**	**-/-**	**-/-**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**5,256**	**-/-**	**-/-**
0	**0**	**0**	**0**	**0**	**0**	**-/-**	**0.0**	**-/-**	**5,256**	**-/-**	**-/-**
17,402	**9,522**	**254,704**	**226,528**	**232,970**	**221,142**	**11.1**	**5.2**	**-2.8**	**3,775,728**	**5.1**	**5.1**

Consolidated Subsidiaries and Equity Investments

at 31.12.2011 (part of the notes to the consolidated financial statements)

	Group share %	Country	Equity € '000	Net profit for the year € '000	
I. Affi liated, consolidated companies [1]					
actio(plus KG K.u.K. Grundverwaltungs GmbH & Co., Berlin	52.53	Germany	17,475	1,548	5)
Asticus AB, Gothenborg	100.00	Sweden	122,715	-626	
Asticus Belgium II SNC, Brussels	100.00	Belgium	548,959	20,174	
Asticus Belgium SNC, Brussels	100.00	Belgium	446,992	-15,419	
Asticus Europe GIE, Brussels	100.00	Belgium	0	0	
Asticus International AB, Stockholm	100.00	Sweden	74,838	-22	
Batipromo S.A., Brussels	100.00	Belgium	318,774	147,846	
Beaulieu SPV SA, Brussels	100.00	Belgium	-1,807	-31	
Bessenveld SA, Brussels	100.00	Belgium	671	-65	
Bolet SA, Brussels	100.00	Belgium	-6,826	-2,592	
Bonne Odeur SA, Brussels	100.00	Belgium	-476	-245	
BOTAGRUND Verwaltungs- GmbH, Bonn	100.00	Germany	2,181	1,546	4)
Brooksave Ltd., London	100.00	UK	3,182	0	
BURG Grundstücksverwaltung GmbH & Co. Ristamos KG, Berlin	96.31	Germany	-3,105	-784	5)
C:ie Foncière Vendôme, Paris	100.00	France	139,113	24,558	
Demot SPV SA, Brussels	100.00	Belgium	-270	-19	
Edison SA, Luxembourg	100.00	Luxembourg	-1,892	0	
FvH Grundstücksverwaltungs-GmbH & Co. Hardenbergstraße 26 - KG, Bonn	98.38	Germany	1,858	477	5)
GELFOND Verwaltungsgesellschaft mbH & Co. Frankfurt - Niederrad Besitz KG, Munich	94.00	Germany	-26,996	4,011	5)
Gertrud SA, Brussels	100.00	Belgium	117,672	267	
Groenhoek SA, Brussels	100.00	Belgium	-1,522	-742	
Grundbesitz Investitionsgesellschaft Leibniz-Kolonnaden mbH & Co. KG, Berlin	100.00	Germany	5,582	1,173	5)
Helsingin Latokartanontie 7 Koy, Helsinki	100.00	Finland	2,829	-89	
Helsingin Radiokatu Koy, Helsinki	100.00	Finland	8,038	-297	
HRI Lux Verwaltungsgesellschaft S.A.	100.00	Luxembourg	186	8	
Immobilière Groenveld SA, Brussels	100.00	Belgium	13,165	474	
Infopark E Kft, Budapest	100.00	Hungary	1,167	-2,034	
Infopark Fejlesztesi RT, Budapest	100.00	Hungary	9,378	1,479	
IVG 55 Moorgate GmbH, Berlin	100.00	Germany	12,682	0	4)

	Group share %	Country	Equity € '000	Net profit for the year € '000	
IVG Asset Management GmbH, Bonn	100.00	Germany	-13,187	-55	4)
IVG Asticus (Aldgate) Ltd., London	100.00	UK	0	-12	
IVG Asticus (Caxton Hall) Ltd., London	100.00	UK	0	2,781	
IVG Asticus (Lombard) Ltd., London	100.00	UK	5	258	
IVG Austria AG	100.00	Austria	765	123	
IVG Austria GmbH	100.00	Austria	96	-24	
IVG Balanced Portfolio Italy GmbH & Co. KG, Bonn	100.00	Germany	-8	8,810	5)
IVG Brussels SNC, Brussels	100.00	Belgium	2,116	-151	
IVG Businesspark Media Works Munich I GmbH & Co. KG, Bonn	100.00	Germany	4,147	3,343	5)
IVG Businesspark Media Works Munich II GmbH & Co. KG, Bonn	100.00	Germany	-579	-5,558	5)
IVG Businesspark Micropolis Ost Verwaltungs GmbH & Co. KG, Bonn	100.00	Germany	69	0	5)
IVG Businesspark vor München II GmbH & Co. KG, Bonn	100.00	Germany	-459	-3,219	5)
IVG Businesspark vor München V GmbH & Co. KG, Bonn	100.00	Germany	130	-247	5)
IVG Caverns GmbH, Bonn	100.00	Germany	1,688,023	51,586	4)
IVG Clearing GmbH, Bonn	100.00	Germany	354,382	-4,525	4)
IVG Curtis Plaza II Sp. z o.o., Warsaw	100.00	Poland	1,367	1,282	
IVG Deutschland Immobilien GmbH, Bonn	100.00	Germany	103,079	7,321	
IVG Development (UK) Ltd., London	100.00	UK	30,329	3,800	
IVG Development Berlin Objekt Schönefeld I GmbH, Berlin	100.00	Germany	3,215	87	
IVG Development Düsseldorf Objekt Fichtenhain GmbH, Dusseldorf	100.00	Germany	-462	-493	
IVG Development Frankfurt Objekt Savignystraße GmbH, Frankfurt am Main	100.00	Germany	397	-482	
IVG Development GmbH, Bonn	100.00	Germany	23,042	15,302	4)
IVG Development München Objekt Arabellapark GmbH, Munich	100.00	Germany	-188	-269	
IVG Development Obozowa Sp. z o.o., Warsaw	100.00	Poland	-1,854	-1,173	
IVG Developments (Broadway) Ltd., London	100.00	UK	22,341	-13	
IVG Developments (Euston) Limited, London	100.00	UK	178	102	
IVG Developments (London & UK) Limited, London	100.00	UK	13,023	-36	
IVG Developments (Melton St) Limited, London	100.00	UK	134	49	
IVG Dieselstraße 4 GmbH & Co. KG	100.00	Germany	119,275	8,888	5)
IVG Dieselstraße 6 GmbH & Co. KG	100.00	Germany	213,303	3,549	5)
IVG European Properties AB, Gothenborg	100.00	Sweden	99,016	-3,067	
IVG European Real Estate SA, Brussels	100.00	Belgium	138,730	-2,200	
IVG EuroSelect Fonds IV GmbH & Co. KG, Berlin	100.00	Germany	-34,137	-12,242	5)
IVG Fauvelles SAS, Paris	100.00	France	16,609	945	
IVG Finance B.V., Amsterdam	100.00	Netherlands	1,735	-51	
IVG Finance Ltd, Malta	100.00	Malta	-24	236	
IVG Finsbury GmbH, Berlin	100.00	Germany	17,024	0	4)
IVG France S.A.S., Paris	100.00	France	2,601	979	
IVG Front Office Asnières SAS, Paris	100.00	France	12,877	-7,272	
IVG Fund Management GmbH, Bonn	100.00	Germany	403	38	
IVG Gewerbeimmobilien 1 GmbH, Bonn	100.00	Germany	-228	-855	4)
IVG Gewerbeimmobilien 2 GmbH, Bonn	100.00	Germany	526	-243	4)

	Group share %	Country	Equity € '000	Net profit for the year € '000	
IVG Gewerbeimmobilien 3 GmbH, Bonn	100.00	Germany	4,772	1,144	4)
IVG Glasgow Limited Partnership, London	100.00	UK	303	-60	
IVG Holding Ltd, Malta	100.00	Malta	-7	10,996	
IVG Holland V GmbH, Bonn	100.00	Germany	178	2	
IVG Hungary Kft., Budapest	100.00	Hungary	2,303	-358	
IVG Immobilien GmbH & Co. Berlin VIII - Objekt Neue Spreespeicher Cuvryhof - KG, Bonn	100.00	Germany	-2,458	185	5)
IVG Immobilien GmbH & Co. Bonn I - Obj Zanderstraße - KG, Berlin	5.98	Germany	13,860	1,414	3) 5)
IVG Immobilien GmbH & Co. Bonn II - Objekt Bad Godesberg - KG, Bonn	100.00	Germany	1,576	-3	5)
IVG Immobilien GmbH & Co. Bonn XI - Objekt Frankfurt Flughafen - KG, Bonn	100.00	Germany	13,536	1,195	5)
IVG Immobilien GmbH & Co. Liebenau V - Objekt Bremen-Blumenthal - KG, Bonn	100.00	Germany	-6	-4	5)
IVG Immobilienentwicklungsgesellschaft mbH & Co. - Objekt Hamburg Glinde - KG, Hamburg	100.00	Germany	1,638	119	5)
IVG Immobilienentwicklungsgesellschaft mbH & Co. - Objekt Hamburg Glockengießerwall 19 - KG, Hamburg	100.00	Germany	-526	-19	5)
IVG Immobilien-Management GmbH & Co. Berlin I - Objekt Focus Teleport - KG, Bonn	100.00	Germany	-8,653	1,110	5)
IVG Immobilien-Management GmbH & Co. Berlin II - Objekt Tempelhofer Weg 62 - KG, Bonn	100.00	Germany	-2,215	-115	5)
IVG Immobilien-Management GmbH & Co. Berlin III - Objekt Tempelhofer Weg 64 - KG, Bonn	100.00	Germany	-1,679	-57	5)
IVG Immobilien-Management GmbH & Co. Berlin IV - Objekt Am Borsigturm - KG, Bonn	100.00	Germany	-8,482	-323	5)
IVG Immobilien-Management GmbH & Co. Berlin V - Objekt Kurfürstendamm Bayerhaus - KG, Bonn	100.00	Germany	-3,102	-2,279	5)
IVG Immobilien-Management GmbH & Co. Bonn I - - Objekt Düsseldorf Airport Business Center - KG, Bonn	100.00	Germany	-11,432	-629	5)
IVG Immobilien-Management GmbH & Co. Bonn II Objekt Düsseldorf, Kanzlerstraße 8 - KG, Bonn	100.00	Germany	-8,957	-216	5)
IVG Immobilien-Management GmbH & Co. Bonn III - Objekt Düsseldorf, Kanzlerstraße 8a - KG, Bonn	100.00	Germany	-4,992	-484	5)
IVG Immobilien-Management GmbH & Co. Bonn IV - Objekt Düsseldorf, Am Wehrhahn - KG, Bonn	100.00	Germany	-1,395	-239	5)
IVG Immobilien-Management GmbH & Co. Bonn V - Objekt Düsseldorf, Friedrich-Ebert-Straße - KG, Bonn	100.00	Germany	-1,974	-687	5)
IVG Immobilien-Management GmbH & Co. Bonn VI - Objekt Düsseldorf, Immermannstraße/Karlstraße - KG, Bonn	100.00	Germany	-1,495	-305	5)
IVG Immobilien-Management GmbH & Co. Bonn VII - Objekt Düsseldorf, Willstätterstraße - KG, Bonn	100.00	Germany	172	103	5)
IVG Immobilien-Management GmbH & Co. Bonn VIII- Objekt Köln, Neue Weyerstraße - KG, Bonn	100.00	Germany	-586	-478	5)
IVG Immobilien-Management GmbH & Co. Bonn IX - Objekt Krefeld, Ostwall - KG, Bonn	100.00	Germany	-2,149	-463	5)
IVG Immobilien-Management GmbH & Co. Bonn X - Objekt Düsseldorf, Eduard-Schulte-Straße - KG, Bonn	100.00	Germany	630	312	5)
IVG Immobilien-Management GmbH & Co. Frankfurt I - Objekt Lahnstraße- KG, Bonn	100.00	Germany	-4,882	-156	5)
IVG Immobilien-Management GmbH & Co. Frankfurt II - Objekt Heddernheim- KG, Bonn	100.00	Germany	-41,876	-2,168	5)
IVG Immobilien-Management GmbH & Co. Frankfurt III - Objekt Neu-Isenburg - KG, Bonn	100.00	Germany	-3,062	-854	5)
IVG Immobilien-Management GmbH & Co. Frankfurt IV - Objekt Mannheim, Schildkrötstraße - KG, Bonn	100.00	Germany	-2,568	1,017	5)
IVG Immobilien-Management GmbH & Co. Frankfurt V - Objekt Mannheim, High-Tech-Park II - KG, Bonn	100.00	Germany	-2,217	306	5)
IVG Immobilien-Management GmbH & Co. Hamburg I - Objekt Baumwall KG, Bonn	100.00	Germany	-4,800	423	5)

	Group share %	Country	Equity € '000	Net profit for the year € '000	
IVG Immobilien-Management GmbH & Co. Hamburg II - Objekt Heidenkampsweg 44/46 - KG, Bonn	100.00	Germany	-2,859	107	5)
IVG Immobilien-Management GmbH & Co. Hamburg III - Objekt Altonaer Poststrasse - KG, Bonn	100.00	Germany	-2,712	364	5)
IVG Immobilien-Management GmbH & Co. Hamburg IV - Objekt Rödingsmarkt - KG, Bonn	100.00	Germany	-6,611	-8,119	5)
IVG Immobilien-Management GmbH & Co. Hamburg V - Objekt Ludwig-Erhard-Strasse - KG, Bonn	100.00	Germany	-1,584	-49	5)
IVG Immobilien-Management GmbH & Co. Hamburg VI - Objekt Van-der-Smissen-Straße-KG, Bonn	100.00	Germany	-6,165	48	5)
IVG Immobilien-Management GmbH & Co. Hamburg VIII - Objekt Mittelweg - KG, Bonn	100.00	Germany	-16,760	171	5)
IVG Immobilien-Management GmbH & Co. Hamburg IX - Objekt Spiegelinsel - KG, Bonn	100.00	Germany	-22,785	-13,663	5)
IVG Immobilien-Management GmbH & Co. Hamburg X - Objekt Channel 9-11 - KG, Bonn	100.00	Germany	-138	-415	5)
IVG Immobilien-Management GmbH & Co. München I - Objekt Sendlinger-Tor-Platz - KG, Bonn	100.00	Germany	-7,218	-8	5)
IVG Immobilien-Management GmbH & Co. München II - Objekt Fritz-Schäffer-Straße - KG, Bonn	94.90	Germany	198,775	7,066	5)
IVG Immobilien-Management GmbH, Bonn	100.00	Germany	-103	13	
IVG Immobilien-Management Holding AG, Bonn	100.00	Germany	-297,004	-53,814	
IVG Immobilienverwaltung Bonn GmbH & Co. - Objekt Langen - KG, Bonn	100.00	Germany	463	164	5)
IVG Immobilière SAS, Paris	100.00	France	158,434	-2,427	
IVG Institutional Funds GmbH, Wiesbaden	94.00	Germany	22,179	-105	4)
IVG Institutional Management GmbH, Bonn	100.00	Germany	5,438	37	
IVG Investment GmbH, Bonn	100.00	Germany	135,149	-19,049	4)
IVG Investments (UK) Limited, London	100.00	UK	-907	251	
IVG Investments Ltd, Malta	100.00	Malta	1,220	18,608	
IVG Italia S.r.l., Milan	100.00	Italy	600	-1,595	
IVG Italy s.r.l., Milan	100.00	Italy	562	221	
IVG Kavernen Informationszentrum Etzel GmbH & Co. KG, Friedeburg	100.00	Germany	-348	-384	5)
IVG Kavernenbetriebsführungsgesellschaft mbH, Friedeburg	100.00	Germany	106	16	4)
IVG Logistics Holding S.A., Luxembourg	100.00	Luxembourg	3,259	1,261	
IVG Luxembourg S.à.r.l.	94.00	Luxembourg	816	690	
IVG Malta Ltd, Malta	100.00	Malta	1,133	282	
IVG Management GmbH & Co. - Officeportfolio I - KG, Bonn	100.00	Germany	-7,064	19	5)
IVG Management GmbH & Co. - Officeportfolio II - KG, Bonn	100.00	Germany	-4,248	302	5)
IVG Management GmbH & Co. - Officeportfolio III - KG, Bonn	100.00	Germany	9,995	899	5)
IVG Management GmbH & Co. - Officeportfolio IV - KG, Bonn	100.00	Germany	-27,725	-3,040	5)
IVG Management GmbH & Co. Berlin XI - Objekt Gravensteinstraße - KG, Bonn	100.00	Germany	1,059	94	5)
IVG Management GmbH & Co. Berlin XIV - Objekt Taubenstraße - KG, Bonn	100.00	Germany	267	-1,205	5)
IVG Management GmbH & Co. Bonn III - Objekt Neuss - KG, Bonn	100.00	Germany	17,668	246	5)
IVG Management GmbH & Co. Bonn XV Objekt - Zanderstr.1 und 3 - KG, Bonn	100.00	Germany	565	229	5)
IVG Management GmbH & Co. Bonn XVI Objekt Düsseldorf Redlichstrasse KG, Bonn	100.00	Germany	-10,812	-24	5)
IVG Management GmbH & Co. Hamburg III - Objekt Hannover - KG, Bonn	100.00	Germany	3,852	-49	5)
IVG Management GmbH & Co. Hamburg VII - Objekt Spaldingstraße - KG, Bonn	100.00	Germany	93	362	5)
IVG Management GmbH & Co. Hamburg X - Objekt Heidenkampsweg - KG, Bonn	100.00	Germany	4,501	640	5)

	Group share %	Country	Equity € '000	Net profit for the year € '000	
IVG Management GmbH & Co. Hamburg XI - Objekt Christoph-Probst-Weg . KG, Bonn	100.00	Germany	4,400	1,155	5)
IVG Management GmbH & Co. Hamburg XII Objekte Channel Karnapp/Schellerdamm KG, Bonn	100.00	Germany	-12,129	-1,203	5)
IVG Management GmbH & Co. Hamburg XIII Objekte Channel Harburger Schloßstraße KG, Bonn	100.00	Germany	-5,777	31	5)
IVG Management GmbH & Co. Liebenau VIII - Objekt Bomlitz - KG, Bonn	100.00	Germany	1,234	38	5)
IVG Management GmbH & Co. Liebenau IX - Objekt Clausthal - KG, Bonn	100.00	Germany	-4,341	-1,539	5)
IVG Management GmbH & Co. Liebenau X - Objekt Hessisch-Lichtenau - KG, Bonn	100.00	Germany	45	8	5)
IVG Management GmbH & Co. Liebenau XI - Objekt Lippoldsberg - KG, Bonn	100.00	Germany	1,542	186	5)
IVG Management GmbH & Co. Liebenau XII - Objekt Fienerode - KG, Bonn	100.00	Germany	1,729	81	5)
IVG Management GmbH & Co. München XIII - Objekt Leopoldstraße 157 - KG, Bonn	100.00	Germany	-690	-15	5)
IVG Management GmbH & Co. München XVII - Objekt Heinrich Kley Straße - KG, Bonn	100.00	Germany	5,910	1,354	5)
IVG Management GmbH & Co. München XVIII - Objekt Landsberger Straße - KG, Bonn	100.00	Germany	-9,352	-946	5)
IVG Management GmbH & Co. München XIX Objekt Schwabing Leopoldstraße 236 - 238 - KG, Bonn	100.00	Germany	-5,603	-1,318	5)
IVG Management GmbH & Co. München XX . Objekt Nymphenburger Straße - KG, Bonn	100.00	Germany	-9,981	-276	5)
IVG Management GmbH & Co. München XXI - Objekt St. Martin Straße - KG, Bonn	100.00	Germany	1,510	3,317	5)
IVG Management GmbH & Co. Nordbahnhof Berlin KG, Bonn	80.00	Germany	2,517	102	5)
IVG Media Works Munich Vermietungsgesellschaft mbH, Bonn	100.00	Germany	-3,789	-3,313	4) 6)
IVG Netherlands BV	100.00	Netherlands	1,322	208	
IVG Nordostpark I GmbH & Co. KG, Bonn	100.00	Germany	142	-173	5)
IVG Nordostpark II GmbH & Co. KG, Bonn	100.00	Germany	5,092	271	5)
IVG Nordostpark III GmbH & Co. KG, Bonn	100.00	Germany	594	-406	5)
IVG Nordostpark IV GmbH & Co. KG, Bonn	100.00	Germany	844	-209	5)
IVG Nordostpark V GmbH & Co. KG, Berlin	5.98	Germany	12,480	942	3) 5)
IVG Nordostpark VI GmbH & Co. KG, Bonn	100.00	Germany	2,478	1,101	5)
IVG Nordostpark VIII GmbH & Co. KG, Bonn	100.00	Germany	76	-563	5)
IVG Pegarino GmbH & Co. Bonn I - Objekt Düsseldorf Erkrath - KG, Bonn	100.00	Germany	-917	-4	5)
IVG Pegarino GmbH & Co. Bonn II Dortmund, Otto-Hahn-Straße - KG, Bonn	100.00	Germany	-51	-82	5)
IVG Pegarino GmbH & Co. Bonn III - Objekt Dortmund, Mart.-Schmeisser-Weg - KG, Bonn	100.00	Germany	-537	-179	5)
IVG Pegarino GmbH & Co. Bonn IV - Objekt Porz - KG, Bonn	100.00	Germany	-2,914	-180	5)
IVG Pegarino GmbH & Co. Frankfurt I - Objekt Bad Homburg - KG, Bonn	100.00	Germany	-1,357	46	5)
IVG Pegarino GmbH & Co. Frankfurt II - Objekt Neu-Isenburg, Dornhofstraße - KG, Bonn	100.00	Germany	-2,172	-684	5)
IVG Pegarino GmbH & Co. Frankfurt IV - Objekt Bad Homburg, Im Atzelnest 5 - KG, Bonn	100.00	Germany	-1,940	-332	5)
IVG Pegarino GmbH & Co. Frankfurt V - Objekt Dreireich-Sprendlingen - KG, Bonn	100.00	Germany	-98	14	5)
IVG Pegarino GmbH & Co. Hamburg - Objekt Hannover, Freundallee - KG, Bonn	100.00	Germany	-713	76	5)
IVG Pegarino Holding GmbH & Co. KG, Bonn	100.00	Germany	-4,590	-104	5)
IVG Poland Sp. z o.o., Warsaw	100.00	Poland	359	431	
IVG Polar Oy, Helsinki	100.00	Finland	389,049	-2,552	
IVG Private Funds Beteiligungs- und Verwaltungsgesellschaft mbH, Berlin	100.00	Germany	801	1	
IVG Private Funds GmbH, Bonn	100.00	Germany	-4,615	-3,485	4)
IVG Private Funds Management GmbH, Berlin	100.00	Germany	1,044	1,253	
IVG Promotion SARL, Paris	100.00	France	-50	-16	
IVG Real Estate Belgium SA, Brussels	100.00	Belgium	22,714	11,980	

	Group share %	Country	Equity € '000	Net profit for the year € '000	
IVG Regium Park Krefeld GmbH, Bonn	100.00	Germany	1,822	-320	
IVG Service GmbH & Co. Berlin - Objekt Großziethen - KG, Bonn	100.00	Germany	944	-1,059	5)
IVG Service GmbH & Co. Berlin - Objekt Potsdam - KG, Bonn	100.00	Germany	392	13	5)
IVG Service GmbH & Co. Berlin - Objekt Teltow - KG, Bonn	100.00	Germany	444	-97	5)
IVG Società di Gestione del Risparmio S.p.A., Milan	100.00	Italy	1,035	-361	
IVG Spree-Speicher GmbH & Co. KG , Bonn	100.00	Germany	10,841	775	5)
IVG Sweden AB, Stockholm	100.00	Sweden	663	644	
IVG The Squaire Parking GmbH & Co. KG, Frankfurt	100.00	Germany	39	-174	5)
IVG UK Ltd., London	100.00	UK	4,130	-658	
IVG-Immobilien-GmbH & Co. Berlin II - Objekt Streitstraße - KG, Bonn	100.00	Germany	-2,823	-2,000	5)
IVG-Immobilien-GmbH & Co. Berlin V - Objekt Freiheit - KG, Bonn	100.00	Germany	6,905	1,149	5)
IVG-Immobilien-GmbH & Co. Bonn IV - Objekt Düsseldorf, Hohenzollernwerk - KG, Bonn	100.00	Germany	60	10	5)
IVG-Immobilien-GmbH & Co. Bonn V - Objekt Homburg/Saar - KG, Bonn	100.00	Germany	60	-1	5)
IVG-Immobilien-GmbH & Co. Kassel IX - Objekt Waldau - KG, Bonn	100.00	Germany	-1,658	-929	5)
IVG-Immobilien-GmbH & Co. Liebenau II - Objekt Dörverden - KG, Bonn	100.00	Germany	-4,104	-84	5)
IVG-Immobilien-GmbH & Co. Liebenau III - Objekt Liebenau - KG, Bonn	100.00	Germany	10,111	951	5)
IVG-Immobilien-GmbH & Co. Liebenau IV - Objekt Dragahn - KG, Bonn	100.00	Germany	1,748	-397	5)
IVG-Immobilien-GmbH & Co. München II - Objekt Unterpfaffenhofen - KG, Bonn	100.00	Germany	3,708	16	5)
IVG-Immobilien-GmbH & Co. München III - Objekt Ottobrunn - KG, Bonn	100.00	Germany	11,370	-276	5)
Johs. Uckermann GmbH & Co. Grundstücksentwicklung KG, Bonn	92.50	Germany	410	15	5)
Kiiskinkatu 5 Koy, Helsinki	100.00	Finland	2,353	155	
Kilometri Koy, Espoo	100.00	Finland	51	35	
Kilon Helmi Koy, Espoo	100.00	Finland	3,503	-315	
Kilon Timantti Koy, Espoo	100.00	Finland	3,932	-297	
Kirkonkyläntie 3 Koy, Helsinki	100.00	Finland	-248	28	
Kornetintie 6 Koy, Helsinki	100.00	Finland	-220	170	
Kribus Kft, Budapest	100.00	Hungary	3,858	31	
Kumpulantie 3 Koy, Helsinki	100.00	Finland	14,394	1,491	
Kuopion Satama 4 Koy, Kuopio	100.00	Finland	1,672	120	
Kutomotie 6 Koy, Helsinki	100.00	Finland	2,445	144	
Madou Plaza SA, Brussels	100.00	Belgium	371,934	3,228	
Malmin Kauppatie 8 Koy, Helsinki	100.00	Finland	3,512	403	
Molenveld SA, Brussels	100.00	Belgium	443	-50	
Niittylänpolku 16 Koy, Helsinki	100.00	Finland	2,097	-41	
Niittymäenpolku 9 Koy, Espoo	100.00	Finland	4,569	-1,017	
OPUS 2 investment Sp. z o.o., Warsaw	100.00	Poland	-12,749	-3,578	
Opus 2 S.à r.l., Luxembourg	100.00	Luxembourg	-110	-17	
Pakkalan Kartannnkoski 3 Koy, Vantaa	100.00	Finland	16,917	673	
Pakkalan Kartanonkoski 12 Koy (Leija), Vantaa	100.00	Finland	895	662	
Pasilanraitio 5 Koy, Helsinki	91.60	Finland	9,006	416	
Pfäffikon Beteiligungs- und Verwaltungs GmbH, Bonn	100.00	Germany	84	-4	4)
Pitkänsillankatu 1-3 Koy, Kokkola	100.00	Finland	644	658	

	Group share %	Country	Equity € '000	Net profit for the year € '000	
Plaza Forte Koy, Vantaa	100.00	Finland	12,560	107	
Praten SA, Brussels	100.00	Belgium	142,531	25,291	
Property Management Gesellschaft mbH, Wiesbaden	94.00	Germany	168	8	
Property Security Belgium SA, Brussels	100.00	Belgium	31,919	840	
REM Gesellschaft für Stadtbildpflege und Denkmalschutz mbH, Berlin	100.00	Germany	-1,004	-30	
Satomalmi Koy, Helsinki	90.40	Finland	3,208	-41	
Scifin Alfa Koy, Espoo	100.00	Finland	2,521	-679	
Sinimäentie 10 Koy, Espoo	92.37	Finland	10	-494	
Sörnäisten Rantatie 25 Koy, Helsinki	100.00	Finland	8,912	2,510	
Spoor SA, Brussels	100.00	Belgium	8,531	8	
Stefánia Park Kft., Budapest	100.00	Hungary	-1,368	-569	
Stodiek Beteiligungs I Sarl, Luxembourg	100.00	Luxembourg	7,989	-47	
Stodiek Beteiligungs II Sarl, Luxembourg	100.00	Luxembourg	4,888	-3,427	
Stodiek ESPANA SA, Madrid	100.00	Spain	11,006	106	
Stodiek Immobiliare S.r.l., Milan	100.00	Italy	699	-83	
Stodiek Immobilien- und Verwaltungsgesellschaft mbH, Bonn	100.00	Germany	34	-1	
Stodiek Inmobiliaria SA, Madrid	100.00	Spain	-1,254	-1,663	
Stodiek Italia S.r.l., Milan	100.00	Italy	879	-1,333	
Stodiek Wohnpark Kaarst GmbH & Co. KG, Bonn	100.00	Germany	-40	-420	5)
Suomen Osakaskiinteistöt Oy, Helsinki	100.00	Finland	2,706	3,070	
Svanen SA, Brussels	100.00	Belgium	-16,016	-970	
Tapiontuuli Koy, Espoo	100.00	Finland	953	-566	
Tardis Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Munich	0.034	Germany	3,568	3,649	3) 5)
TERCON Immobilien Projektentwicklungsgesellschaft mbH, Bonn	100.00	Germany	-4,188	390	
The Squaire GmbH & Co. KG, Frankfurt	66.66	Germany	-418,206	-156,898	5)
The Squaire Parking BetriebsGmbH, Frankfurt	100.00	Germany	335	66	4)
Thomas SA, Luxembourg	100.00	Luxembourg	3,691	551	
Valen SA, Brussels	100.00	Belgium	2,701	-1,025	
Vallilan Toimisto, Oy, Helsinki	100.00	Finland	19,180	2,005	
Vanha Talvitie 11 Koy, Helsinki	100.00	Finland	-243	-362	
Vilhonkatu 5 Koy, Helsinki	100.00	Finland	3,943	935	
XXTRA Liegenschaften GmbH & Co. KG, Nuremberg	100.00	Germany	-252	-8	5)
Ykkösseppän Koy, Helsinki	100.00	Finland	2,470	-165	

	Group share %	Country	Equity € '000	Net profit for the year € '000
II. Associated companies – accounted for using the equity method [2)]				
FDV II Venture SA, Luxembourg	21.17	Luxembourg	66,665	61,015
FDV Venture SA, Luxembourg	24.22	Luxembourg	2,964	1,993
Frankonia Eurobau Parkstadt Schwabing GmbH, Nettetal	33.33	Germany	-2,276	-156
Greater London Trust, Jersey	50.00	UK	6,554	-2,229
HIPPON Verwaltungsgesellschaft mbH & Co. Salzufer I Vermietungs KG, Berlin	50.00	Germany	2,547	49
HIPPON Verwaltungsgesellschaft mbH & Co. Salzufer II Vermietungs KG, Berlin	50.00	Germany	-20,051	-1,492
IVG Italy Office Fund GmbH & Co.KG., Bonn	38.67	Germany	12,032	-84
IVG Protect Fund	20.00	Germany	138,278	7,815
Objektgesellschaft Moosacher Straße mbH & Co. KG, Munich	50.00	Germany	3,114	-1,038
Petrarca Fondo comune di investimento imobiliare	15.00	Italy	55,080	-6,213
Premium Green Fund	16.64	Germany	157,553	10,646
Rantasarfvik Oy, Helsinki	50.00	Finland	293	0
Real Estate Capital Partners, N.Y.	23.50	USA	33,648	1,642
Real Estate Investor Fund s.a.r.l., Luxembourg	50.00	Luxembourg	15,388	1,129

Note: Excerpt from the list of shares in consolidated subsidiaries, which is part of the additional information of the consolidated statements of IVG Immobilien AG, and which is published in the Electronic Federal Gazette (elektron. Bundesanzeiger)
1) Values are in accordance with the Financial Statements based on International Financial Reporting Standards (IFRS)
2) Section 264b HGB
3) Special purpose entity (SPE) companies pursuant to SIC 12
4) Profit and loss transfer agreement exists/transfer of losses

Group Advisory Committee

IVG Immobilien AG has set up an Advisory Committee to support the business activities of the Group. One of the tasks of the Advisory Committee is to promote contact with companies and public officials in Germany and abroad.

Member of Advisory Committee

As at 31 December 2011

Dr Patrick Adenauer
Managing Partner
Bauwens GmbH & Co. KG

Hermann Aukamp
CIO Real Estate
Nordrheinische Ärzteversorgung

Professor Dr Wilhelm Bender
Former Chairman of the Management Board
FRAPORT AG

Dr Burckhard Bergmann
Former Chairman of the Management Board
E.ON Ruhrgas AG

Dr Ralf Bethke
Chairman of the Supervisory Board
K+S Aktiengesellschaft

Rolf Eckrodt
Chairman of the Supervisory Board
Tognum AG (until 30 September 2011)
Chairman of the Board of Directors
Leclanché SA

Wolfgang Egger
Chairman of the Management Board
PATRIZIA Immobilien AG

Dr Alexander Erdland
Chairman of the Management Board
Wüstenrot & Württembergische AG

Dr Michael Fuchs
Deputy Chairman of the
CDU/CSU parliamentary group in the Bundestag

Werner Gegenbauer
Chairman of the Supervisory Board
Gegenbauer Holding SA & Co. KG

Dr Rudolf Hanisch
Former member of the Management Board
Bayerische Landesbank

Jochen Herwig
Chairman of the Management Board
LVM Versicherungen

Daniel F. Just
Deputy Chairman of the Management Board
Bayerische Versorgungskammer

Dr Wolf Klinz
Member of the European Parliament
European Parliament

Peter Kobiela
Former member of the Management Board
Helaba Landesbank Hessen-Thüringen

Dr Stephan Leithner
Co-Head of Investment Banking Coverage and Advisory
Deutsche Bank AG

Dr Johannes Ludewig
Executive Director
Community of European Railway and
Infrastructure Companies (CER)

Adriaan A. Mast, M.Sc. FRICS
Managing Director
Owner MACRE B.V.

Dr Dirk Matthey
Former CFO IVG Immobilien AG

Dr Klaus Rauscher
Former Chairman of the Management Board
Vattenfall Europe AG

F. Christian Ulbrich
CEO EMEA
Jones Lang LaSalle Europe Ltd.

Dirk van den Broeck
Former Executive Director
Petercam S.A.

Nicolaas J. M. van Ommen
Member of the Supervisory Board
IMMOFINANZ AG

Dr Ludolf-Georg von Wartenberg
Former Managing Director and member of the
Executive Committee of the Federation of German Industry (BDI)
Parl. State Secretary, rtd.

Dr Henning Voscherau
Lawyer and notary, rtd.
First mayor, rtd., of the Free and Hanseatic City of Hamburg

Claus Wisser
Chairman of the Supervisory Board
AVECO Holding AG

Glossary

Actual rent: Rent as stated in the income statement and calculated in accordance with the International Financial Reporting Standards.

Alignment of interest: Refers to matching the interests of a principal and its agents.

Asset management: Value-driven property management via letting management, refurbishment projects and management of local suppliers.

Assets under management: Value of the assets managed by IVG in all divisions (property and caverns). This includes both IVG's own assets and assets managed for third parties.

BaFin: Bundesanstalt für Finanzdienstleistungsaufsicht, German Federal Financial Supervisory Authority

Capital expenditures (capex): Investments in assets.

Capitalisation interest rate: Discount factor corresponding to the annuity.

Carve-out debt: External funds that are not taken into account when calculating the level of debt on account of their nature and/or their collateral.

Cash flow: An indicator of a company's financial and earning capacity. The cash flow represents the financial surplus resulting from current business activities recognised in income.

Cash flow hedges: Instrument for hedging against fluctuations in payments.

Cash pool: A cash pool is a means of balancing out liquidity within a group using central financial management.

Caverns: Underground storage space for storing liquids or gases, particularly crude oil and natural gas.

CGU (cash-generating unit): Cash-generating units are formed at the level of legal units or groups of units, but at segment level at most, for example for impairment tests.

Change of control: Change of control over a company.

Closed-end fund: Type of fund with limited issue volume. The sales period for shares ends when the target fund volume has been reached. Normally the fund manager does not redeem shares over the lifetime of the fund.

Co-investment strategy: Minority investment by the company in fund structures to generate sustainable income while at the same time improving the risk/return profile.

Collar: In finance, a collar is a trading strategy limiting both positive and negative fluctuations in the value of an underlying transaction.

Commercial mortgage-backed securities (CMBS): Bonds whose cash flows are backed by interest and redemption payments of mortgages, commonly on commercial real estate.

Commercial paper programme: Money market instruments with non-standardised terms for short-term capital raising.

Compliance: Measures taken within the company to comply with laws and regulations which are designed to ensure internal rules are observed and in order to prevent legal or regulatory sanctions, financial loss or damage to reputation.

Compound annual growth rate (CAGR): Average annual growth rate over a pre-determined period.

Contract rent: The rent excluding ancillary costs paid by the tenant.

Core/Core+ properties: Economic classification of property. Property with a secure income base and low risk in a good location.

Corporate governance: Rules of good, value-based company management. The goal is to protect shareholders' interests and ensure that company policy is responsible and directed towards long-term value creation.

CSR/corporate social responsibility: Sum of all measures to fulfil the social, ecological and economic responsibility of a company.

Cost to complete: In the development sector, the term is used for future investment in current project developments.

Covenants: Loan clauses or (supplementary) agreements in a loan agreement. Covenants are contractually binding pledges by the borrower during the term of a loan agreement.

DCF method: Under the discounted cash flow method, the future cash flows in connection with a property are discounted to the current date in order to calculate the net present value of the property.

Designated sponsor: Financial service providers commissioned by the company to ensure liquidity in the share.

Discount rate: Interest rate used to calculate the present value of an investment. In addition to a risk-free component that is measured based on a benchmark interest rate (usually the rate for long-term government bonds), the discount rate also includes a risk-adjusted component.

Earnings before interest and taxes (EBIT): Earnings before interest and taxes.

Equity ratio: Equity as a proportion of the balance sheet total. Calculations based on fair value valuations include unrealised capital gains, in contrast to calculations based on depreciated cost.

European Public Real Estate Association (EPRA): An organisation that represents the interests of large European real estate companies vis-à-vis the public. The central goals of the EPRA include supporting, developing and representing European capital markets for real estate. EPRA endeavours to establish best practice standards in terms of accounting, disclosure and corporate governance.

EPRA gross rental income: Rental income for the period from let properties reported under IFRS, after taking into account the net effects of straight-lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, turnover-based rents, surrender premiums, car parking income, key money received, and interest receivable on finance leases.

EPRA vacancy rate: Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

EPRA market rent: The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation (normally the balance sheet date).

EPRA net initial yield: Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA net rental income: Gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

EPRA "topped-up" net initial yield: This measure incorporates an adjustment to the EPRA net initial yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Equity method: Accounting method for the recognition of equity investments in companies representing an ownership interest of more than 20% and less than 50%.

EURIBOR/LIBOR: Benchmark interest rate for trading deposits between banks.

Exit yield: Planned net rent in relation to planned gross selling price; describes yield from a property for potential purchasers.

Fair value: Describes the current market value of an asset. The fair value is the amount which willing partners would be ready to pay in return for an asset under normal market conditions. The fair value for IVG investment property is checked regularly by external appraisers.

Finance lease: A lease in which the risks and rewards of ownership are transferred to the lessee. Under IFRS, long-term rental contracts may under certain conditions be treated for business purposes like a sale.

Funds from operations (FFO): The FFO is a liquidity-based key financial figure that describes net cash from operating activities. It is an established key figure in the real estate sector for the operating performance of listed real estate companies, especially asset management companies.

Global Reporting Initiative (GRI): The Global Reporting Initiative develops globally recognised guidelines for sustainability reporting, with the involvement of a wide range of stakeholders.

Hedge accounting: Refers to the accounting treatment (directly in equity, at least in net terms) of opposite changes in value of hedges and hedged items for derivative financial instruments used for hedging purposes.

Hybrid bond/hybrid capital: A mezzanine form of corporate finance, also referred to as a perpetual. A hybrid bond is a bond that is subordinated and therefore has the nature of both equity and debt capital.

IASB: International Accounting Standards Board; the body that deals with the formulation and further development of the International Accounting Standards.

Impairment: Amortisation of intangible assets without a fixed useful life and of goodwill.

Interest cap: Hedging instrument that grants the holder of the cap a payment if the benchmark interest rate at the effective date is higher than the contractually agreed interest rate.

Interest floor: Hedging instrument that grants the holder of the floor a payment if the benchmark interest rate at the effective date is lower than the contractually agreed interest rate.

Interest swap: Financial market instrument whereby the parties to the contract agree in advance on an exchange of interest flows. Usually one party bears the variable interest rate risk, while the other party must pay fixed interest.

International Financial Reporting Standards (IFRS): International financial reporting standards, especially for listed companies.

Investment property (IP): Property, land and buildings that are held as a financial investment to generate rental income or asset growth and not used for operating purposes.

Joint venture: Cooperation between two legally and economically separate entities.

Key performance indicators (KPIs): Key figures which are most important for assessing, for example, the development of a division. KPIs serve to reduce complexity in corporate management.

Leadership in Energy and Environmental Design (LEED): US system for classifying sustainable buildings. The evaluation is performed by awarding points. The total of the points awarded determines the allocation to the following categories: Certified, Silver, Gold and Platinum.

Like-for-like comparison: Comparison of identical property holdings in two different reporting years. In particular additions to and disposals from portfolios are eliminated.

Loan to value (LTV): The LTV is generally defined as the share of the loan amount in relation to the fair or current value of a defined asset.

LTI (long-term incentives): To increase the loyalty of key high performers in the long term, they are offered a long-term participation in the company as part of the Performance Cash Plan.

Market capitalisation: The stock market value of a public corporation. Current share price multiplied by the number of shares.

Net asset value (NAV): Reflects the economic equity of a company. It comprises the current value of Group assets – essentially the value of our properties – less debt.

Net investment hedges: Hedging instrument for equity investments in foreign currencies.

Net operating income (NOI)/NOI yield: A property-related earnings indicator; is determined by net rents less property costs, maintenance of investment property and marketing expenses. The NOI yield shows the relative share of net operating income in invested capital.

Net rental income (NRI)/NRI yield: Property-related figure; calculated from actual rent minus property costs. The NRI yield describes the relative share of net rents in invested capital.

Occupancy rate: Rental income from a property from existing rental contracts in relation to the rental income the total lettable space of this property could theoretically generate.

OECD: Organisation for Economic Co-operation and Development.

Operating EBIT: Earnings before interest and taxes less the effects of changes in value.

Payer swap: Party to an interest swap that limits its interest rate risk by exchanging its variable payable interest for a fixed interest payment.

Performance Cash Plan: Long-term participation instrument for managers, based on the achievement of performance indicators that are key to the company.

PIIGS countries: Refers to Portugal, Italy, Ireland, Greece and Spain.

Potential rent: This is derived from the contract rent plus the achievable annualised rent for vacant space. The achievable rent for vacant space is calculated based on the current market rent.

Prime yield: Key performance figure which indicates the net initial yield of an investment in a property in a prime location. It compares the net rent to the purchase price.

Promote structure: Contractual agreement granting one party a right to rectification in the event that certain conditions arise. The type of rectification may take the form of a cash payment, for example.

Recurring income: Refers to consistent income from operating activities

Refurbishment: Industry term for a fundamental modernisation up to renovation of a building.

RSU (restricted stock units): Restricted share acquisition rights that are granted to the Management Board and managers for the achievement of key Group targets.

Senior debt: Prior-ranking debt that is backed directly via the remaining assets in the event of insolvency.

Short-selling: Refers to financial market transactions whereby speculators borrow shares in a company on the capital market in order to sell them – even though they do not own them. The speculators' intention is an expected decline in the share price. If this occurs, the share is bought back at a later time at the new, lower price and returned to the lender.

Specialised real estate fund: A special type of open property fund in Germany with fixed, mostly institutional investors.

Stakeholder: Refers to all people/bodies associated with the company who have an interest in its business activities and continued existence.

STI (short-term incentives): Variable remuneration component that depends on the achievement of internally agreed corporate and individual targets.

Stock options: Rights to purchase shares. Remuneration component for managers, subject to fulfilling certain performance criteria.

Speciality funds: Funds that place a focus on particular regions, property classes or topics (e.g. sustainability) when selecting the allocated assets.

Structured investments: IVG develops tailored investment products for certain target groups. In addition to conditions impacting the property market, they also take account of tax and legal factors. They are marketed to foundations and extremely affluent private investors.

Syndicated loan: Provision of credit facilities by a banking syndicate led by the lead manager.

Total investment costs: In the development sector, the term is used for past and future investment in current project construction and financing costs.

Total performance/total return: The total return measures profitability. It is calculated from the sum of NOI yield and yield from change in value.

Up-front fee: Fee from Funds division, which is due at the beginning of a transaction regardless of success.

Value-add property: Economic classification of property. Property which can see a significant increase in value by using asset management measures (renovation, enhancement, letting, marketing etc.).

WACC (weighted average cost of capital): The weighted average cost of capital is used as an indicator when making investment decisions.

Weighted average unexpired lease term (WAULT): WAULT indicates the weighted average remaining lease term of a portfolio.

Workout property: Economic classification of property. At IVG – parts of property that do not conform to strategy. Such property is usually held for sale.

Yield on cost: Planned net rent in relation to total investment cost. Describes the level of the yield.

5-Year Overview

in € m	2007	2008	2009	2010	2011
Revenue	532.4	608.6	838.8	821.8	517.6
EBIT	475.6	-98.6	64.1	256.2	43.3
Consolidated net profit	301.0	-451.7	-158.0	23.2	-126.0
Total assets	8,241.0	7,875.5	7,393.4	7,292.4	6,904.2
Equity (carrying amounts)	2,117.1	1,390.9	1,265.1	1,286.1	1,386.3
Equity ratio at carrying amounts in %	25.0 [1]	17.7	17.1	17.6	20.1
Basic earnings per share in €	2.34	-4.18	-1.61	-0.07	-1.11
Dividend per share in €	0.70	0.00	0.00	0.00	0.00
Employees (end of financial year) [2]	637	672	654	616	613

[1] Exclusive dividends
[2] des part-time staff, excl. trainees or inactive employees such as those in partial retirement or on parental leave

Contact and Financial Calendar

Contact

IVG Immobilien AG
Zanderstrasse 5-7, 53177 Bonn
Tel. +49 (0) 228 844-0
Fax +49 (0) 228 822-399
www.ivg.de

Media Relations
Tel. +49 (0) 228 844-300
Fax +49 (0) 228 844-338
info@ivg.de

Investor Relations
Tel. +49 (0) 228 844-400
Fax +49 (0) 228 844-372
ir@ivg.de

Financial calendar

28.03.2012	Press conference/Analysts' conference/Publication of financial statements for financial year 2011
11.05.2012	Publication of interim report 1st quarter 2012
15.05.2012	General Meeting for financial year 2011
10.08.2012	Publication of interim report 2nd quarter 2012
09.11.2012	Publication of interim report 3rd quarter 2012
16.05.2013	General Meeting for financial year 2012

Note
This Annual Report is published in German and English. The German version is always the authoritative text. Further information on the company and the online Annual Report can be found on the website at www.ivg.de. Upon request we will also be pleased to send you written information. Contact us at: info@ivg.de.

Slight differences may arise when adding up individual fi gures in the tables and graphics in this annual report. This is due to fi gures being rounded up or down. When reporting relative changes in a year-on-year comparison, changes of less/more than 100% are not recognised.

Forward-looking statements
This present Annual Report for IVG Immobilien AG (IVG) contains statements on future developments. They refl ect the current view of the management of IVG and are based on appropriate evaluation and expectations. These statements are not intended as guarantees that this expectation will be fulfi lled. The Annual Report has also been generated using references. These references have been carefully selected and have been taken from credible sources. We nevertheless point out that IVG has not examined the veracity of the sources.

Imprint
Published by: Management Board of IVG Immobilien AG, Bonn
Concept and Design: Berichtsmanufaktur GmbH, Hamburg
Pictures: Gaby Sommer (Management Board/Supervisory Board), IVG Immobilien AG
Status: March 2012

IVG Immobilien AG
Zanderstrasse 5-7, 53177 Bonn, Germany
www.ivg.de