

Corporate Governance Report

Voluntary commitment to transparency and good corporate management

COMMITMENT TO COMPLIANCE WITH THE AUSTRIAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board of IMMOFINANZ AG confirm their intent to comply with the rules of the Austrian Corporate Governance Code and underscore their commitment to transparency and good corporate management. The Austrian Corporate Governance Code, which was developed by the Austrian Working Group for Corporate Governance in 2002, represents a vital component of the Austrian capital market system as well as an essential tool for strengthening investors' confidence in the management and monitoring of companies. It is a voluntary self-imposed obligation for listed companies, which exceeds legal requirements and is reviewed and adapted each year to reflect national and international developments. The code (in the version dated January 2010) is published on the IMMOFINANZ AG website and on the website of the Austrian Working Group for Corporate Governance under www.corporate-governance.at.

The Corporate Governance Code includes legal requirements (L-Rules) as well as standard international regulations that must be met or explained and justified (comply or explain, C-Rules). It also includes rules with a recommendation attribute (R-Rules).

IMMOFINANZ AG complied with the Austrian Corporate Governance Code during the 2010/11 financial year. Deviations from the comply or explain rules are as follows:

Rule 2: The company has six registered shares, which are held by Aviso Zeta AG. Each of these registered shares carries the right to nominate one member to the Supervisory Board, but this right has never been exercised. Aviso Zeta AG was acquired by IMMOFINANZ Group in 2010/11. The acquisition agreement would allow for the withdrawal of the registered shares after the closing and the related amendment of the articles of association. A motion to this effect will be placed before the 18th annual general meeting for voting.

Rule 16: The Executive Board did not have a chairman during the period from 01/05/2010 to 24/06/2010, but Eduard Zehetner performed similar functions as the spokesman for this body. On 24/06/2010 the Supervisory Board appointed Eduard Zehetner chief executive officer of IMMOFINANZ Group.

Rules 30 and 31: The remuneration of individual Executive Board members and the fixed and variable components of this remuneration are not disclosed separately because the Executive Board believes this data does not provide any additional information for investors. The total remuneration paid to the Executive Board is disclosed in the notes to the consolidated financial statements.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The share capital of IMMOFINANZ AG was divided into 1,045,373,586 shares as of 30/04/2011.

The IMMOFINANZ AG shares represent free float. The company has been notified that the shareholder Rudolf Fries held over 5% of the shares (5.21%) directly and indirectly as of 30/04/2011.

All Supervisory Board members were elected by the annual general meeting. IMMOFINANZ AG endeavours to provide its shareholders with the best possible support for attending the annual general meeting and exercising their rights. In accordance with the 2009 Austrian Stock Corporation Amendment Act and the Austrian Corporate Governance Code, annual general meetings are announced at least four weeks in advance and extraordinary general meetings at least three weeks in advance. Documents are also published on the company's website three weeks before the annual general meeting wherever possible, and remain on the website for one month after the meeting. The results of voting and any amendments to the articles of association are published immediately on the website.

**Support for shareholders
in the exercise of their
rights**

EXECUTIVE BOARD

The Executive Board of IMMOFINANZ AG had four members up to 31/08/2010 and three members after that date. Michael Wurzinger resigned from the Executive Board as of 31/08/2010. Following his resignation, the rules of the procedure for the Executive Board were amended to restructure the cooperation between and responsibilities of the remaining board members. The responsibilities defined in the rules of procedure are listed in the following table. Eduard Zehetner currently serves as the chief executive officer of IMMOFINANZ AG. In 2010/11 the Supervisory Board approved new rules of procedure for the Executive Board and updated the assignment of responsibilities.

Personal data	Term of office	Responsibilities	Other supervisory board positions or comparable functions in other domestic or foreign companies not included in the consolidated financial statements
Eduard Zehetner born on 09/08/1951	Appointed from 21/11/2008 to 30/11/2014	Chief executive officer, financing strategy, corporate and property financing, capital market transactions, treasury, accounting and reporting, controlling, taxes, legal, investor and public relations, general project management, general procurement and property development, commercial and strategic investments and funds. Operations in the areas of internal audit, internal control system and risk management, whereby the full Executive Board carries the overall responsibility for these areas.	<ul style="list-style-type: none"> • A.M.I Agency for Medical Innovation GmbH – member of the supervisory board • „HSF“ Vermögensverwaltung GmbH – managing director • GriffnerHaus AG – vice-chairman of the supervisory board • Privatstiftung Sparkasse Niederösterreich – member of the supervisory board • Sparkasse Niederösterreich Mitte West Aktiengesellschaft - member of the supervisory board
Daniel Riedl FRICS born on 07/09/1969	Appointed from 01/07/2008 to 30/06/2014	Personnel, process development and organisation, information technology, marketing, residential construction management (incl. operating investments such as BUWOG, ESG and Adama), residential property development and transactions	-
Manfred Wiltschnigg MRICS born on 28/04/1962	Appointed from 29/04/2010 to 31/03/2012	Management of all commercial properties, incl. operating investments, portfolio strategy and management as well as commercial property transactions	-

Resigned during the 2010/11 financial year

Personal data	Term of office
Michael Wurzinger born on 09/04/1971	Appointed from 01/07/2008 to 31/08/2010

COOPERATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The cooperation between the two bodies is based on open and constructive discussions. The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all issues related to the development of business. In addition, the presidium of the Supervisory Board is immediately informed of all important events – also outside of the meetings – that could influence the profitability or liquidity of IMMOFINANZ Group.

REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The remuneration of the Executive Board members includes a fixed component as well a performance-based or variable component that currently equals up to 175% of fixed remuneration. The performance-based payment is tied to the fulfilment of qualitative and quantitative targets. In order to motivate the Executive Board members during the restructuring process and to encourage them to remain with the company, a long-term incentive programme was established in 2009. This programme covers the granting of loans for purchase of convertible bonds. Details on this programme are provided in the notes to the consolidated financial statements. A defined contribution pension scheme equalling 10% of annual fixed remuneration was also established for the members of the Executive Board. The total remuneration paid to the Executive Board is disclosed in the notes to the consolidated financial statements.

Supervisory Board remuneration for the 2009/10 financial year	Fixed payment	Number of functions	Committee work in EUR ¹	Number of committees
IMMOFINANZ AG				
Herbert Kofler	20,000.0	1	5,000.0	1
Michael Knap	20,000.0	1	5,000.0	1
Christian Böhm*	20,000.0	1	0.0	1
Vitus Eckert	20,000.0	1	5,000.0	1
Rudolf Fries	20,000.0	1	5,000.0	1
Klaus Hübner*	20,000.0	1	0.0	1
Guido Schmidt-Chiari	20,000.0	1	5,000.0	1
Nick van Ommen	20,000.0	1	5,000.0	1
	160,000.0		30,000.0	
				<i>* These members were appointed by the extraordinary general meeting in January 2010.</i>
IMMOEAST AG				
Herbert Kofler	20,000.0	1	5,000.0	1
Michael Knap	20,000.0	1	5,000.0	1
Christian Böhm	20,000.0	1	5,000.0	1
Vitus Eckert	20,000.0	1	5,000.0	1
Rudolf Fries	0.0	0	0.0	0
Klaus Hübner	20,000.0	1	5,000.0	1
Guido Schmidt-Chiari	0.0	0	0.0	0
Nick van Ommen	20,000.0	1	5,000.0	1
	120,000.0		30,000.0	
Total				
Herbert Kofler	40,000.0	2	10,000.0	2
Michael Knap	40,000.0	2	10,000.0	2
Christian Böhm	40,000.0	2	5,000.0	2
Vitus Eckert	40,000.0	2	10,000.0	2
Rudolf Fries	20,000.0	1	5,000.0	1
Klaus Hübner	40,000.0	2	5,000.0	2
Guido Schmidt-Chiari	20,000.0	1	5,000.0	1
Nick van Ommen	40,000.0	2	10,000.0	2
	280,000.0		60,000.0	

¹ Member of a committee on the IMMOFINANZ/IMMOEAST Supervisory Board during the past financial year

² Chairman/Vice-Chairman of the IMMOFINANZ/IMMOEAST Supervisory Board during the past financial year. The remuneration for the chairman and vice-chairman of the Supervisory Board equalled twice and one and a half times the amount, respectively, of an ordinary member.

³ Factor based on Supervisory Board meetings attended during the past financial year

A directors' and officers' insurance policy (D&O insurance) with coverage of EUR 20 million was concluded for the corporate bodies of IMMOFINANZ AG. This policy does not include any deductible for the insured persons.

The members of the Supervisory Board received remuneration of EUR 338,063.– in 2010/11 for their activities on behalf of IMMOFINANZ AG and IMMOEAST AG following the merger of these companies in 2009/10. The remuneration for the Supervisory Board is approved each year by the annual general meeting. The 18th annual general meeting on 28/09/2011 will be asked to approve a resolution covering remuneration for the 2010/11 financial year.

The Supervisory Board remuneration for the 2009/10 financial year was based on a fixed payment of EUR 20,000.– plus EUR 5,000.– for services performed on a committee. The remuneration for the chairman and vice-chairman of the Supervisory Board equals twice and one and a half times this amount, respectively. These amounts are distributed proportionally based on the attendance at meetings.

**Performance-based
remuneration for the
Supervisory Board**

Subtotal in EUR	Chairman/Vice-Chairman ²	Total in EUR	Factor ³	Final amount in EUR
25,000.0	2.00	50,000.0	100%	50,000.0
25,000.0	1.50	37,500.0	100%	37,500.0
20,000.0	1.00	20,000.0	22.22%	4,444.0
25,000.0	1.00	25,000.0	77.78%	19,445.0
25,000.0	1.00	25,000.0	88.89%	22,222.5
20,000.0	1.00	20,000.0	22.22%	4,444.0
25,000.0	1.00	25,000.0	66.67%	16,667.5
25,000.0	1.00	25,000.0	66.67%	16,667.5
190,000.0		227,500.0		171,390.5
25,000.0	1.50	37,500.0	100%	37,500.0
25,000.0	2.00	50,000.0	100%	50,000.0
25,000.0	1.00	25,000.0	83.34%	20,835.0
25,000.0	1.00	25,000.0	66.67%	16,667.5
-	-	-	0.00%	-
25,000.0	1.00	25,000.0	83.34%	20,835.0
-	-	-	0.00%	-
25,000.0	1.00	25,000.0	83.34%	20,835.0
150,000.0		187,500.0		166,672.5
50,000.0	3.50	87,500.0	100.00%	87,500.0
50,000.0	3.50	87,500.0	100.00%	87,500.0
45,000.0	1.00	45,000.0	52.78%	25,279.0
50,000.0	1.00	50,000.0	72.23%	36,112.5
25,000.0	1.00	25,000.0	44.45%	22,222.5
45,000.0	1.00	45,000.0	52.78%	25,279.0
25,000.0	1.00	25,000.0	33.34%	16,667.5
50,000.0	1.00	50,000.0	75.01%	37,502.5
340,000.0		415,000.0		338,063.0



From left to right standing: Nick J. M. van Ommen, Klaus Hübner, Rudolf Fries, Vitus Eckert

SUPERVISORY BOARD AND COMMITTEES

Herbert Kofler

born on 14/05/1949

- Chairman of the Supervisory Board
- First appointed in: 2008
- Term of office ends in: 2012

Chairman of the supervisory board of B+S Bankssysteme AG, Germany; university professor; head of the Institute for Financial Management, Alpen Adria University of Klagenfurt

Michael Knap

born on 18/05/1944

- Vice-Chairman of the Supervisory Board
- First appointed in: 2008
- Term of office ends in: 2011

Vice-president of IVA Interessenverband für Anleger, Vienna

Christian Böhm

born on 20/09/1958

- Member
- First appointed in: 2010
- Term of office ends in: 2014

Chairman of APK – Pensionskasse AG; APK – Versicherung and APK Vorsorgekasse AG

Vitus Eckert

born on 14/07/1969

- Member
- First appointed in: 2008
- Term of office ends in: 2011

Attorney, partner of Eckert & Fries Rechtsanwälte Gesellschaft m.b.H., Baden near Vienna



From left to right seated: Guido Schmidt-Chiari, Michael Knap, Herbert Kofler, Christian Böhm

Rudolf Fries

born on 09/05/1958

- Member
- First appointed in: 2008
- Term of office ends in: 2011

Chairman of the supervisory board of EAG-Beteiligungs Aktiengesellschaft, Austria; Attorney, partner of Eckert & Fries Rechtsanwälte Gesellschaft m.b.H., Baden near Vienna

Klaus Hübner

born on 09/11/1952

- Member
- First appointed in: 2010
- Term of office ends in: 2014

Managing partner of Hübner & Hübner Wirtschaftsprüfung und Steuerberatung GmbH & Co KG; chairman of the Chamber of Austrian Chartered Accountants

Guido Schmidt-Chiari

born on 13/09/1932

- Member
- First appointed in: 1998
- Term of office ends in: 2012

Former chairman of the management board of Creditanstalt-Bankverein AG

Nick J. M. van Ommen

born on 17/08/1946

- Member
- First appointed in: 2008
- Term of office ends in: 2011

Member of supervisory boards of the following listed companies: BABIS VOVOS INTERNATIONAL CONSTRUCTION S.A., Greece Intervest Retail Actions au Port. O.N., Belgium Intervest Offices SICAFI Actions Nom. O.N., Belgium W.P. Carey & Co. LLC, USA Former chief executive officer of the European Public Real Estate Association (EPRA)

The Supervisory Board monitors the Executive Board and provides support for the management of the company, particularly on decisions of fundamental importance. In addition to its primary function as a monitoring and support body, the Supervisory Board constantly strives to further increase the efficiency of its work through self-evaluation. The Supervisory Board currently has eight members, all of whom were elected by the annual general meeting. One organisational session and six regular meetings were held during the 2010/11 financial year.

The Supervisory Board has established three committees:

AUDIT COMMITTEE

Herbert Kofler – Chairman

Michael Knap – Vice-Chairman

Vitus Eckert

Rudolf Fries

The Audit Committee deals with accounting issues as well as the audit of the company and the Group. It is responsible for examining and preparing the approval of the annual financial statements and management report, the consolidated financial statements and group management report, the recommendation for the distribution of profit and the corporate governance report. Other duties include the monitoring of accounting, the effectiveness of the internal control system and the audit of the annual and consolidated financial statements as well as the verification and control of the auditor's independence. In the 2010/11 financial year, the Audit Committee held two meetings. In accordance with the provisions of the code, the Audit Committee includes at least one financial expert.

STRATEGY COMMITTEE (DISSOLVED ON 14/02/2011)

Herbert Kofler – Chairman

Michael Knap – Vice-Chairman

Vitus Eckert

Rudolf Fries

Nick van Ommen

The Strategy Committee was responsible for the regular evaluation of the Group's strategy and consultations with the Executive Board on the definition of this strategy. It evaluated strategic opportunities for development, with the aim of improving the Group's competitive position and increasing the sustainable creation of value for shareholders. The Strategy Committee was also authorised to make decisions in urgent cases, when a decision by the full Supervisory Board was not possible for scheduling reasons. Any such approvals were discussed at the next meeting of the Supervisory Board. In 2010/11 the work of the Strategy Committee was performed by the full Supervisory Board, which is authorised to deal with important issues facing the committees. The Supervisory Board dissolved the Strategy Committee on 14/02/2011 and now deals with all issues previously handled by this committee.

PERSONNEL AND NOMINATING COMMITTEE

Michael Knap – Chairman

Herbert Kofler – Vice-Chairman

Guido Schmidt-Chiari

The Personnel and Nominating Committee handles issues related to the remuneration of the Executive Board members and the content of their employment contracts. It also prepares recommendations for the Supervisory Board on appointments to fill vacant positions on the Executive and Supervisory Boards. The Personnel and Nominating Committee did not meet during the reporting year as all related work was performed by the full Supervisory Board.

INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

The members of the Executive Board are required to make their decisions independent of any personal interests or the interests of controlling shareholders. Moreover, these decisions must be based on well-founded knowledge and comply with all relevant legal regulations. The members of the Executive Board must disclose any personal interests in the company's transactions or other conflicts of interest to the Supervisory Board without delay and also inform their colleagues on the board. Persons serving on the Executive Board may only accept appointments to the supervisory bodies of non-Group companies with the consent of the Supervisory Board. The legal prohibition on competition was not revoked. There are no contracts between members of the Supervisory Board and IMMOFINANZ Group or subsidiaries in terms of rule L-Rule 48.

The members of the Supervisory Board are also obliged to represent the interests of the company and must disclose any conflicts of interest. They may not serve on the bodies of any other companies that compete with IMMOFINANZ AG.

The members of the IMMOFINANZ AG Supervisory Board have defined rule C-53 and the guidelines presented in Appendix 1 of the Austrian Corporate Governance Code as the criteria for their independence. All members have declared their independence in accordance with these criteria. Investment companies attributable to Supervisory Board member Rudolf Fries held approx. 5.21% of the voting rights in IMMOFINANZ AG as of 30/04/2011. No Supervisory Board member represents a shareholder with a stake of more than 10% or his/her interests. There are no cross-representations and no contracts between IMMOFINANZ AG and members of the Supervisory Board or companies in which a Supervisory Board member holds a significant financial interest. The Supervisory Board does not include any former members of the Executive Board or key employees of the company.

Clear criteria regulate the independence of the Supervisory Board members

CRITERIA FOR THE INDEPENDENCE OF THE SUPERVISORY BOARD

A Supervisory Board member is deemed independent if he/she has no professional or personal relationship with the company or its Executive Board that could constitute a material conflict of interest, and thus be likely to influence the behaviour of the member.

The Supervisory Board has defined the following guidelines, which are included in Appendix 1 to the Austrian Corporate Governance Code, as decisive for determining the independence of a Supervisory Board member:

- The Supervisory Board member may not have been a member of the Executive Board or a key employee of the company or a subsidiary of the company during the past five years.

- The Supervisory Board member may not presently have/or have had in the previous year any business relations with the company or a subsidiary of the company of a scale that is significant for the Supervisory Board member. This also applies to business relationships with companies in which the Supervisory Board member holds a significant financial interest, but does not include positions on corporate bodies. The approval of individual transactions by the Supervisory Board in accordance with L-Rule 48 does not automatically result in qualification as not independent.
- The Supervisory Board member may not have been an auditor of the company or a participant in or employee of the examining audit company during the previous three years.
- The Supervisory Board member may not be an executive board member in another company in which an Executive Board member serves on the supervisory board.
- The Supervisory Board member may not serve on this body for more than 15 years. This criterion does not apply to Supervisory Board members who are shareholders with an entrepreneurial interest or who represent the interests of such shareholders.
- The Supervisory Board member may not be a close family member (direct descendant, spouse, life partner, parent, uncle/aunt, brother/sister, nephew/niece) of an Executive Board member or a person in one of the positions described above.

COMPLIANCE

In accordance with the Austrian Issuer Compliance Guidelines, the Executive Board has issued an internal directive for the distribution of information in order to prevent insider violations. The rules defined in these compliance guidelines apply to all employees and corporate bodies working for IMMOFINANZ AG. This underscores the efforts of the Executive Board to ensure the equal treatment of all shareholders, to prevent conflicts of interest and to represent the interests of all stakeholder groups. Adherence to the compliance guidelines is monitored on an ongoing basis.

DIRECTORS' DEALINGS

In accordance with section 48d (4) of the Austrian Stock Exchange Act, members of management and persons closely related to these members are required to report all purchases and sales of IMMOFINANZ shares to the Financial Market Authority. These transaction reports are disclosed on the IMMOFINANZ AG website via a link to the relevant section of the Financial Market Authority homepage. The table below presents an overview of the direct and indirect shareholdings of the corporate bodies.

Executive Board as of 30/04/2011:

Name	IMMOFINANZ shares
Eduard Zehetner	1,452,000
Daniel Riedl	400,942*
Manfred Wiltschnigg	65,400

* The changes in relation to the previous annual report resulted primarily from the inclusion of shares held by close relatives as defined in § 48a (1) no. 9 of the Austrian Stock Exchange Act.

Full transparency in all transactions

Supervisory Board as of 30/04/2011:

Name	IMMOFINANZ shares
Herbert Kofler	65,400
Michael Knap	1,250
Christian Böhm	0
Vitus Eckert	20,000
Investment companies attributed to Rudolf Fries	54,423,346
Klaus Hübner	25,000
Guido Schmidt-Chiari	0
Nick J. M. van Ommen	23,200

INTERNAL AUDIT AND RISK MANAGEMENT

In agreement with C-Rule 18 of the Austrian Corporate Governance Code, internal audit was established as a separate staff department reporting directly to the Executive Board. The Audit Committee of the Supervisory Board receives at least one report each year on the audit schedule and the results of these reviews.

EXTERNAL EVALUATION

Compliance with the provisions of the Austrian Corporate Governance Code by IMMOFINANZ AG was evaluated and confirmed by Deloitte Audit Wirtschaftsprüfungs GmbH. The results of this evaluation are available for download under www.immofinanz.com.

WOMEN IN IMMOFINANZ AG

IMMOFINANZ AG offers equal compensation, equal opportunities for promotion and equal working conditions to male and female employees. Women filled 22% of the management positions and represented 61% of the total workforce in 2010/11. IMMOFINANZ Group has implemented coaching measures that focus on specialised professional training and personal development to further increase the share of women in management positions.