IFM IMMOBILIEN AG

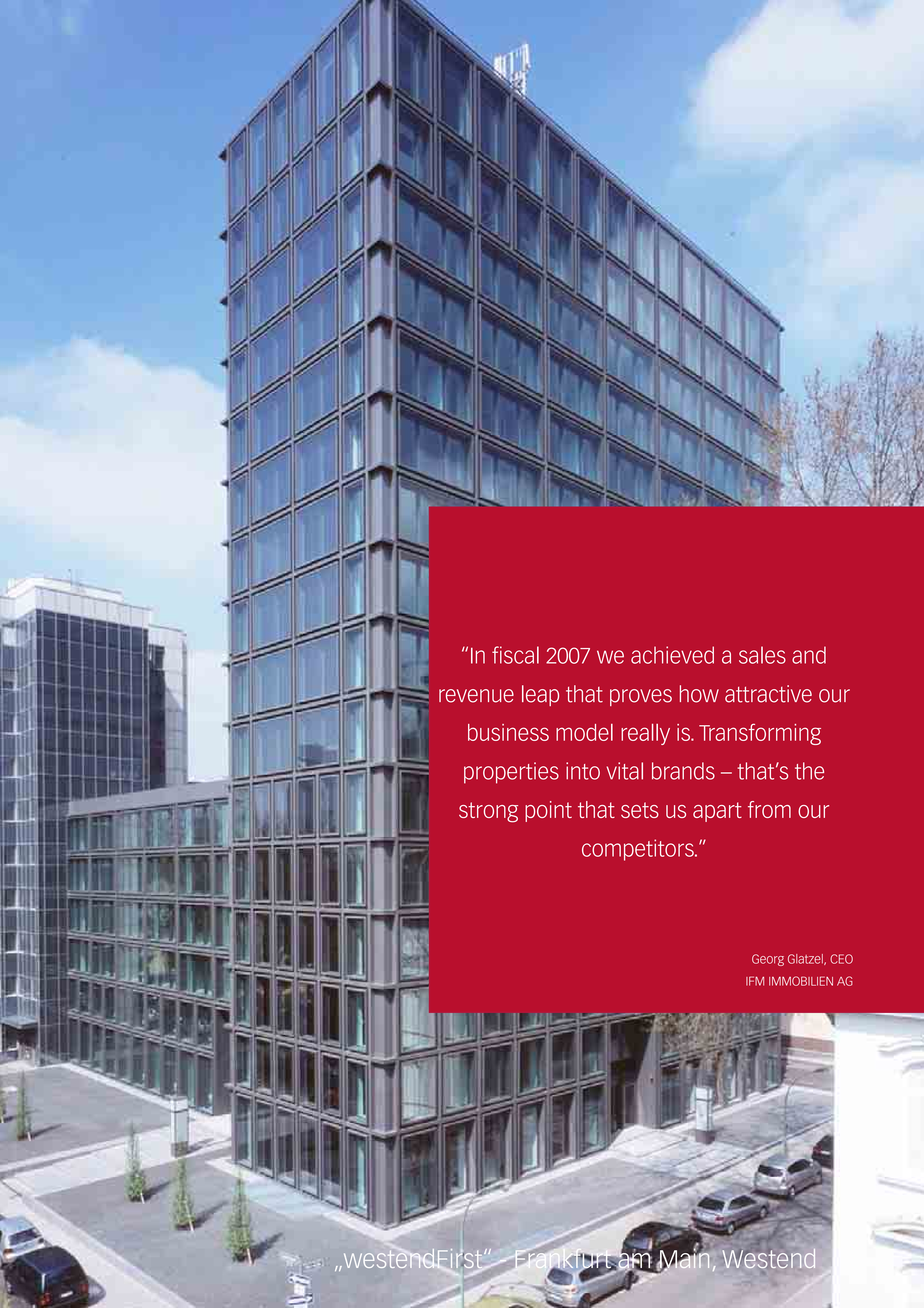
Annual Report

2007

Transforming properties into vital brands

The IFM Group in figures

Eur m	2007	2006
Performance figures		
Revenues	9.3	4.3
Gain or loss on fair valuation of investment properties	5.2	1.6
Operating profit	4.3	0.9
Net profit after minority interests	5.1	0.4
Earnings per share (basic, in EUR)	0.60	0.09
Key figures from balance sheet		
Total assets	260.7	161.6
Non-current assets	233.6	130.1
- including: investment properties	138.7	82.0
- including: properties under development	80.6	44.0
Equity	94.2	88.9
- including: share capital	8.5	8.5
Equity ratio (in %)	36	55
Liabilities	166.5	72.7
- including: Financial liabilities	155.0	50.5
Other key figures		
Cash flow from operating activities	0.3	-1.0
Employees (at Dec. 31)	26	18



"In fiscal 2007 we achieved a sales and revenue leap that proves how attractive our business model really is. Transforming properties into vital brands – that's the strong point that sets us apart from our competitors."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„westendFirst" - Frankfurt am Main, Westend

Foreword from the CEO

Foreword from the CEO

Dear Shareholders,

IFM Immobilien AG performed dynamically in 2007 – in both strategic and economic terms. We developed our portfolio of properties further, with a due focus on value, and expanded it with new acquisitions. At the end of the year, the Group's real estate portfolio had a balance-sheet value of EUR 228 million – an 81 percent gain over the value at the end of the prior year. In May 2006, when IFM made its debut on the stock exchange, the portfolio totaled about EUR 80 million. So we have made good on our announced intent of building up a respectably-sized portfolio at a brisk pace.

Our approach of investing in commercial properties with high potential for appreciation, and of enhancing that potential by actively transforming our properties, is also bearing out economically. Consolidated revenues more than doubled in 2007, to EUR 9.3 million, and the consolidated profit after minority interests increased by a factor of more than eleven, to EUR 5.1 million. This is equivalent to earnings per share of 60 euro cents, compared to 9 euro cents in 2006. The jump in revenues and earnings proves that our business model is both attractive and successful.

This business report is entitled "Transforming properties into vital brands." That slogan exactly reflects the abilities and strengths that make IFM stand out from its competitors. As an investor, we seek out properties with hidden potential for appreciation in attractive commercial real estate locations. As an experienced project developer, we're able to use our own resources to define and control all processes that are necessary to increase that potential.

In creating value, we will continue to concentrate on our core competencies:

- Redevelopment (structural interventions)
- Restructuring (corrections of how a portfolio is managed, for example in tenant structure)
- Repositioning (developing innovative marketing and leasing concepts).

Our aim is to develop each property architecturally and structurally into a state-of-the-art site, and through branding to give it a positive new image.

Last year our business model attracted a great deal of encouragement and recognition from investors, industry experts and business partners – not least of all because we had the figures to prove that the model is viable. One good example is the 16-story "westendFirst" high-rise in a top Frankfurt location. After extensive structural restoration and a successful repositioning, it was fully leased out to major-name tenants as early as March 2007. Today it is a true landmark of that financial metropolis.

At the beginning of 2008, "westendFirst" was also nominated for the MIPIM award, the real estate industry's equivalent of the "Oscar" – proving that IFM has won over the experts on the international scene as well. We are confident that this year our "Romeo & Julia" project – a building complex located very close to "westendFirst" and currently undergoing structural restoration – will prove to be yet another success story.

Add to these the properties we acquired in 2007 – the ”Maxxon” office complex in Eschborn-Süd, the “Office Tower” in Darmstadt, the “Kureck” complex in Wiesbaden, another office building in Frankfurt’s West End, and a property adjacent to our “Zimmerstrasse” property in Central Berlin – and our Group can boast a highly attractive portfolio that offers considerable potential for both appreciation and materialized returns. We also find that the market has been seeking out IFM more and more as an experienced, high-performance project developer, opening up opportunities for us in new projects and further growth. Given this environment, we are reconfirming our goal of expanding our real estate portfolio with further acquisitions, including the development potential of current projects, to the order of EUR 500 million within the medium term.

But as important as this expansion is if we are to diversify our portfolio and increase our recognition in the market, we will not seek growth at any price. That means, for example, that we will use careful judgment in tapping other attractive locations for commercial real estate in Germany, outside our core Rhine/Main/Neckar and Berlin regions. Prudence will remain our byword in choosing and working with properties.

IFM stock gained 16% in value in 2007, our first full year as a listed company, but we were still not able to steer clear of the general slackening of the stock market during the second half. At the end of 2007, as well as at the end of the first quarter of 2008, our stock was still trading at substantially less than its net asset value per share. This is a clear indication that we must tell the capital market even more effectively about the specific skills and competitive advantages inherent in the IFM business model. In the first half of 2008, the Company plans to move out of the Entry Standard segment and into the Prime Standard segment of Deutsche Börse AG. Prime Standard, with its expanded transparency requirements, will help us build our Group’s visibility among analysts and investors.

IFM Immobilien AG creates lasting value by applying active improvements to its real estate portfolio on the basis of clearly defined core competencies. To a very large degree, this approach makes us able to control our own results. Given our dynamic performance in 2007 and the growth in our portfolio, we believe the year ahead holds attractive prospects for your investment in IFM.

Heidelberg, April 2008

Georg Glatzel
CEO


„Maxxon" - Eschborn-Süd

A Talk with the Executive Board

A Talk with the Executive Board

CEO Georg Glatzel and CFO Marcus Schmitz discuss the outlook for IFM Immobilien AG

Mr. Glatzel, IFM's new slogan is "Transforming properties into vital brands." What exactly do you mean by that?

Glatzel: That slogan sums up the special strengths of IFM. We're an investor and project developer. We view commercial properties not as goods to be traded, but as raw material for a process of adding value. We work actively with our properties to achieve a transformation. We invest in new structures, and we revitalize existing ones whose potential has been lying fallow. Our aim is to produce buildings that meet the highest expectations in terms of architecture, construction, comfort and design, and thus to make them real landmarks in a cityscape. We also want our buildings to spark positive associations among tenants, investors and the citizens of their towns. The only way to do that is through innovative communication. At the end of the transformation process, our properties are more than just stone, glass and concrete – they're a dynamic brand, a brand that potential tenants desire and that has recognition value in the market.

Isn't that goal of building a brand overreaching a little? Ultimately, what counts for a tenant in a commercial property is the basics – location, features, and rent…

Glatzel: That's the traditional line of thought in our industry. Obviously the parameters you mentioned have to be right for a tenant. But an office high-rise or a business park is nothing more or less than a product that's intended to reach a certain target group. And products have to be marketed. We think one of IFM's strengths comes into play when we have to arouse attention for properties in innovative ways. And our marketing concepts work – as is proved by the fact that our prestigious "westendFirst" property filled up so fast, and also by the market's positive response to the neighboring "Romeo & Julia" property.

The consequences of the subprime crisis in the USA have been building since mid-2007, and have significantly affected the international credit and financial markets as well. To what extent has IFM felt the impact of the market turmoil?

Glatzel: In general, we can say that the German market for commercial real estate has proved relatively resistant through the end of the first quarter of 2008. Naturally there have been structural changes. We can see that as the crisis has gone on, many of the opportunistic investors from past years have been pulling out – the kind who operated with aggressive financing strategies and a short-term investment horizon. But investors with a long-term focus, who have time-tested real estate know-how and who favor conservative financing concepts, are in a good starting position. In this market environment it's becoming more and more important for real estate companies to work actively on their properties.
Besides, both the macroeconomic environment and the trends in regional markets are still positive for us. We anticipate that demand for high-quality commercial properties will keep rising in the major German office locations, and vacancy rates will keep falling. In some of the top locations we'll even see a shortage of rental space. Which means that even though, of course, we have to keep a careful eye on the crisis in the financial markets, at the moment I still see very good prospects in the market segment where IFM operates.

Mr. Schmitz, haven't the problems in the financial markets affected IFM's borrowing costs?

Schmitz: Basically yes, because financing costs have increased or will increase for everyone in the market. But in IFM's case we have to remember that our entire portfolio, whether properties already operating or those under development, have been financed through to the end of the project period. We've firmed up interest rates with appropriate hedges. And don't forget too that we generate our value primarily from the appreciation we produce by actively working on our properties, not just from the difference between rental income and interest expenses. So though interest rates are not a negligible factor for us, either, our business model already takes account of potential changes in costs when we cost out a project's purchase price and profitability.

"Following on the heels of its successful growth in the past few years, IFM is ready for the next step. Changing to Deutsche Börse's Prime Standard segment will make us even more visible and transparent for the capital market."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„Romeo & Julia" - Frankfurt am Main, Westend

As of the middle of this year, IFM will be listed in Deutsche Börse’s Prime Standard segment. What do you expect that to do for you?

Schmitz: As I see it, the changeover to Prime Standard is the logical next step in our Group’s development. We started out in May 2006 in the Entry Standard segment, which was the right one for a young company like IFM at the time. Since then, we’ve expanded our real estate portfolio substantially since then, and our revenues and earnings have also risen significantly. So combine that with the optimization of our internal structures, and IFM is ready to take the next step. I’m certain that changing to Prime Standard, with its greater transparency requirements, will help us increase both the capital market’s awareness of IFM and international investors’ confidence in our company.

Mr. Glatzel, what can we expect from IFM’s further growth in the medium term?

Glatzel: We're still holding firm to our goal of building our real estate portfolio within the medium term to EUR 500 million, including the potential from project developments. After that we’ll certainly set ourselves a new goal, and tell the market all about it. But what’s important to us is not growth at any price, but high-quality growth that fits our expectations for risk and return. IFM’s business model is not based on acquiring big portfolios, but on carefully selecting properties that can appreciate a lot once we apply our expertise to them. And incidentally, that business model also includes selling properties, especially for strategic reasons, to realize the value we create. You can be sure we’re keeping that topic on our radar screen.

Georg Glatzel, CEO

- Born 1961
- Graduate economist, real estate economist (EBS)
- CEO of IFM Immobilien AG since 2006
- Responsibilities: Strategy, Operations / Equity Investments, Human Resources, Communications / Marketing
- 20 years of business experience in project development and portfolio revitalization
- Extensive experience in the real estate business, an extensive network in the real estate industry
- 2002-2007: Joint venture with J.P. Morgan Partners

Marcus Schmitz, CFO

- Born 1973
- Graduate in business (Fachhochschule)
- CFO of IFM Immobilien AG since 2007
- Responsibilities: Finance / Accounting, Controlling, Investor Relations, Legal / Taxes
- Eight years of experience in the financial sector
- Equities analyst and fund manager at famed Munich private bank Hauck & Aufhäuser and Hauck & Aufhäuser Asset Management GmbH, manager of several European equity funds

„Zimmerstrasse" / „Mauerstrasse" - Berlin, Central

Report of the Supervisory Board

Dear Shareholders,

IFM Immobilien AG held true to its successful business performance from the prior year in 2007. Thanks to the further development of existing properties and the acquisition of new ones, the real estate portfolio expanded significantly. To the great satisfaction of the Supervisory Board, revenues and earnings were substantially higher than in 2006.

Oversight and advice in dialogue with the Executive Board

During the year, the Supervisory Board performed the duties incumbent upon it under the laws and the Company's articles of incorporation. It regularly advised the Executive Board, and carefully and regularly supervised how the Company was managed. Between full meetings of the Board, the Chairman of the Supervisory Board in particular maintained close contact with both members of the Executive Board – the CEO and CFO – who kept him informed of current business developments and major events.

In 2007, the Supervisory Board held a total of seven meetings; two of these were extraordinary meetings.

At its meetings, the Supervisory Board addressed the current situation of the Company, particularly current developments in its business, the assets and liabilities, financial position, and profit or loss of both the parent company and the Group, and any major business events. By the nature of the business, the focal point of deliberations was the performance of the Group's real estate portfolio.

In the course of performing its duties, the Supervisory Board monitored and gave advice on the Company's strategic further development, and on significant individual measures. At its meetings and in additional written and oral communications, the Supervisory Board received reports from the Executive Board on business policies, other fundamental matters of corporate planning, the Company's profitability, the course of business, and various transactions that might be of material significance for profitability or liquidity. These reports related to both IFM Immobilien AG and its subsidiaries. The Executive Board reported to the Supervisory Board in especially great detail on the development of each property in the portfolio, and on current plans for each property. Additionally, both orally and in writing, on the basis of meaningful documentation, the Executive Board reported about potential acquisitions – i.e., the status of current discussions and negotiations with sellers of properties, potential concepts for redeveloping, restructuring and repositioning the properties, and the underlying business calculations. After a detailed review and discussion, the Supervisory Board provided the Executive Board with appropriate recommendations on the further approach to the negotiations. All property acquisitions during the year were preceded by the appropriate consent from the Supervisory Board. The Supervisory Board also became engaged at an early stage in other decisions on matters of consequence for the Company.

Additionally, in fiscal 2007 the Supervisory Board primarily addressed the following topics:

- The strategic further development of the IFM Immobilien Group, in both operating and financial terms (medium-term growth strategy);
- The Company's future positioning in the capital market;
- Human resource planning, especially in regard to filling key positions;
- Preparation of the content for the annual Shareholders' Meeting on July 20, 2007;
- Matters of corporate governance (e.g., establishment of committees of the Supervisory Board, variable compensation of the Executive Board by issuing stock options under the existing Stock Option Plan and bonus rules, etc.).

Committees

At its meeting on October 24, 2007, the Supervisory Board resolved to form a Personnel Committee, a Compliance Committee and an Acquisitions/Planning & Construction/Sales Committee. Each committee has three members.

The members of the Personnel Committee are Luca Pesarini, Gordon Albert Rapp and Eberhard Hascher. This committee particularly deals with matters concerning the Executive Board, including compensation.

The Acquisitions/Planning & Construction/Sales Committee, which deals particularly with the Company's acquisition and investment plans and major construction projects, consists of Luca Pesarini, Gordon Albert Rapp and Philipp J.N. Vogel.

The Compliance Committee deals specifically with matters of reporting, auditing of the financial statements, and compliance. Its members are Gordon Albert Rapp, Eberhard Hascher and Dr. Marcus Opitz.

The Personnel Committee held its constituting meeting on October 24, 2007, and the Compliance Committee held its constituting meeting on November 23, 2007. No other committee meetings were held in 2007.

Members of the Executive Board and Supervisory Board

The Executive Board of IFM Immobilien AG underwent the following changes during the year:
Bernd Michael Weber (CFO) left the Company as of March 31, 2007.
Marcus Schmitz then joined the Executive Board as of April 1, and took office as CFO.

The Supervisory Board of IFM Immobilien AG is composed of six members to be chosen by the shareholders' meeting: Luca Pesarini (Chairman), Gordon Albert Rapp (Vice-Chairman), Eberhard Hascher, Martin Lechner, Dr. Marcus Opitz and Philipp J.N. Vogel. There were no changes in the membership of the Supervisory Board during the year. The annual shareholders' meeting on July 20, 2007, reconfirmed the Supervisory Board members Luca Pesarini, Martin Lechner, and Eberhard Hascher, in office, and reelected them for a term until the end of the Shareholders' Meeting that resolves on the ratification of the Board's actions for fiscal 2011. Following the shareholders' meeting, Mr. Pesarini was unanimously reelected Chairman of the Supervisory Board at the Board's meeting on August 24, 2007, and was thus reconfirmed in office.

„GutenbergPark“ - Mainz-Hechtsheim

Parent-company and consolidated annual financial statements

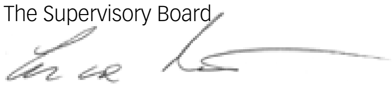
The Supervisory Board of IFM Immobilien AG audited the parent-company financial statements for 2007 and the consolidated annual financial statements and consolidated management report for 2007 as prepared by the Executive Board, and examined the Executive Board's proposed allocation of the distributable profit. The annual financial statements of IFM Immobilien AG for 2007 and the consolidated financial statements and consolidated management report for 2007 were audited by FALK & Co GmbH Wirtschaftsprüfungsgesellschaft, of Heidelberg, the independent auditors chosen by the shareholders' meeting. The independent auditors granted an unqualified audit opinion.

The documentation for the annual financial statements, along with the independent auditors' audit reports, was conveyed to all members of the Supervisory Board for preparation and review sufficiently in advance of the financial review meeting. The independent auditors participated at the financial review meeting on April 11, 2008. They reported on the material results of their audit and offered explanations regarding the audit reports. The Supervisory Board took concurring note of the reports of the independent auditors. The Supervisory Board sees no cause for objection to how the Company has been managed, or to the submitted documentation. The results of its own audit are consistent with the results of the independent auditors' audit, and the Supervisory Board concurs in the independent auditors' finding that there is no cause for objection. At this financial review meeting, the Supervisory Board accordingly approved the parent-company annual financial statements and the consolidated annual financial statements and consolidated management report prepared by the Executive Board. The annual financial statements were thereby adopted. The Supervisory Board likewise concurs in the Executive Board's proposal for the allocation of the distributable profit (i.e., that it be carried forward to the new period).

Expression of gratitude

The Supervisory Board can see from the strategic and economic advances of the year under review that the IFM Immobilien Group is on a prosperous track. It wishes to extend its cordial thanks to the Executive Board and all Company employees for their hard work and deep dedication during fiscal 2007.

Frankfurt am Main, April 11, 2008
The Supervisory Board



Luca Pesarini
Chairman

"We're a breath of fresh air in the German real estate market. Properties have to spark feelings and build a positive image that gets them talked about."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

"Kureck" - Wiesbaden, City Center

Business Model

Business Model

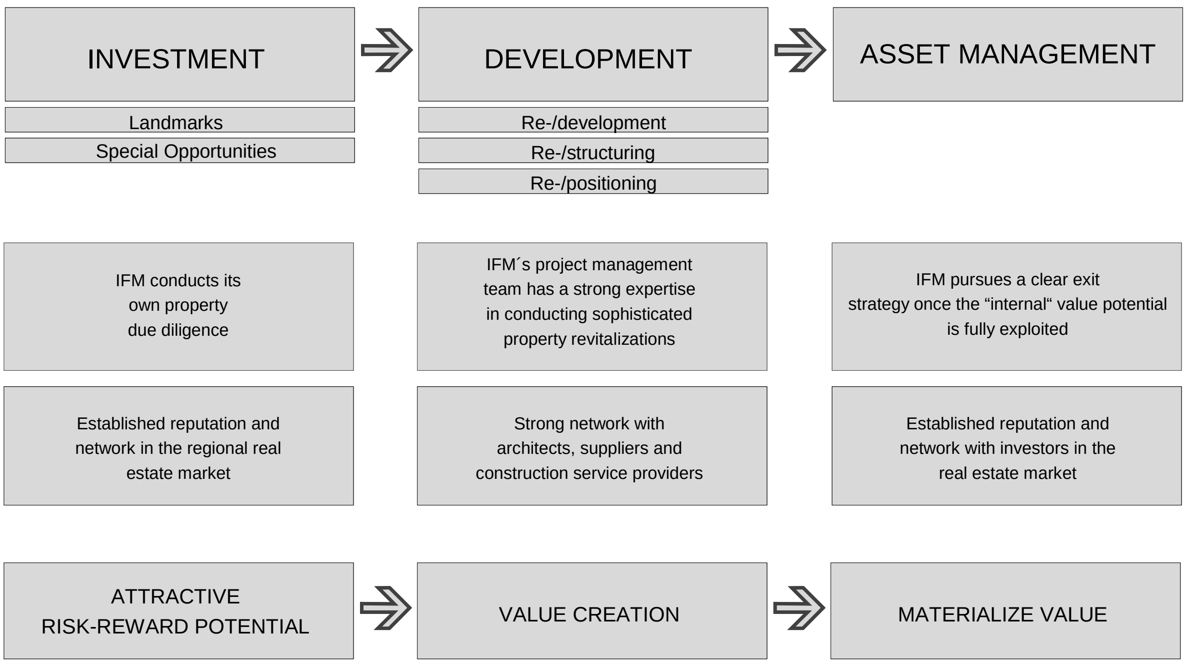
"Transforming real estate into vital brands" – The IFM business model

A breath of fresh air in the real estate market

Many commercial properties in Germany have attractive potential for appreciation that goes untapped. These properties, in select, highly desirable locations, have everything necessary for high returns, yet their potential goes unused – whether because of inadequate investment, poorly balanced tenant structures, high vacancy rates, subpar structural condition, environmental risks, or some combination of these factors.

The IFM Immobilien Group is an investor and project developer particularly engaged in commercial real estate, with an emphasis on office and downtown retail uses. It builds new buildings, and revitalizes existing ones, enhancing their potential for development and appreciation. In this way, IFM creates lasting value.
Another core competency lies in developing innovative marketing concepts. The Company positions each property as a "brand" that for the first time incorporates such factors as image and emotional responses, as a prerequisite for successful rental and sales results.

IFM creates lasting value.



IFM invests in both new structures and existing properties that offer attractive risk-opportunity profiles. In this way the Company creates potential "landmarks" that it keeps in its portfolio for an extended period to generate rental income, before selling them. Another target is properties the Company can invest in as special opportunities. These properties are intended for sale shortly after the necessary work has been performed.

“Transforming real estate into vital brands” – The IFM business model

In deciding on an investment and identifying suitable properties, IFM systematically applies its years of experience and established networks in the regional real estate markets.

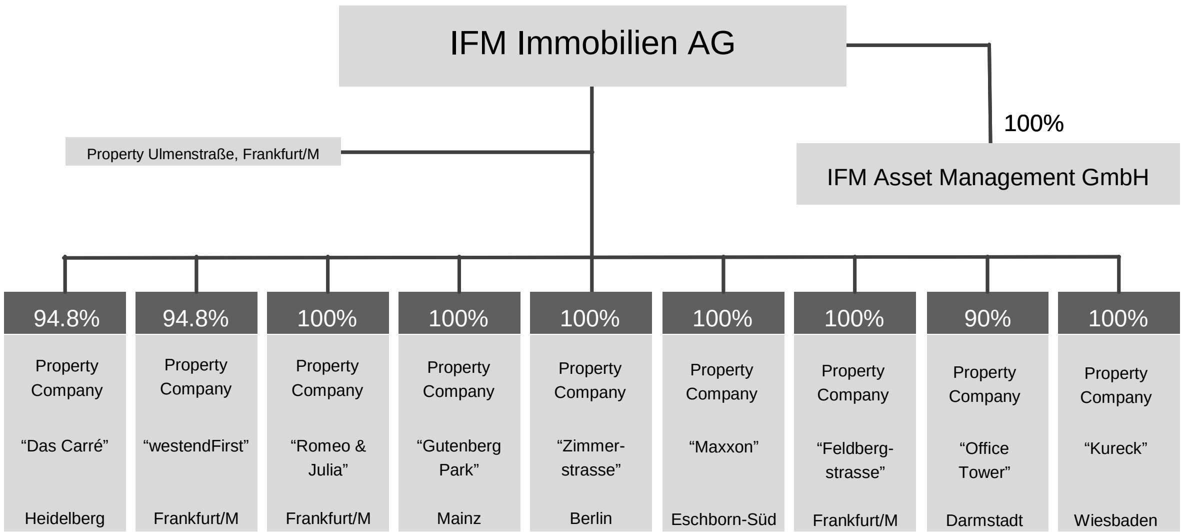
IFM generates added value through project development for new buildings and for properties whose existing potential for development and appreciation can be enhanced through revitalization. In its revitalization work, IFM draws on the following core competencies:

- Redevelopment: IFM makes structural changes in properties – even to the point of internal reconstruction – and in the process combines high-quality appointments with contemporary, attractive architectural design.
- Restructuring: IFM develops new use concepts, improves tenant structures, and reduces vacancies.
- Repositioning: IFM transforms a property into a brand by creating individualized rental and marketing concepts. This allows the properties to be let out faster and more accurately for their target groups.

Additionally, IFM offers its recognized know-how and many years of experience in project development to other companies through joint ventures, and is thus able to generate additional growth. IFM Asset Management GmbH serves as the operations platform for all properties.

IFM’s asset management operations ensure professional handling of existing properties and portfolios. This allows the Group to generate added value through optimized management of its property portfolio, professionalized focusing of the portfolio, and sales at optimized value.

Group structure IFM Immobilien AG



“An unattractive old building is becoming a highlight of Frankfurt’s West End. Thanks to our know-how in project development and our marketing skills, we’ve been able to realize the property’s full potential and reposition it successfully in the market.”

Georg Glatzel, CEO
IFM IMMOBILIEN AG

prior

„Romeo & Julia“ - Frankfurt am Main, Westend

“Familiar, but so new!” – The revitalization of “Romeo & Julia”

“Romeo & Julia” – Construction Report

“Familiar, but so new!” – The revitalization of “Romeo & Julia”

Romeo & Julia is getting a new lease on life. The high-rise, with its characteristic twin towers, will soon be displaying a brilliant glass façade in Frankfurt’s West End. As of the end of 2008, “Romeo & Julia’s” contemporary architecture will fit perfectly into its surroundings near the city center, and will be one of the highlights of the financial metropolis’s skyline. Employees of a variety of companies will then be able to fill the structure with new life, take advantage of the advanced technical facilities, and enjoy the panoramic views of Frankfurt and the Taunus highlands.

Yet just a few years ago, the structure with its sheet-metal façade and aging systems – vintage 1970-71 – seemed out of place in Frankfurt’s West End, and doomed to demolition. It was standing vacant. Its systems no longer met the needs of today’s office work. The façade and safety equipment were showing their age.

Before revitalization

- Built 1970-71
- Space about 14,000 square meters
- 165 parking spaces
- Entirely vacant
- Unattractive façade
- Inefficient, inadequate technical systems
- Out-of-date appointments
- Office space not marketable

IFM acquired the property in February 2006. The Company recognized the potential appreciation hidden in the complex. It applied its years of extensive know-how in project development, and has worked actively on the property. Instead of tearing it down and rebuilding – which zoning requirements made impossible anyway – IFM is reviving this Frankfurt West End classic. The building is being gutted, will get a completely new internal structure and will be repositioned in the market. It will be revitalized.

“Familiar, but so new!” – The revitalization of “Romeo & Julia”

The property has ideal conditions for commercial office use. “Romeo & Julia” offers some 14,000 square meters of space immediately adjacent to Frankfurt’s city center. And it also has 165 parking spaces.

The property’s potential

- Excellent downtown location / established address
- A well-established infrastructure, short distances (city center, Frankfurter Messe, central train station)
- Good connections to public transportation
- Good ratio of rental space to parking spaces
- Protection through grandfathering
- Lower planning risk
- No risk posed by the underlying land
- Faster completion than for comparable new construction

Redevelopment is creating a landmark property – a building that helps shape the cityscape, with first-class office space in a select location. Work on the property calls for it to be fully gutted and rebuilt inside, after which the building will have all the features of an exclusive new structure. The sheet-metal façade and old-fashioned fenestration will be replaced by a high-quality double façade with ceiling-high windows. So the building will take on a contemporary, transparent look outside, and offer bright, well-lit office spaces inside. The redevelopment changes are rounded out with an elegant lobby and a redesign of the landscaping.

Revitalization

	Before	After
Façade	*Single-leaf façade, aluminum ribbon windows, exterior solar protection*	*Ecological double façade with thermal glass and natural ventilation, solar protection in interstice behind façade, floor-to-ceiling windows*
Electrical systems	*Old-fashioned cable routing*	*“Invisible” cable routing*
Safety systems	*Access control at main entrance and underground garage*	*Access control at accesses to each rental unit, surveillance of exterior with burglar alarm system and video cameras*
Sprinklers	*Sprinkler system in underground*	*Building-wide sprinkler system*
Fire alarms	*Monitoring of driveways and paths*	*Building-wide monitoring*
Heating / Air conditioning	*Parapet convectors, one compact air conditioner unit*	*Heating and cooling units integrated into ceiling, individually controlled for each room*


Romeo & Julia – Construction Report

"Familiar, but so new!" – The revitalization of Romeo & Julia

The property is also being repositioned in parallel with the redevelopment. IFM has developed a marketing concept that will lend the property an entirely new personality and a new image with the public. The new name "Romeo & Julia" and the slogan "Familiar, but so new!" has allowed IFM to establish a positive new image for the property in a very short time.

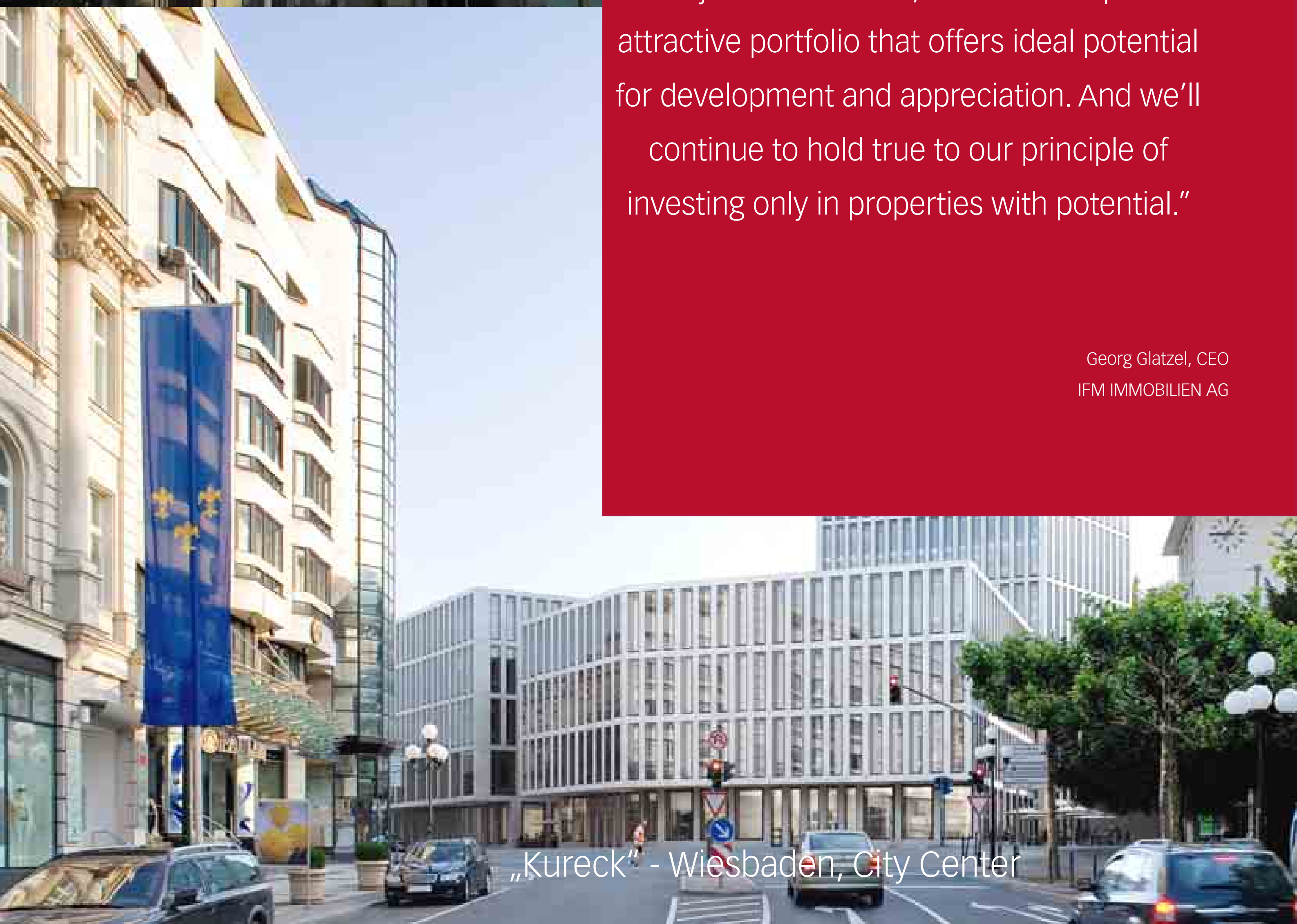
"Romeo & Julia" is the new highlight of Frankfurt's West End. Through its project development, IFM has created a property of impressive quality all down the line – in its construction, its appointments and its location.

Advantages of the revitalized property

- Excellent location close to city center
- High-quality office space with the feel and standard of new construction
- Flexible partitioning of space
- Flexible rental space
- Offices with panoramic views
- Excellent parking capacity
- Space 14,500 m²

"In just a short time, we've build up an attractive portfolio that offers ideal potential for development and appreciation. And we'll continue to hold true to our principle of investing only in properties with potential."

Georg Glatzel, CEO
IFM IMMOBILIEN AG


„Kureck" - Wiesbaden, City Center

Portfolio

Portfolio - Locations

IFM Immobilien AG has compiled an attractive portfolio of commercial properties within a short time. These properties, which emphasize office and retail uses, are in highly desirable locations in some of Germany's most important real estate areas. To date, IFM has concentrated on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin.

It will continue to expand its portfolio systematically in these regions with additional selected properties, on the basis of its extensive knowledge of these regional real estate markets and its finely honed skills in project development for commercial properties. Within the medium to long term, it also plans to invest in attractive properties in three other high-growth regions: Hamburg, Cologne / Düsseldorf and Munich.

Legend
- Actual-Locations
- Target-Locations

Das Carré
Heidelberg

„Das Carré“, Downtown Heidelberg

“Das Carré” is a landmark in central Heidelberg. The property is currently home to a mixture of fitness, wellness, food service, retail and residential uses. The building is composed of a two-story commercial base and a 14-story high-rise with 177 units, primarily residential. The underground garage has 116 parking spaces. The property has been repositioned and is now fully occupied.

Current status: Full occupancy

Figures:
Area: 13,634 m^2
Parking spaces : 116
Occupancy : 100 %

Internet:
www.dascarre.de

westendFirst
Frankfurt/Main

„westendFirst“, West End, Frankfurt am Main

The “westendFirst” property, in Frankfurt’s West End, was completely revitalized between 2004 and 2006, and consists of a 16-story high-rise with an adjacent six-story low-rise building. It offers first-class office space that meets the highest technical standards.
The property has been fully occupied since March 2007. Tenants include Fortis and the German Soccer League (DFL).
Both the building’s architecture and its overall concept won international recognition with a nomination for the 2008 MIPIM Award.

Current status: Full occupancy

Figures:
Area: 8,121 m^2
Parking spaces : 140
Occupancy : 100 %

Internet:
www.westendfirst.de

Romeo & Julia
Frankfurt/Main

„Romeo & Julia“, West End, Frankfurt am Main

The property is currently in the revitalization phase, which started with a complete gutting of the interior. Next came a new double façade and installation of the latest technical systems. Apart from its very good location in Frankfurt’s West End, this property enjoys the additional advantage of a good parking situation.
Revitalization is expected to be completed by the end of 2008. Repositioning of the property has already begun, with initial marketing programs.

Current status: Revitalization

Figures:
Area: 14,534 m^2
Parking spaces : 148
Occupancy : 0 %

Internet:
www.romeoundjulia.ag

Ulmenstraße 22
Frankfurt/Main

„Ulmenstraße 22“, West End, Frankfurt am Main

This office building is an immediate neighbour of the “westendFirst” and “Romeo & Julia” properties in Frankfurt’s West End. The building has high-quality appointments and is fully occupied.
As the building’s tenant structure is reorganized, IFM will be using a portion of the space for its Frankfurt office.

Current status: Full occupancy

Figures:
Area: 1,983 m^2
Parking spaces : 25
Occupancy : 100 %

GutenbergPark
Mainz

„GutenbergPark“, Mainz, Hechtsheim

Located in the Mainz-Hechtsheim commercial area, “GutenbergPark” offers a broad range of potential uses. IFM is repositioning the former production site of the famed Gutenberg printing house as a modern, generously proportioned commercial park, with an innovative design and use concept. From roughly 15% at the end of 2006, occupancy had grown to about 42% by the end of 2007.

Current status: Repositioning, for lease

Figures:
Area: 25,759 m²
Parking spaces : 410
Occupancy : 42 %

Internet:
www.gutenbergpark.de

Office Tower
Darmstadt

„Office Tower“, Downtown Darmstadt

The “Office Tower” is in an excellent downtown location. The 12-story building is in splendid condition in terms of both structure and appearance, with a fine architectural façade and an appealing, high-quality interior. IFM Immobilien AG is repositioning the building with the aid of a new marketing concept.

Current status: Repositioning, for lease

Figures:
Area: 8,183 m²
Parking spaces : 18
Occupancy : 46 %

Internet:
www.officetower.ag

Kureck
Wiesbaden

„Kureck“, Downtown Wiesbaden

IFM acquired "Kureck", opposite Wiesbaden's Kurpark, from R+V Versicherung in a sale and lease-back transaction. The former owner will remain a tenant until 2010. A number of new construction projects and a comprehensive revitalization process will be carried out on the Kureck property, in several construction phases. Future use will concentrate on high-quality office space, supplemented with other commercial uses and exclusive residential units. Expectations are that the master plan will be worked out with the authorities before fiscal 2008 is out, and applications for the building permits will be filed for the first phase of construction.

Current status:
Full occupancy, new structure/ revitalization planned to start in 2010

Figures:
Area: 35,000 m² – 38,000 m²
Project development potential

Parking spaces : 0
Occupancy : 100 %

Zimmerstraße
Berlin

„Zimmerstraße“ / „Mauerstraße“, Central Berlin

IFM has acquired one of Berlin's last vacant lots, between the Federal Ministry of Finance and Checkpoint Charlie. In December 2007, IFM acquired a second property ("Mauerstraße") in central Berlin adjacent to the "Zimmerstrasse" property. It has an additional area of 6,900 square meters, and thus will make it possible to optimize the use concept currently under development. The use concept calls for a mix of commercial units, extended-stay hotel, high-quality residential units, and spaces for art and culture. Following a successful pre-letting process for a certain percentage of rentals, implementation of project development is beginning.

Current status:
Development of use concept

Figures:
Area: 26,000 m²
Project development potential

Parking spaces : 0
Occupancy : 0 %

Maxxon
Eschborn-Süd

„Maxxon“, Eschborn-Süd

The “Maxxon” business park is located close to transportation in the Eschborn-Süd commercial area. Three office buildings are located on a triangular lot. One advantage the location offers is 580 parking spaces, 125 of them in an underground garage.
IFM acquired the property in February 2007. Plans call for gutting two of the three office buildings by the end of 2009. The construction work will be accompanied by a repositioning of the entire area.

Current status: Project development

Figures:
Area: 24,570 m^2
Parking spaces : 580
Occupancy : 60 %

"IFM stock outperformed the comparable index in 2007. That's a clear sign of investor confidence in our business model."

Marcus Schmitz, CFO
IFM IMMOBILIEN AG

Investor Relations

Subprime crisis affects stock markets

After four years of an international bull market, 2007 saw a significant increase in volatility. The major stock indexes still continued their uptrend in the first half. But particularly in response to the subprime lending crisis in the USA – the collapse of the residential housing sector financed with high-risk loans – sentiment on the international financial markets began clouding significantly in the summer. Additionally, stock prices stumbled amid signs of economic trouble, again particularly stemming from the USA. The European economy is expected to feel some of the adverse consequences as well. This rise in pessimism is further fueled by the great strength of the euro against the U.S. dollar, and by higher prices for raw materials.

The DAX index rose 22% – a gain identical to 2006 – and closed out the year at 8,067. The CDAX, which includes all German companies in both the Prime Standard and General Standard segments, gained 20.4% (2006: +24.1%). The MDAX rose 4.9% (2006: +29.0%), partly because many investors switched to substantially more liquid DAX stocks in the wake of the subprime crisis. The SDAX was down 6.8% (2006: +30.0%), and the DIMAX German real estate index fell 31.39% for the year, to close at 367.41.

Performance of IFM stock*

	2007	2006
High (EUR)	13.80	10.80
Low (EUR)	8.00	8.30
Year-end close (EUR)	10.20	8.80
Market capitalization (EUR m)**	86.7	74.8

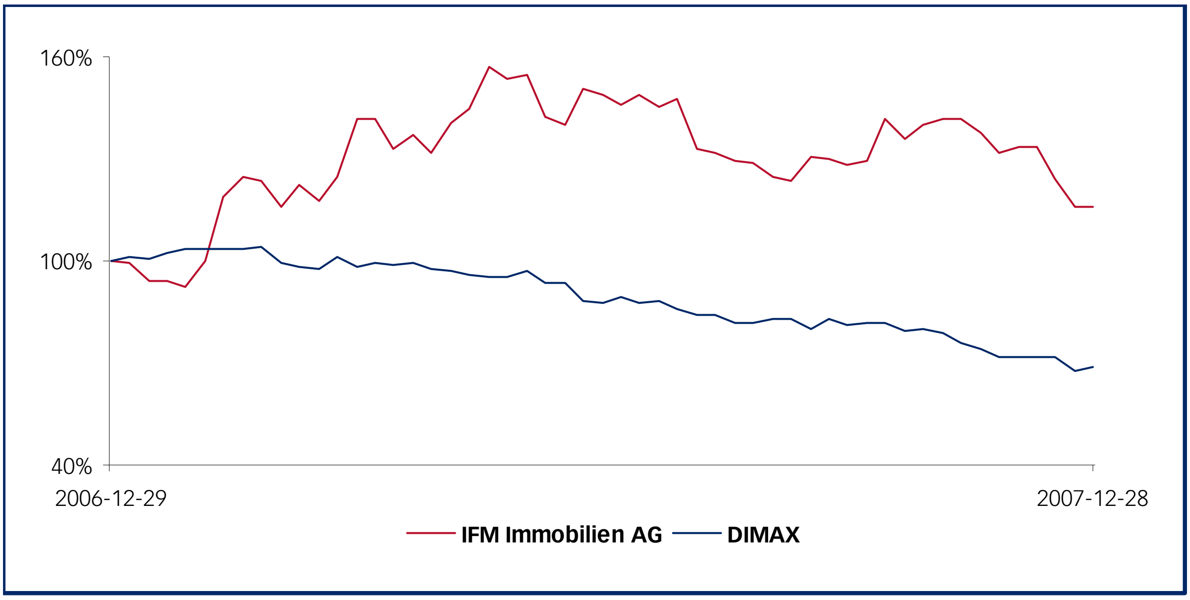
* All figures are closes in Xetra trading
** Calculated on basis of close at the end of each year

IFM stock amid volatile markets

IFM stock made significant gains in the first half of 2007. Although the price initially declined from the 2006 year-end close of EUR 8.80 to a 2007 low of EUR 8.00 on January 11, by the end of the month it began a steady climb, to reach the year's high of EUR 13.80 on May 16. Amid the general weakening of the stock markets, IFM stock declined again until the end of August, and then stabilized around EUR 12.50 between mid-October and mid-November. It began declining again in early December as the sector in general weakened further. It closed out the year at EUR 10.20. Thus the stock showed a net gain of 16.0% against its year-end close for 2006 (all figures refer to Xetra prices).

Thanks particularly to its very solid showing in the first quarter, IFM stock significantly outperformed the comparable DIMAX index, which suffered a downtrend all year long. And even though the sector's weakness eventually affected IFM stock as well, for 2007 as a whole the stock still remained well above the DIMAX, and thus above other real estate stocks.

IFM stock vs. the DIMAX

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Stable ownership structure

Because IFM stock is listed in the Entry Standard segment, shareholders are not required to notify the company when their holdings pass above or below the reporting thresholds specified in the German Securities Trading Act (WpHG). Accordingly, IFM Immobilien AG received no notifications of held voting rights under the terms of that Act.

By a letter dated April 3, 2008, the Executive Board was informed that Havfonn AS holds 856,174 shares (10.07% of the share capital), and Skips AS and Furuholmen Eiendom AS each hold 856,173 shares (10.07%). The letter also notified management that these votes would be exercised acting in concert.

About IFM stock

Category	Bearer shares of common stock (WKN: A0JDU9, ISIN DE000A0JDU97)
Exchanges	Xetra and regional exchanges
Trading segment	Entry Standard
Designated Sponsors	Close Brothers Seydler AG, Commerzbank AG

	2007*	**2006***
Basic earnings per share (EUR)	0.60	0.09
Dividend (EUR)	0	0
No. of shares (at Dec. 31)	8,500,000	8,500,000
High (EUR)	13.80	10.80
Low (EUR)	8.00	8.30
Year-end close (EUR)	10.20	8.80
Market capitalization (EUR m)**	86.70	74.80

* All figures from Xetra
** Based on year-end closes

„Office Tower“ Darmstadt, City Center

Transparency for the capital market

IFM Immobilien AG attaches great significance to open, comprehensive communication with the capital market, shareholders, and the media. Consequently IFM already meets requirements that will apply once it changes to Deutsche Börse's Prime Standard segment, as it plans to do.

As part of its growth strategy, IFM Immobilien AG maintains a consistent dialogue with German and international investors. It has thus been able to impress the capital market with the sustainability of its business model and its own inherent potential.

The Executive Board's road shows also met with a positive response, both in Germany and elsewhere. The Board particularly held meetings for this purpose in European financial capitals and the USA. The Executive Board also regularly kept the media informed about the Company's performance. Additionally, IFM Immobilien AG attends German and international investor conferences. Its performance is tracked by major financial and research institutions, such as Commerzbank, Petercam and SRC Research.

The Executive Board is exploring appropriate ways to meet investors' and analysts' need for information even better in the future, and to expand communication with the media, so as to broaden the dialogue with the market and keep the public even better informed.

„Ulmenstraße 22" - Frankfurt am Main, Westend

Consolidated Management Report

Consolidated Management Report for the business year 2007

A. The Business Environment

1. Group strategy and business activities

IFM Immobilien AG is an investor and project developer that is particularly engaged in commercial real estate, with an emphasis on office and downtown retail uses. In addition to conventional project development, business activities also include

- redevelopment (e.g., structural alterations, structural restoration),
- restructuring (e.g., revision of tenancy structure), and
- repositioning of commercial properties (e.g., with innovative marketing and leasing concepts).

Hitherto, IFM's operations have particularly focused on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin (central).

IFM selects properties on the basis of a number of key criteria. These include whether the Company finds an attractive risk/opportunity profile and foresees extensive potential for development and appreciation in a preferred location. For this purpose, before acquiring a property IFM conducts a due diligence process – i.e., a review of the property's legal, geographic, structural and economic situation, as well as its environment. Generally, IFM acquires both vacant and partially leased properties. It prefers investments that fall within the range between EUR 15 million and EUR 90 million per property.

IFM generates its revenues from property rentals and from the properties' appreciation, which can be treated as profits according to the IAS 40 accounting standard. Its business model also provides for revenues from the sale of properties that the Company believes have the potential for appreciation.

In general, the Company tries to keep 40% to 60% of its property portfolio in current project development, and the remainder in finished properties to be leased or marketed.

2. Group structure and organization

IFM Immobilien AG acts as the ultimate parent company of its corporate group. It has the responsibility for the Group's strategic management. It primarily acquires interests in companies that own real estate, or that are intended as project companies for individual real estate projects. The parent company and project subsidiaries, and thus also the business and financial policies for the Group as a whole, are uniformly managed by the Executive Board of the parent company.

Normally properties are held through individual project companies that are subsidiaries of IFM Immobilien AG. Financing is assumed primarily by each project company individually, and contractually the creditors' recourse is normally limited to the assets of that project company, including shareholder loans and capital investments provided by IFM Immobilien AG. This is known as non-recourse financing.

Business operations for the Group are handled by IFM Asset Management GmbH, a wholly owned subsidiary of IFM Immobilien AG that was founded in 2006. For its work, IFM Asset Management GmbH signs agency agreements in the form of a *Geschäftsbesorgungsvertrag* with the project companies. At the moment, it is responsible primarily for Group companies. Its duties primarily include due diligence, commercial project management, and conventional property management.

To keep structures lean, and thus to enhance flexibility and efficiency, IFM outsources any activities that are not among its core competencies to outside professional service providers.

3. Managing bodies

3.1. Executive Board and Supervisory Board

The Company's Executive Board currently consists of two members, Georg Glatzel (CEO) and Marcus Schmitz.
The Executive Board conducts the Company's business in compliance with the law, the Company's articles of incorporation, and the Board's own rules of procedure. The Supervisory Board decides the size of the Executive Board. It may appoint one Executive Board member as CEO, and may appoint deputy or alternative members of the Executive Board.

The Supervisory Board advises and oversees the Executive Board in its management of the Company. Under the articles of incorporation, the Supervisory Board has six members, who may be reelected. The Supervisory Board is not subject to the requirement of co-determination, under which it would also have to include employee representatives. Hence all members of the Supervisory Board are elected as shareholder representatives by the shareholders in attendance at the shareholders' meeting.

3.2.Basic features of the compensation system

The compensation of the members of the Executive Board and Supervisory Board, besides complying with the law, also conforms in its essentials with the recommendations and suggestions of the German Corporate Governance Code.

The Supervisory Board is responsible for setting the compensation of the Executive Board of IFM Immobilien AG. The structure of the compensation system is reviewed regularly for appropriateness and fairness. The Executive Board receives an annual base salary plus a variable component of compensation. Payments are reported as a combined total for all members of the Executive Board.

The fixed base salary of the Executive Board depends on the board member's areas of responsibility and personal performance. Additionally, board members receive a variable component drawn from the gains on the disposal of real estate projects, as well as noncash perquisites in the form of the use of a company car. The compensation of members of the Executive Board additionally includes a stock-based component. Stock options were issued under two stock option plans in 2006 and 2007.

The compensation of the members of the Supervisory Board is governed by the Company's articles of incorporation. Their compensation has both a fixed and a variable component. The Company reimburses the members of the Supervisory Board for the value-added tax payable on their compensation, and for necessary expenses.

4. Material factors affecting business

The business operations of the IFM Immobilien Group are subject to a number of regulations and other factors over which the Company may have little or no control.

One material factor is that IFM must necessarily be able to borrow on economically attractive, competitive terms. Significance in this connection attaches to the general evolution of interest rates, the intensity of competition in real estate markets, and possibly also changes in the tax treatment of real estate financing.

In the case of the real estate owned by the Group, the Company must comply with the requirements of the laws on land use, construction and development planning, and state building codes. This includes such matters as appropriate fire prevention measures in redevelopment work.

Additionally, IFM is significantly subject to regulations for the protection of the environment, soil and water. Due account of these is taken as part of due diligence.

5. Corporate management and performance indicators

5.1. Financial performance indicators

The long-term success of the IFM Immobilien Group is measured by certain financial parameters. Additionally, non-financial performance indicators are also of significance. These derive from the Company's business model and the particular strengths and abilities of its management and employees.

The financial performance indicators particularly include the profitability of the individual properties relative to the equity investment in each case. Here it is assumed theoretically that profitability should be between 15% and 25% per year, referred to equity (not including leverage).

5.2. Non-financial performance indicators

The principal non-financial performance indicators include:

A knowledge of the real estate market: The economic success of the IFM Immobilien Group depends significantly on the experience and expertise of its management and employees in identifying suitable properties and the degree by which they are likely to appreciate, and accurately estimating their development potential prior to a acquisition. A particular necessity for this purpose is a detailed knowledge of regional markets. The CEO of IFM Immobilien AG has more than 15 years of experience in project development for commercial properties. Other employees, some of whom have many years of experience in property development, also contribute to the Group's success.

Marketing skills: The Group's specific strengths, and thus its features that distinguish it from competitors, include preparing individualized leasing and marketing concepts. The aim here is to position a new or revitalized property with customized marketing efforts to build a brand awareness, and thus support the leasing process through a focused appeal to certain potential tenant groups. In designing such marketing concepts, IFM works closely with such partners as advertising agencies and brokers.

Development know-how: IFM maintains a clear focus on its core competencies in redevelopment, restructuring and repositioning of real estate. Developing a property successfully, on schedule, and within budget, calls for extensive architectural, construction and financial expertise. This also includes choosing skilled, reliable outside service providers, such as architects, engineers, construction firms, tax attorneys and general attorneys, to ensure that a project can be carried out properly and on time.

6. Research and development

Because the IFM Immobilien Group is an investor and project developer especially for commercial properties, its research and development is limited to developing projects in its portfolio, and watching the market within the real estate sector. Consequently it has no reportable research and development activities.

7. The economic environment in Germany in 2007

Germany had its third growth year in a row in 2007. The increase in gross domestic product (GDP) was 2.5%. The good economy was founded primarily on companies' stable levels of incoming orders.

During 2007, the economy slackened slightly, and signs of trouble increased. Starting in the summer of 2007, the collapse of the subprime mortgage sector in the United States began to spread, troubling the financial system worldwide. At the same time, the prices of raw materials such as crude oil rose sharply in the second half.

The increase in the value-added tax slowed consumer spending in Germany for a time. But this change was partially compensated by a significant increase in employment. Yet ultimately, consumer spending still did not measure up to expectations.

Sources:
Bundesverband deutscher Banken, Economic Reports for November 2007 and February 2008

8. Development of the commercial real estate market in 2007

The German real estate market overall performed dynamically in 2007. The commercial real estate market initially felt little impact from the subprime mortgage crisis in the USA. The market for office space rentals was especially positive: the growth in employment in the German job market caused office employment to grow, and thus led to a substantial increase in the demand for office space. This development particularly pertained to downtown locations and properties with high-quality appointments. In all, it is expected that leased office space in the German market grew 1.5 million square meters during 2007 (net absorption).

Even as demand for office space increased, fewer new office buildings were completed. Strong demand caused vacancies to decline and rents to rise. The vacancy rate for higher-end properties was only about 3%.

Germany's five principal urban regions – Berlin, Düsseldorf, Frankfurt am Main, Hamburg and Munich – saw vacancy rates decline to 9.7% from the prior year's 10.7%. In these metropolitan centers as well, strong demand for office space contrasted with a low volume of new construction. Space turnover grew about 15% against the prior year, to a total of 2.97 million square meters.

Net absorption – the volume of office space under lease – remained consistently high, reflecting the upswing in employment induced by the good economy. Rents grew as well: the price index for peak rents in these five cities was up 4.6% against the prior year.

The real estate market in Frankfurt, as a financial and banking center of international importance, is admittedly considered more vulnerable to shifts in the economy. But the subprime mortgage crisis did not cause new leases to slacken even in this metropolis. Space turnover was up 2% against the prior year. At the same time, rents in Frankfurt rose an above-average 5.7%.

Sources:
Jones Lang LaSalle, Office Rental Markets 2007, January 8, 2008
HSH Nordbank, German Real Estate Market, February 5, 2008
Frankfurter Allgemeine Zeitung, 100 billion for German properties, January 18, 2008
PricewaterhouseCoopers, 2007: A boom year for the German real estate market, Press Release, February 5, 2007

B. Profit and loss, assets and liabilities, and financial position

1. General information

The consolidated financial statements of IFM Immobilien AG for 2007 have been prepared in conformity with International Financial Reporting Standards (IFRS) in the form applicable in the European Union. The prior-year figures were also determined under IFRS.

2. The year overall

The IFM Immobilien Group grew dynamically in 2007. Both revenues and earnings expanded substantially. Consolidated revenues more than doubled to EUR 9.3 million, and the consolidated profit after minority interests grew by a factor of more than eleven, to EUR 5.1 million. This leap in revenues and profits resulted from a systematic expansion of the portfolio of properties, especially with full tenancy at the "westendFirst" property, and also from investments in attractive new properties. Overall, the Executive Board rates the year a success in both strategic and economic terms.

3. Revenue and earnings performance

In fiscal 2007, IFM generated consolidated revenues of EUR 9.3 million, primarily from rents. The gain against the prior year was 116.5% (2006: EUR 4.3 million). The rise derived in part from full occupancy at the WestendFirst property in Frankfurt am Main, as well as from new projects: "GutenbergPark" in Mainz, "Maxxon" in Eschborn, the "Office Tower" in Darmstadt, "Kureck" in Wiesbaden, and "Feldbergstrasse" in Frankfurt am Main.

Other own work capitalized, especially capitalized finance costs, increased to EUR 0.9 million (2006: EUR 0.8 million).

The gain on the fair valuation of investment properties increased substantially, to EUR 5.2 million (2006: EUR 1.6 million). This item reflects properties held for leasing or for appreciation. The reported gain came from the "westendFirst" property in Frankfurt am Main and "GutenbergPark" in Mainz.

The cost of goods sold, which particularly includes costs for maintenance and management, increased EUR 1.1 million because of the expansion of the property portfolio, to EUR 1.9 million (+120.6%). New hires to handle the Company's growth, together with a severance payment, increased personnel expenses by EUR 0.7 million to just under EUR 1.9 million.

Other operating expenses increased 60.4%, from EUR 2.2 million to EUR 3.5 million. This increase particularly reflected higher broker commissions on new leases, and higher legal and consulting costs for the expansion of the portfolio.

The net interest expense grew to EUR –3.9 million (2006: EUR –1.5 million). The cause was the rise from EUR 2.4 million in interest expenses in 2006 to EUR 5.2 million (+113.5%) for 2007, which reflects the expansion of the real estate portfolio in 2006 and 2007, and the progress of construction work at the "Romeo & Julia" property in Frankfurt am Main. The net interest expense also includes a gain of EUR 0.3 million (prior year: EUR 0.2 million) on the fair valuation of derivatives used to hedge interest rate risks.

The IFM Immobilien Group showed an operating profit (earnings before taxes) of EUR 4.3 million for 2007, compared to EUR 0.9 million the year before.

The Group showed tax income of EUR 0.9 million (compared to an expense of EUR –0.4 million the year before). A major factor here was a one-time effect of EUR 1.75 million from the write-back of deferred tax items under the German corporate tax reform that took effect on January 1, 2008.

The consolidated profit before minority interests rose from EUR 0.5 million to EUR 5.2 million, or by a factor of about ten against the prior year. After minority interests, the consolidated profit increased by a factor of more than eleven, to EUR 5.1 million (2006: EUR 0.4 million), equivalent to basic earnings per share of EUR 0.60 (2006: EUR 0.09).

4. Net assets

The total assets of the IFM Immobilien Group as of December 31, 2007, came to EUR 260.7 million, up EUR 99.1 million, or 61.3%, against the figure a year earlier (EUR 161.6 million). Growth resulted primarily from investments in new properties during the year.

Consequently noncurrent assets as of December 31, 2007, at EUR 233.6 million, were up EUR 103.4 million or 79.5% from the comparable figure at the end of 2006 (EUR 130.1 million). The largest single item in the noncurrent category was investment properties, which generate rental income and appreciation. These increased EUR 56.8 million, to EUR 138.7 million (December 31, 2006: EUR 82.0 million).

Property	Location	Carrying amount (EUR m)
„westendFirst"	Frankfurt am Main	55.0
„Feldbergstraße"	Frankfurt am Main	3.4
„GutenbergPark"	Mainz	19.0
„Kureck"	Wiesbaden	31.3
„Das Carré"	Heidelberg	30.0
Total		**138.7**

Measured per IAS 40

The value recognized for properties under development rose to EUR 80.6 (2006: EUR 44.0 million). This growth resulted from the further development of the existing portfolio and investments in new properties (such as "Maxxon" in Eschborn and the "Office Tower" in Darmstadt).

Property	Location	Carrying amount (EUR m)
„Romeo & Julia"	Frankfurt am Main	38.6
„Zimmerstraße/ Mauerstraße"	Berlin (central)	4.6
„Office Tower"	Darmstadt	10.8
„Maxxon"	Eschborn-Süd	26.6
Total		**80.6**

Measured per IAS 16

Advance payments on property, plant and equipment as of the reporting date came to EUR 8.7 million (2006: EUR 0), and refer to a proportionate amount of the property at Ulmenstrasse 22 in Frankfurt am Main, which was purchased partially for owner-occupancy by the Company.

Current assets as of December 31 of 2007 came to EUR 27.1 million (vs. EUR 31.5 million a year earlier). Cash and cash equivalents decreased EUR 11.8 million, to EUR 17.6 million, because of acquisitions. However, securities as of the reporting date came to EUR 5.0 million (vs. EUR 0).

The increase in other current assets and expenses paid in advance was EUR 1.7 million, to EUR 3.1 million.

A material off-balance-sheet asset of the Group is the many years of experience its CEO and some of its employees have in property development. It also has a close-meshed network of contacts with brokers, banks, construction firms, attorneys and other persons, bodies and companies that are relevant to the implementation of its business model. In IFM's opinion, these contacts, together with its long experience and skills in carrying out project development, contribute significantly to the Company's success (see Section A, 5.2, Non-financial Performance Indicators).

5. Financial position

5.1. Basic principles of financial management

The IFM Immobilien Group finances real estate projects partly out of equity, but primarily from long-term borrowings. Most of its borrowings are recognized as liabilities to banks. Additionally, the Group also obtains financing through additions to equity and out of the cash flow from operating activities.

In general, real estate projects are held by separate project companies. As a rule, projects are financed with 20% to 25% equity and 75% to 80% borrowings. The project companies receive the funds they need from IFM Immobilien AG, as the parent company, in the form of shareholder loans or as equity. There is no formal cash pooling between the parent company and the project company.

To forestall risks from changes in interest rates, at the acquisition of a property IFM or its project companies enter into interest rate hedges to cover any such changes over the planned duration of the project.

5.2. Financial position

The Group's equity increased from EUR 88.9 million to EUR 94.2 million (+5.9%), particularly because of the net profit for the year. The equity ratio, at 36%, remained at a solid level as of the reporting date (December 31, 2006: 55%).

Long-term borrowings increased significantly, from EUR 23.1 million to EUR 157.3 million. Almost all of this figure is liabilities to banks. In the course of the expansion of the property portfolio and the investments made during the year, these liabilities grew from EUR 18.2 million to EUR 153.8 million.

Short-term borrowings declined from EUR 49.6 million to EUR 9.2 million. An important factor in this decrease was the reduction of short-term liabilities to banks from EUR 32.3 million to EUR 1.2 million, as a consequence of the refinancing of expired loans. Additionally, trade accounts payable decreased from EUR 15.6 million to EUR 3.5 million. The prior-year figure particularly included the purchase price for the "GutenbergPark" property in Mainz, which was paid out early in 2007.

6. Changes in liquidity

The cash flow from operating activities for 2007 was EUR 0.3 million, compared to EUR –1.0 million the year before. Here the substantial increase in the net profit for the year affected the picture accordingly.

The cash flow from investing activities includes cash investments in property, plant and equipment, and came to EUR –107.4 million, compared to EUR –30.6 million a year earlier. The higher cash outflow resulted from the expansion of the property portfolio through the development of existing properties and through acquisitions.

The cash flow from financing activities increased from EUR 61.0 million to EUR 95.2 million, primarily because of a more extensive use of bank loans to finance investments. The prior-year figure includes the cash generated from the Company's IPO.

7. Employees

As an investor and project developer for commercial real estate, IFM Immobilien AG relies heavily on the qualifications and motivation of its staff. Their professional knowledge and dedication are prerequisites for the Company's sustainable success.

Not including the two members of the Executive Board, the IFM Immobilien Group had 26 employees as of December 31, 2007 (end of 2006: 18). Of this group, 5 staff members were at IFM Immobilien AG (end of 2006: 2), and 21 were at IFM Asset Management GmbH and the project companies (end of 2006: 13). Additionally, IFM hired three temporary workers through agencies during the year. The increase in employment at the Group corresponds with the expansion of its operating activities.

The Group's compensation system for all employees is based on the principle of a consistent performance orientation. This principle is reflected in the fact that high performers receive a voluntary bonus in addition to the fixed component of their compensation.

Services that are not included in the core competencies of IFM are outsourced to external professional service providers. A team of experts is assembled individually for each project. These particularly include architects, prime contractors and other specialized engineers, brokers, and advertising agencies.

C. Events after the reporting date

No significant events occurred in the period between the balance sheet date and the date of completion of this report.

D. Risk and opportunity report

1. Risk management

In compliance with the German Act on Oversight and Transparency the Corporate Sector (KonTraG), IFM Immobilien AG has established a risk management system for the early detection of any change that might result in losses or jeopardize the Company's continued existence. An efficient range of tools ensures that risks can be detected, assessed and managed promptly.

2. Risks

In general, the Company is primarily subject to the following categories of risks:

2.1. Sector and market risks

Influence of real estate cycles: Demand for office space and commercial retail properties, which are the primary focus of IFM, is commonly subject to cycles. This market is also affected by various additional factors over which IFM has no control, and that cannot be predicted. These include general economic developments and the current subprime lending crisis in the United States; the latter development primarily affects housing construction in that country, but its impact on the German real estate market cannot be predicted with any certainty. Adverse changes in economic conditions might reduce demand for commercial space and adversely affect the business performance of the IFM Immobilien Group.

Changes in interest rates: IFM finances its real estate purchases primarily through borrowings. Thus the Company is subject to the usual fluctuations in the capital and financing markets. In the event of an increase in interest rates, finance expenses might rise, especially for new acquisitions. As a consequence, IFM might not be able to cover its financing needs on economically acceptable terms. Additionally, interest rate hedges might become more expensive, or even unavailable. These changes would slow IFM's growth.

To hedge existing loan agreements, which are subject to market fluctuations because of their variable interest rates, IFM uses derivative interest-rate hedging instruments, generally for the full term of the underlying loan agreement.

2.2. Risks resulting from IFM's business operations

Limited management capacity: IFM's success depends on its management and its experienced personnel in key positions. The Group depends to a great degree on its current CEO's years of experience and contact network. If the CEO or other important personnel were to leave, IFM might not be able to recruit new employees or management with equivalent qualifications.

Moreover, to achieve the growth it plans, IFM must recruit additional employees, for example in order to operate successfully in other regions of Germany. If the Group were to lose managers or experienced personnel, or were unable to recruit qualified employees, this might have a material adverse effect on its competitiveness.

To reduce staff turnover and keep high-performing employees loyal to the Group for the long term, IFM offers attractive pay with variable, performance-based components.

Slow rentals: IFM's business success depends significantly on being able to lease out newly positioned properties as quickly as possible. If these properties can be leased out only slowly, or not at all, they would reduce profits and sap the Group's competitiveness. Additionally, tenants might terminate their leases or default on their rent.

Since IFM generally does not operate as a purchaser of large real estate portfolios, but invests in single properties instead, it can carry out very careful due diligence on the individual properties. This reduces the risk of misassessments of the feasibility of letting the property. Additionally, the company believes that arriving at innovative, well-focused marketing concepts for its properties at an early stage is an important tool in ensuring that vacancies are filled quickly.

Dependence on outside service providers: IFM outsources activities that are not part of the Group's core competencies to external professional service providers. If they perform poorly or default in future projects, it could lead to losses to the Group and sap its competitiveness. Further risks result from potential delays in the construction of project properties, or from unbudgeted increases in construction costs. These might delay the generation of income and reduce a property's profitability.

To minimize these risks, IFM screens the service providers it uses before engaging them. Additionally, the experienced and expert service providers that it selects are brought into the development of the project at a very early phase, thus making it possible for them to realistically assess the costs and risks associated with the project.

2.3. Other risks

Environmental damage / Legacy contamination: When properties are purchased, it cannot be ruled out that legacy contamination may be discovered afterwards, especially pollution of the soil and groundwater. For no fault of its own, IFM might then be liable for remediating the legacy contamination, and could be required to decontaminate. This might lead to substantial financial expenditures that IFM might be unable to pass back to the seller of the property.

However, because IFM invests primarily in property that already has buildings, and in these cases the properties are covered through grandfathering, risks posed by the land and soil are reduced. If legacy contamination is found or a decontamination obligation exists before the project is begun, these are either included in the costing process, or the purchase is not pursued further. To date, none of the buildings held by IFM has been discovered after purchase to have any material legacy contamination or remediation requirements.

In regard to the presentation of risks and risk management, the reader is also referred to the comments in the Notes to the Consolidated Financial Statements (Section D Note 42).

3. Opportunities

Geographical expansion: The Group foresees future opportunities in a geographical expansion of its activities to the regions of the major business conurbations of Munich, Cologne/Düsseldorf, and Hamburg. Particularly in light of the growing employment of office workers, and thus the ongoing rise in demand for office space, the Company believes these regional markets have great potential.

Speed of implementation of portfolio projects: By applying its core competencies of redevelopment, restructuring and repositioning of existing properties, the Group can finish office space and have it ready to lease in its individual markets faster than would be the case with new structures. For example, permit procedures for renovations and structural restorations often take less time than for new construction. Here IFM believes it may be able to take advantage of growth opportunities faster and more flexibly in regional markets, where demand cycles are becoming ever shorter.

Expansion through opening up to joint ventures and equity investments: IFM plans to take advantage of growth opportunities afforded by cooperating with third parties, such as financial investors, and forming appropriate joint ventures. This channel opens up additional growth potential for IFM.

Lead in marketing skills: In its business, IFM will continue to make systematic use of its recognized marketing skills. Even in the short term, and even in potentially stagnating markets or in the event of an oversupply of high-quality office space, IFM expects these skills to be a competitive advantage in successfully positioning its real estate projects in the market.

E. Information under Sec. 289 and 315 of the German Commercial Code

Information about the structure of Executive Board compensation (Sec. 315 (2) No. 4, Commercial Code): As a rule, the contracts of Executive Board members run for three to five years. The members' compensation is set by the Supervisory Board. Further information about the compensation structure can be found in Section A No. 3.2 of this Management Report and under Note 452 in the Notes to the Financial Statements.

Mr. Georg Glatzel is authorized to participate in the 2006 Stock Option Plan. Messrs. Georg Glatzel and Marcus Schmitz can participate in the 2007 Stock Option Plan.

Information about the structure of Supervisory Board compensation (Sec. 315 (2) No. 4, Commercial Code): The compensation of the members of the Supervisory Board is governed by Article 14 of the Company's articles of incorporation. Each member of the Supervisory Board receives an annual fixed compensation of EUR 12,000. Additionally, each member receives a variable, results-based component that depends on the change in the pretax profits of the IFM Immobilien Group not including effects from properties, and to a lesser extent on the effects from properties. There is no possibility of negative compensation. The upper limit in each case is 2.5 times the fixed component. The Chairman of the Supervisory Board receives twice the fixed and variable components, and the Vice-Chairman of the Supervisory Board receives one and one-half times those components. Additionally, the Company refunds the value-added tax on this compensation, as well as any necessary expenses incurred for activities on the Supervisory Board.

Information about composition of subscribed capital (Sec. 315 (4) No. 1, Commercial Code): The share capital of IFM Immobilien AG as of December 31, 2007, was EUR 8,500,000, divided into 8,500,000 shares of common stock with no par value. Each share confers one vote at the shareholders' meeting. Before the upcoming shareholders' meeting, the number of shares and votes may change through the use of authorized and/or conditional capital.

Information about restrictions on voting rights or on stock transfers (Sec. 315 (4) No. 2, Commercial Code): The Executive Board knows of no restrictions of any kind on voting rights or the transfer of Company stock.

Information about direct or indirect equity investments (Sec. 315 (4) No. 3, Commercial Code): So far as the Company is aware, at the time of the preparation of this Consolidated Management Report the shareholder structure of IFM Immobilien AG was as follows: Sirus Investment GmbH 5.60%; IFM Immobilien Finanz Management GmbH 3.70%; Mr. Georg Glatzel (0.85% of share capital); Mr. Luca Pesarini (1.20% of share capital) and Mr. Phillipp J.N. Vogel (0.79%). Under the terms defined by Deutsche Börse, 87.86 % of the share capital was in free float.

Information about holders of shares with special rights (Sec. 315 (4) No. 4, Commercial Code): There are no shares conferring special rights that would give their holder an authorization to control the Company.

Information about the nature of verification of voting rights in the case of employee shares (Sec. 315 (4) No. 5, Commercial Code): There are no shares for employees that limit the holders' rights of verification.

Information about requirements of law and of the articles of incorporation for the appointment and dismissal of members of the Executive Board, and for amendments of the articles of incorporation (Sec. 315 (4) No. 6, Commercial Code): The rules for the appointment and dismissal of members of the Executive Board follow the German Stock Corporations Act (*Aktiengesetz*). There are no deviating provisions in the Company's articles of incorporation. The powers of appointment and dismissal are held solely by the Supervisory Board of IFM Immobilien AG. Reappointments or extensions of a term of office are permitted. Under Article 6 of the articles of incorporation, the Executive Board may have one or more members; this matter is decided by the Supervisory Board.

As provided under the Stock Corporations Act, the articles of incorporation may be amended only by resolution of the Company's shareholders' meeting. As prescribed by the Stock Corporations Act, amendments to the articles of incorporation must be adopted by at least a 75% majority of the share capital represented at the vote.

Information about the Executive Board's authorization to issue and buy back stock (Sec. 315 (4) No. 7, Commercial Code):

Authorized capital: The shareholders' meeting of July 20, 2007, authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 30, 2012, by not more than a total of EUR 4,250,000, by issuing not more than 4,250,000 new no-par bearer shares of common stock in return for cash contributions and/or contributions in kind. The new shares are normally to be offered to the shareholders for purchase. Their preemptive rights may be excluded in the following cases:

- for fractional amounts;
- in the case of capital increases in return for contributions in kind, for example for purposes of acquiring companies, portions of companies, or interests in companies, or to acquire land or other real estate or interests in land or other real estate;
- to service rights to subscribe for new shares under convertible bonds and/or warrants from bonds with warrants;
- in the case of a capital increase in return for cash, if the associated total proportional value of the share capital does not exceed 10% of the share capital in existence at the time of issue of the new shares, and the issue value of the new shares is not significantly less than the trading price (under Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 of the Stock Corporations Act).

Stock option plans:

- SOP 2006 A and SOP 2006 B: By a resolution of April 24, 2006, and under a clarifying resolution of May 8, 2006, the shareholders' meeting authorized the Supervisory Board to issue, immediately after the registration of the 2006 conditional capital in the Commercial Register, and in no case later than March 31, 2011, under the 2006 Stock Option Plan A (SOP 2006 A) and 2006 Stock Option Plan B (SOP 2006 B), not more than 120,000 stock options with rights to subscribe to stock of the Company, with a maturity of 5 years, to the members of the Executive Board of IFM Immobilien AG. Each stock option confers the right to purchase one share of IFM Immobilien AG stock. Existing shareholders have no preemptive rights. A total of 120,000 stock options were issued.

- SOP 2007: By a resolution of July 20, 2007, the shareholders' meeting authorized the Supervisory Board to issue, after 2007 Conditional Capital II is recorded in the Company's entry in the Commercial Register, under the 2007 Stock Option Plan, not more than 730,000 stock options with rights to subscribe to stock of the Company, with a maturity of not more than five years, to members in office of the Executive Board of IFM Immobilien AG (SOP 2007). Each stock option confers the right to purchase one share of IFM Immobilien AG stock. Existing shareholders have no preemptive rights. The Supervisory Board has sole authority to decide the exact group of entitled individuals and the extent of the stock options to be offered to each of them for purchase. A total of 292,000 options were issued.

Conditional Capital:

- 2006 Conditional Capital: To safeguard preemptive rights under stock options issued within the period from April 24, 2006, through March 31, 2011, under the authorization approved by the Company's shareholders' meeting of April 24, 2006, for 2006 Stock Option Plan A and 2006 Stock Option Plan B, the Company's share capital was conditionally increased by not more than EUR 120,000.
- 2007 Conditional Capital I: For granting stock upon the exercise of conversion rights and/or options, or upon fulfillment of conversion and/or option obligations, on the part of the bearers or holders of convertible bonds and/or warrants from bonds with warrants issued by the Company on or before June 30, 2012, under the authorization approved by the shareholders' meeting of July 20, 2007, the Company's share capital was conditionally increased by not more than EUR 3,400,000.
- 2007 Conditional Capital II: To safeguard preemptive rights under stock options issued within the period until June 30, 2012, under the authorization approved by the shareholders' meeting of July 20, 2007, for the 2007 Stock Option Plan, the Company's share capital was conditionally increased by not more than EUR 730,000.

Acquisition of own stock:
At present the Company is not authorized to acquire its own stock.

Information about material agreements that are subject to a change of control consequent upon a takeover offer (Sec. 315 (4) No. 8, Commercial Code):
There are no material agreements that are subject to a change of control consequent upon a takeover offer.

Information about indemnification agreements (Sec. 315 (4) No. 9, Commercial Code):
There are no applicable indemnification agreements.

F. Report of anticipated developments

1. Economic environment

Economic experts expect the German economy to continue on the same growth course in 2008 and 2009, albeit less dynamically. A major influencing factor here is the significant weakening of the economy in the United States, which was trending toward a recession early in the year. The rest of the world is not expected to be able to pull clear of the weakening U.S. economy. Given the increasing warning signs from overseas, the German government has reduced its projection for the growth of Germany's gross domestic product (GDP) from 2.0% to 1.7% for 2008.

However, no profound economic slump is expected for either the Euro Zone as a whole or Germany in particular. Especially because of robust growth in new orders at businesses and an expected further rise in employment, the German economy is in fundamentally sound condition. Thus the economy offers a contrast to the overcast sentiment provoked in the stock markets by the ongoing burdens that the subprime lending crisis in the USA has brought into international financial markets.

The problems in the financial markets, the associated higher cost of refinancing, and many banks' need to take large write-offs have led to fears of a general credit shortage. Overall, it can be said that the credit business is differentiating risk more sharply, and there will thus be greater competition for clients with good credit ratings. Conversely, those who represent higher risks will be charged considerably higher prices. However, the experts do not foresee a general credit crunch on the supply side.

The changes in the financial and credit markets, the strength of the euro, and the high price of oil remain risk factors for the further growth of the German economy.

Sources:
Jones Lang LaSalle: Office Rental Markets 2007, January 8, 2008
Bundesverband deutscher Banken: Economic Report, February 2008
Bundesverband deutscher Banken: "The Economy and Economic Policy" survey by the Committee on Economic and Monetary Policy, March 5, 2008
Press release from the German federal government, January 23, 2008

2. Projected development of the commercial real estate market

In commercial real estate, Germany remains one of Europe's most popular investment sites, and is considered comparatively cheap. Experts expect the upswing in the German job market to have parallel effects on employment in office jobs. The major German locations where office workers are concentrated, such as Frankfurt am Main, Munich, Stuttgart, Cologne, Düsseldorf, Hamburg and Berlin, are especially expected to profit from this development.

Accordingly, the rise in office employment will also bring greater demand for rentable office space. The experts do expect more buildings to be finished in 2008 and 2009, and thus more office space to come on the market. Nevertheless, heavy demand is bringing vacant office space into increasingly short supply, especially in the case of well-appointed spaces in good locations. Consequently some locations actually have a shortage of high-quality space.

For that reason, potential tenants must settle for buildings still under construction or only in planning. However, about half of the new building space under construction in the real estate strongholds has already been leased out or is held by owner-occupants. Consequently rents are expected to rise, especially for high-quality properties in good locations. For 2008 and 2009 in the German office property market as a whole, demand is expected to remain strong, vacancies should continue to decline slightly, and rents should keep rising.

In retail space, the expected rise in consumer spending in the next few years will be accompanied by a significant expansion of retail space. The outlook for rent increases is therefore limited. Experts are noting a shift in demand toward spaces in prime downtown locations and shopping centers. The market share of traditional small stores is expected to decline.

In the investment market for commercial real estate, total investments are expected to decline in 2008. The reason, according to the experts, is lenders' growing demand for investors to support investments with more equity, in light of the current turbulence in the financial markets. This and the de facto collapse of the securitization markets may make banks less willing to lend. The trend toward investors with conservative financing concepts might have a slightly damping influence on prices for commercial properties, but investors' interest in such locations as Frankfurt, Munich, Düsseldorf, Hamburg and Berlin is expected to remain high.

Sources:
Jones Lang LaSalle, Office Rental Markets 2007, January 8, 2008
HSH Nordbank AG, Economics & Research, Hamburg, February 5, 2008
"MIPIM" Special Issue, Die WELT, March 8, 2008

3. Strategic focus of IFM Immobilien

IFM Immobilien AG will continue pursuing its strategy of operating as an investor and active project developer engaged in commercial real estate, with an emphasis on office and downtown retail uses. Its operations will continue to focus on classic project development accompanied by the redevelopment, restructuring and repositioning of commercial properties.

IFM Immobilien AG will continue to concentrate on investing in properties that stand out for their attractive risk-opportunity profile, extensive potential for development and appreciation, and preferred locations. The appreciation of the real estate portfolio will be generated primarily through active project development.

At the beginning of 2008, the Group's real estate portfolio included several projects under development.

- The "Romeo & Julia" property in Frankfurt am Main is currently undergoing structural restoration. The project is expected to be completed by the end of 2008. Marketing to tenants has already begun.
- Portions of the "Maxxon" office park in Eschborn Süd will be restored and repositioned by 2010. The first phase of construction has already begun.
- Details under the planning and construction codes are currently being worked out with the authorities for the two adjoining properties in Berlin. In parallel, various use concepts are being prepared, and initial meetings have been held with potential tenants.

Additionally, the following properties in the Group's real estate portfolio are also under development:

- The "GutenbergPark" property in Mainz is getting a new use and marketing concept, and will be repositioned as part of this work. The leasing process has begun, and will presumably go on into 2009.
- The "Kureck" area, in an outstanding downtown location in Wiesbaden, will permit project development with gross floor space of more than 35,000 square meters. Since the former owner, R+V Versicherung, will continue to occupy some of the existing buildings until the end of 2010, here project development will proceed in phases. The master plan should be worked out with the authorities in 2008, and applications for the building permits will be filled for the first phase of construction.

The IFM Immobilien Group's operations still concentrate geographically on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin. The Company plans to acquire additional attractive properties in the regions of the major office locations of Munich, Cologne/Düsseldorf, and Hamburg, so as to diversify its property portfolio regionally.

There are no plans to structure IFM Immobilien AG as a real estate investment trust (REIT).

In the first half of 2008, the Company plans to move out of the Entry Standard and into the Prime Standard of Deutsche Börse AG. The change of segment emphasizes IFM Immobilien AG's goal of becoming even more visible and transparent for the capital market.

The Group intends to keep its real estate portfolio growing. Generally, IFM Immobilien is considering financing a portion of this growth through joint ventures with third-party partners. This would allow IFM to protect its equity base, yet enjoy a more than proportionate share of expected successes within the joint venture.

Additionally, the Executive Board is actively exploring the market for ways of realizing the appreciation of the existing portfolio through sales. It is not out of the question that some properties might be sold as early as this year.

4. Financial outlook

The Executive Board has reaffirmed its goal of increasing the existing portfolio, including ongoing project developments, to about EUR 500 million within the medium term.

For 2008 and 2009, it assumes that the further development of the real estate portfolio will make it possible to increase rental income against prior years. In all, management expects Group revenues to grow further in 2008. Here effects from the reappraisal or sale of properties from the portfolio may be of major importance for earnings.

Barring unforeseen adverse events that could have a material impact on IFM Immobilien AG, the Executive Board believes the Group is well equipped to continue its dynamic growth into the future.

Heidelberg, March 20, 2008
The Executive Board

Consolidated Financial Statements (IFRS)

„Maxxon" - Eschborn-Süd

Group Balance sheet of IFM Immobilien AG on December 31, 2007

Assets	Note	Dec. 31, 2007 EUR 000	Dec. 31, 2006 EUR 000
Non-current assets			
Investment properties	3000	138,752	82,000
Properties under development	3001	80,594	44,018
Advance payments made on property, plant and equipment	3002	8,666	0
Office and other equipment	3003	497	410
Goodwill	3004	389	389
Other intangible assets	3005	185	193
Derivative financial instruments	3006	1,907	0
Deferred tax assets	3007	2,585	3,125
Total non-current assets		**233,575**	**130,135**
Current asset			
Trade accounts receivable	3010	1,457	641
Other current assets and expenses paid in advance	3011	3,050	1,340
Securities	3013	5,003	0
Cash and cash equivalents	3014	17,622	29,470
Total current assets		**27,132**	**31,451**
Total assets		**260,707**	**161,586**

Group balance sheet of IFM Immobilien AG on December 31, 2007

Equity and Liabilities	Note	Dec. 31, 2007 EUR 000	Dec. 31, 2006 EUR 000
Equity			
Issued capital	3020	8,500	8,500
Additional paid-in capital		69,439	69,797
Other reserves	3021	9,716	9,484
Distributable profit		5,515	439
Equity attributable to Group shareholders		**93,170**	**88,220**
Minority interests	3022	1,016	673
Total equity		**94,186**	**88,893**
Long-term liabilities			
Liabilities to banks	3030	153,774	18,193
Trade accounts payable	3031	13	70
Deferred tax liabilities	3035	3,489	4,820
Total long-term liabilities		**157,276**	**23,083**
Short-term liabilities			
Tax provisions	3034	239	0
Other provisions	3033	1,661	352
Liabilities to banks	3030	1,247	32,271
Trade accounts payable	3031	3,510	15,590
Other short-term liabilities and deferred expenses	3032	2,588	1,397
Total short-term liabilities		**9,245**	**49,610**
Total equity and liabilities		**260,707**	**161,586**

Group profit and loss statement

Income statement	Note	2007 EUR 000	2006 EUR 000
1. Revenues	3101	9,261	4,277
2. Other own work capitalized	3102	941	769
3. Other operating income	3103	313	45
4. Gain or loss on fair valuation of properties	3104	5,232	1,621
5. Cost of goods sold	3105	-1,924	-872
6. Personal expenses	3106	-1,866	-1,127
7. Depreciation and amortization	3107	-202	-62
8. Other operating expenses	3108	-3,483	-2,172
9. Other interest and similar income	3109	976	670
10. Interest and similar expenses	3109	-5,189	-2,430
11. Gain or loss on fair valuation of derivates	3109	285	219
12. Operating profit (loss)		**4,344**	**938**
13. Income taxes	3110	904	-359
(including: deferred taxes)		(+976)	(-359)
14. Other taxes		-11	-47
15. Consolidated profit (loss)		**5,237**	**532**
16. Minority interests	3111	161	89
17. Consolidated profit after minority interests		**5,076**	**443**
18. Profit / loss carried forward		439	-4
19. Consolidated distributable profit		**5,515**	**439**
20. Basic earnings per share (in EUR)	32	0.60	0.09
21. Diluted earnings per share (in EUR)	32	0.60	0.09

Consolidated Cash Flow Statement	2007 EUR 000	2006 EUR 000
1. Consolidated profit (loss)	5,237	532
2. + Depreciation and amortization of non-current assets	202	62
3. -/+ Other noncash income / expenses	-6,482	-934
4. - Increase / +Decrease, trade accounts receivable and other assets	-2,276	-201
5. - Decrese / + Increase in trade accounts payable and other liabilities	3,651	-504
6. = Cash flow from operating activities (total of 1 through 5)	**332**	**-1,045**
7. - Cash paid for investments in investment properties	-19,666	-2,500
8. - Cash paid for investments in properties under development	-42,203	-28,640
9. - Cash paid for investments in intangible assets and property, plant and equipment	-8,995	-324
10. + Proceeds from disposals of property, plant and equipment	47	15
11. - Cash paid for the purchase of securities	-5,003	0
12. -/+ Net cash paid for (received from) acquisitions of consolidated companies	-31,541	903
13. = Cash flow from investing activities (total of 7 through 12)	**-107,361**	**-30,546**
14. + Cash received from the issuance of shares	0	80,300
15. - Cash paid to raise equity capital	0	-6,282
16. + Proceeds from bank loans	96,854	11,909
17. - Cash repayments of bank loans and other loans	-1,010	-24,916
18. + Other cash received from financing activities	436	0
19. - Other cash paid for financing activities	-1,099	0
20. = Cash flow from financing activities (total of 14 through 19)	**95,181**	**61,011**
21. Cash changes in cash and cash equivalents (total of items 6, 13 and 20)	-11,848	29,420
22. + Cash and cash equivalents at beginning of period	29,470	50
23. = Cash and cash equivalents at end of period (total of 21 and 22)	**17,622**	**29,470**

Group changes in equity

	Subscribed capital EUR 000	Reserves Capital reserve EUR 000	 Other reserves EUR 000
Status at Jan. 1, 2006	**50**	**0**	**0**
Capital increases			
- in return for contributions in kind	1,150	0	9,484
- in return for cash contributions	7,300	73,000	0
Expenses for raising for equity capital	0	-3,751	0
Stock option plans	0	548	0
Profit (loss) for period	0	0	0
Status at Dec. 31, 2006	**8,500**	**69,797**	**9,484**
Change in scope of consolidation	0	0	0
Tax rate adjustments	0	-450	0
Stock option plans	0	92	0
Cash flow hedges	0	0	232
Profit (loss) for period	0	0	0
Status at Dec. 31, 2007	**8,500**	**69,439**	**9,716**

Group changes in equity

Retained earnings EUR 000	Equity attributable to Group shareholders EUR 000	Minority interests EUR 000	Total equity EUR 000
-4	**46**	**0**	**46**
0	10,634	584	11,218
0	80,300	0	80,300
0	-3,751	0	-3,751
0	548		548
443	443	89	532
439	**88,220**	**673**	**88,893**
0	0	171	171
0	-450	0	-450
0	92	0	92
0	232	11	243
5076	5076	161	5,237
5,515	**93,170**	**1,016**	**94,186**

„westendFirst“ Frankfurt am Main, Westend

A General Information

01 Consolidated financial statements of IFM Immobilien AG

IFM Immobilien AG (also "IFM," "IFM AG," or the "parent company") has its registered office and principal place of business in Heidelberg. Fiscal 2007 was the same as the calendar year at all Group companies. The Group was legally formed in 2006.

The preparation date for the consolidated financial statements at December 31, 2007, was March 20, 2008, the date on which the Executive Board of IFM AG approved the consolidated financial statements for release. The consolidated financial statements have been prepared in euros (EUR), and all figures are indicated in thousands of euros (EUR 000).

02 Declaration of conformity by the Executive Board

The consolidated financial statements of IFM AG have been prepared in conformity with all International Financial Reporting Standards approved by the EU Commission and applicable for the reporting period. The ultimate effects have not been ascertained for standards that have already been published but whose application is not yet required.

The requirements of IFRS as adopted by the European Union have been met in full, and provide a true and fair picture of the Group's assets and liabilities, financial position, and profit or loss. The following new standards and interpretations were to be applied as of fiscal 2007 and have been taken into account:

- IFRS 7: Financial Instruments: Disclosure
- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 10: Interim Financial Reporting and Impairment

The first application of these standards and interpretations had no material impact on the consolidated financial statements of IFRS AG at December 31, 2007, except for the expanded disclosure obligations under IFRS 7.

IFM AG is not a parent company within the meaning of Sec. 315a (1) or (2) of the German Commercial Code (HGB), such as would be obligated to prepare consolidated financial statements under IFRS. It prepares its consolidated financial statements under IFRS voluntarily, taking due account of the mandatory disclosures required under the German Commercial Code.

B Summary of Material Accounting Principles

10 Consolidated accounting principles

100 Presentation principles

The Group's income statement has been prepared using the "nature of expense" method. The consolidated financial statements were prepared uniformly for the periods shown here, in conformity with the following consolidation, reporting and measurement principles.

No foreign currency translation needs to be taken into account, as only German companies are consolidated and all business is conducted only in euros.

110 Scope of consolidation

The consolidated financial statements include not only IFM AG, but all the following subsidiaries, all of which have their registered offices in Germany. Subsidiaries are defined as companies in which IFM AG holds more than half of the voting rights, either directly or indirectly. The following companies were brought into the Group or acquired during fiscal 2006:

- GP Properties GmbH, Heidelberg
- IFM Property Project Frankfurt GmbH, Heidelberg
- IFM Property Project Ulmenstraße GmbH, Heidelberg
- IFM Asset Management GmbH, Heidelberg
- IFM Property Project Mainz GmbH, Heidelberg
- IFM Property Project Zimmerstraße GmbH, Heidelberg (formerly IFM Property Project 5 GmbH)

The following companies were founded or acquired in fiscal 2007:

- IFM Property Project Eschborn GmbH, Heidelberg
- IFM Property Project Feldbergstraße GmbH, Heidelberg
- IFM Property Project VIII GmbH, Heidelberg

- NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
- NEWCOM Property Verwaltungs GmbH, Heidelberg
- IFM Property Project Darmstadt GmbH, Heidelberg

- IFM Property Project IX GmbH, Heidelberg
- IFM Property Project Wiesbaden GmbH, Heidelberg
- IFM Property Project Adolfsberg GmbH, Heidelberg
- IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg
- IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg
- IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg
- IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg
- IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg

Business combinations and the required information under IFRS 3 are presented in Note 43.

Appendix 2 to these Notes presents a full list of equity interests held by IFM AG.

120 Consolidation principles

The IFM AG Group applies uniform reporting principles for its Group companies and the consolidated financial statements. These principles are applied consistently.

Capital is consolidated by netting the carrying amounts of the equity interest against the share held in the equity of a given subsidiary and measured as of the date of its acquisition or first consolidation. Any positive differences resulting from capital consolidation are normally capitalized as goodwill in compliance with IFRS 3. Negative differences are charged immediately against profits, after a reassessment of identifiable assets, liabilities and contingent liabilities.

Minority interests are taken into account if the Company holds less than 100% of the subsidiary's equity.

Any undisclosed reserves and charges discovered in measuring assets and liabilities at fair value in the course of the first consolidation are amortized, written down, or written back, as the case may be, over subsequent periods, depending on the evolution of the assets and liabilities in question. A derivative goodwill is allocated to the cash-generating unit in question. It is regularly checked for impairment in subsequent periods, and in the event of an impairment the goodwill is written down to the lower recoverable amount.

Intra-Group net balances and transactions, and unrealized profits on intra-Group transactions, are eliminated in preparing the consolidated financial statements. Necessary tax deferrals are taken on temporary differences resulting from consolidation, in accordance with IAS 12.

130 General accounting principles

An asset is capitalized in the consolidated financial statements only if a resource is controlled by the Group as a result of past events, future economic benefits from the item are expected to flow to the Group, and the item's cost of purchase or creation can reliably be determined. Additionally, various capitalization requirements set forth under IFRS standards must be met, and there must be no prohibitions on reporting the item.

Liabilities are present obligations of the Group as a result of past events, and entail the expectation that their settlement will result in an outflow of resources from the Group whose value can be reliably determined.

The Group's revenues are primarily usage charges (rental income). The proceeds from these usage charges are recognized appropriately for their periods, in conformity with the terms of the underlying leases.

140 Principal items of the consolidated balance sheet

1401 Real Estate

Investment properties are property (land, a building, part of a building, or both) held by the owner for purposes of earning rental income and/or for capital appreciation (IAS 40.5).

In accordance with IAS 16, properties in the course of construction or development are recognized as part of property, plant and equipment, and are measured using the cost model. Upon completion of their construction or development, they are reclassified as investment properties (IAS 40.57e). Any differences as of that date between the fair value of the property and its prior carrying amount are credited or charged to the income statement.

1402 Advance payments made

Advance payments made are for a property where the Company has set aside significant areas for owner-occupancy as management offices; the property is being remodeled accordingly.

1403 Financial instruments

The Company classifies its financial assets and liabilities in accordance with IAS 32, IAS 39 and IFRS 7 in the following categories:

- Loans and receivables, which are measured at amortized cost, using the effective interest rate method, and include trade accounts receivable, other current assets if based on contractual rights, and cash and cash equivalents.
- Financial assets at fair value through profit or loss, which are held for trading and measured at fair value; changes in their fair value are recognized in the income statement. These are primarily derivatives and securities. No use was made of the option to designate assets at fair value.
- Available-for-sale financial assets, measured at fair value.
- Financial liabilities at fair value through profit or loss, which are held for trading and measured at fair value; the changes in their fair value are recognized in the income statement. These are primarily derivatives.
- Other financial liabilities at amortized cost, applying the effective interest rate method. These include trade accounts payable, liabilities to banks, and other liabilities if based on contractual obligations.

1404 Deferred taxes

In accordance with IAS 12, deferrals are recognized for temporary differences between the values measured in the consolidated balance sheet under IFRS and the balance sheet required for tax purposes. These deferred items are recognized in the amount of the expected tax liability or credit for later fiscal years, on the basis of the regulations in effect as of the reporting date.

Deferred tax assets for tax loss carry-forwards are recognized if it is probable that the tax loss carry-forwards can be utilized in the future, or if sufficient deferred tax liabilities exist.

Deferred tax liabilities derive primarily from the fair valuation of investment properties and reassessments as part of first consolidations.

1405 Equity

Equity is recognized in accordance with IAS 32. The Executive Board and Supervisory Board, as the case may be, have been authorized to take the following measures affecting equity:

- 2007 Authorized Capital
- Issuing of convertible bonds and creation of conditional capital
- Issuing of stock options and creation of conditional capital.

20 Material assumptions and estimates

In order to prepare the consolidated financial statements under IFRS, it is necessary to make assumptions and estimates in accordance with IAS 1 that may affect the amount and recognition of the reported assets and liabilities, income and expenses, and contingent liabilities.

Material assumptions and estimates refer to

- setting uniform values for expected life throughout the Group;
- the need for unscheduled depreciation, amortization or impairment charges for assets, particularly goodwill, receivables and deferred tax assets;
- the fair value of investment properties;
- the recognition and measurement of provisions.

Actual values may deviate in some cases from the assumptions and estimates adopted.

The value of investment properties is assessed in appraisals prepared by independent, external expert appraisers. These appraisals are based on the income capitalization approach. Underlying assumptions and estimates in these cases particularly relate to sustainable annual net income and property yields. Like the resulting fair values, they may fluctuate greatly over time, and affect profits accordingly. The carrying amount of investment properties as of the reporting date was EUR 138,752 thousand (prior year: EUR 82,000 thousand).

C Risk Management and Risks Resulting from Financial Instruments

In regard to risks from financial instruments, the Group is particularly exposed to liquidity and interest rate risks.

Currency risks

There are no currency risks, because all companies are domiciled in Germany and all purchases and sales of goods and services are billed in euros.

Liquidity risks

Financial planning is maintained for all companies over multiple planning periods, in order to coordinate investment and financing flows. In this connection, the reader is referred to the presentation of expected interest and principal payments for the coming years (see below).

At December 31, 2007, the Group had access to unused credit commitments of approximately EUR 60 million. These commitments had terms of up to 5 years.

The shareholders' meeting has authorized the Executive Board and Supervisory Board, as the case may be, to take the following measures affecting capital:

- 2007 Authorized Capital
- Issuing of convertible bonds and creation of conditional capital
- Issuing of stock options and creation of conditional capital.

- Authorized Capital

A new authorized capital of EUR 4,250 thousand has been created. The Executive Board is authorized to increase the Company's share capital on one or more occasions on or before June 30, 2012, by not more than a total of EUR 4,250 thousand, by issuing not more than 4,250,000 new no-par bearer shares of common stock in return for cash contributions and/or contributions in kind (2007 Authorized Capital).

- 2007 Conditional Capital I

The Executive Board is authorized to issue conditional capital on one or more occasions on or before June 30, 2012, with bearer and/or registered bonds with warrants and/or convertible bonds (hereinafter collectively the "Bonds") for a total par value of up to EUR 34,000 thousand and with a maturity of not more than 10 years, and to grant the bearers or holders of the Bonds conversion rights or options for stock of IFM Immobilien AG representing a notional value of not more than EUR 3,400 thousand of the share capital, in accordance with the details of the Bond terms.

- 2007 Conditional Capital II

As a part of performance-based compensation, not more than 730,000 stock options may be issued to the Executive Board, and an associated conditional capital may be created. As of December 31, 2007, 292,000 of these options had been issued.

Market risks

As market risks for financial instruments, the risk of changes in interest rates is of particular concern for the Group. However, fluctuations in interest rates affect the Group only to a limited degree. A small portion of its bank liabilities are fixed-interest; additionally, the Group hedges variable-interest bank liabilities with interest rate swaps, caps and floors. As of the end of 2007, all variable interest-rate positions, in the amount of EUR 136,702 thousand, were hedged with derivative financial instruments of variable effectiveness. In this connection, the reader is referred to the notes on derivative financial instruments and hedge relationships. Since the existing interest rate hedges mean that a change in market interest rates will have a significant effect only on the feasibility of financing future investment projects, a sensitivity analysis in regard to changes in market interest rates has been omitted here.

Credit risks

The Group has no material credit risks. Contracts for derivative financial instruments and financial transactions are entered into only with financial institutions having high credit ratings, so as to keep the risk of a financial institution’s default as low as possible. The risk of lost rent is reduced by letting to tenant companies with good credit.

The carrying amounts of financial assets recognized in the consolidated financial statements represent the Group’s maximum default risk.

Other information about financial instruments

Carrying amounts, fair values, and measurement categories by class within the scope of application of IFRS 7 at December 31, 2007

Assets	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 (EUR 000)	Measurement categories per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
receivable	1,457	1,457	LAR	1,457	---
Derivatives not included in hedge accounting	1,619	1,619	HFT	1,619	---
Derivatives included in hedge accounting	288	288	---	288	---
Other current assets	3,050	218	LAR	218	---
Securities	5,003	5,003	HFT	5,003	5,003
equivalents	17,622	17,622	LAR	17,622	---

Measurement categories per IAS 39 *
Loans and receivables (abbreviated **LAR**)
Financial assets and liabilities held for trading (abbreviated **HFT**)
Other financial liabilities at amortized cost (abbrevated **AMC**)

Carrying amounts, fair values, and measurement categories by class within the scope of application of IFRS 7 at December 31, 2007

Liabilities	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 (EUR 000)	Measurement categories per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	155,021	155,021	AMC	155,034	---
Trade accounts payable	3,523	3,523	AMC	3,523	---
Derivatives not included in hedge accounting	379	379	HFT	379	---
Other short-term liabilities	2,209	205	AMC	205	---

Carrying amounts, fair values, and measurement categories by class within the scope of application of IFRS 7 at December 31, 2006

Assets	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 (EUR 000)	Measurement categories per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Trade accounts receivable	641	641	LAR	641	---
Derivatives not included in hedge accounting	219	219	HFT	219	---
Other current assets	1,121	160	LAR	160	---
Cash and cash equivalents	29,470	29,470	LAR	29,470	---

Carrying amounts, fair values, and measurement categories by class within the scope of application of IFRS 7 at December 31, 2006

Liabilities	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 (EUR 000)	Measurement categories per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	50,464	50,464	AMC	50,476	---
Trade accounts payable	15,660	15,660	AMC	15,660	---
Other short-term liabilities	1,397	150	AMC	150	---

For cash and cash equivalents, and for trade accounts receivable, carrying amounts are considered a realistic estimate of fair values because of the short terms to maturity. If financial instruments are listed on an active market, the listed price on that market is considered the fair value. This is particularly the case for securities.

The fair value of liabilities to banks is calculated by discounting future cash flows on the basis of current prevailing interest rates. The fair value of trade accounts payable is measured at their carrying amount because of their short terms to maturity.

Interest rate swaps are measured using the present value method, and caps and floors are measured using a modified Black-Scholes model. Measurement was based on an interest rate structure curve as of the reporting date.

The effectiveness of interest rate swaps recognized under hedge accounting was tested prospectively using the critical terms method, and retrospectively under IAS 39 using the cumulative dollar offset method. Furthermore, here the clean values were applied using the benchmark interest method based on a hypothetical derivative.

The carrying amount of financial assets serving as collateral for liabilities came to EUR 3,026 thousand at December 31, 2007 (vs. EUR 860 thousand). The financial assets are particularly trade accounts receivable, and derivatives furnished as collateral by banks as a part of loan approvals.

The net loss on financial instruments by measurement category under IAS 39 is as follows:

	2007 EUR 000	2006 EUR 000
Financial instruments held for trading (HFT)	780	177
Loans and Receivables (LAR)	611	631
Financial liabilities measured at amortized cost (AMC)	-5,226	-2,757
Total	-3,835	-1,949

The net figure for the HFT category reflects both changes in market value as a result of the derivative financial instruments and income or expenses resulting from realization. The net figure in the LAR category includes write-downs on receivables, as well as net interest income.

The net figures also particularly include interest expenses.

Total interest income from financial assets not measured at fair value through profit or loss came to EUR 660 thousand in 2007 (vs. EUR 664 thousand).

Total interest expenses for financial liabilities not measured at fair value through profit or loss came to EUR 5,168 thousand in 2007 (vs. EUR 2,429 thousand).

Derivative financial instruments and hedge relationships

As part of its interest rate management, the IFM Group uses derivative financial instruments covered by IAS 32, IAS 39 and IFRS 7, such as interest rate swaps, caps and floors. There are no currency risks. Derivative financial instruments are entered into for the properties by those properties' organizational units. Here hedge accounting is applied where the applicable requirements are met in full.

Changes in the fair value of positions that do not meet the requirements for hedge accounting are reflected in profit or loss. The fair values of derivatives (net) as of this reporting date were EUR 1,528 thousand (vs. EUR 219 thousand). The consolidated financial statements show income of EUR 285 thousand (vs. EUR 219 thousand) from the fair valuation of derivatives, and an increase in equity, without impact on profit or loss, of EUR 243 thousand (vs. EUR 0).

The total volume of interest-rate-related derivatives is as follows in thousand euros:

	December 31, 2007		December 31, 2006	
	Par	Fair value	Par	Fair value
Interest rate swaps	75,166	645	31,400	219
Caps	79,194	1,262	0	0
Floors	79,194	-379	0	0
Total		**1,528**		**219**

The following tables show the contractually agreed (undiscounted) interest and principal payments for the underlying financial liabilities and the derivative financial instruments, in thousand euros, with cash outflows shown in parentheses.

	Carrying amount 12/31/2007	Cash flow 2008		Cash flow 2009		Cash flow 2010-2012		Cash flow 2013	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Underlying financial liabilities									
Liabilities to banks	(155,021)	(8,299)	(1,247)	(8,227)	(28,890)	(13,758)	(118,387)	(341)	(6,497)
Other financial liabilities	(3,728)		(3,728)						
Derivative financial liabilities									
Interest rate derivatives without hedge relationships	(379)								
Derivative financial assets									
Interest rate derivatives without hedge relationships	1,619	313		311		119			
derivatives as cash flow hedges	288	44		44		80			

The variable interest payments under financial instruments were calculated on the basis of the last interest rates set before December 31, 2007.

Capital risk management

IFM manages its capital with the objective of maximizing income for its investors by optimizing the ratio between equity and borrowings. This ensures that all Group companies can operate on the going concern principle.

The Group's capital structure consists of debts (primarily liabilities to banks), cash and cash equivalents, and the equity allocated to the parent company's equity investors. The net debt (ratio of net debt to equity) calculated in this way came to approximately 160% at December 31, 2007 (vs. 49% the year before).

D Explanatory Notes to the Consolidated Financial Statements

30 Notes to the consolidated balance sheet

300 Non-current assets

3000 Investment properties

The line item for investment properties represents properties held to generate rental income and/or for capital appreciation.

In conformity with IAS 40, investment properties are measured at fair value. Changes in fair value are credited or charged to the income statement.

Where available, fair values are to be based on current prices for similar properties on active markets, in accordance with IAS 40.45. No such information was available for measuring the properties, so that fair values were calculated on the basis of real estate appraisals prepared by public, sworn expert appraisers using the income capitalization approach. The appraisals took account of sustainable annual gross income, expected expenses for management, maintenance, lost rent, etc., and property yields consistent with the specific risks for the property. The property-specific discount rates for 2007 were between 5.0% and 6.5% (prior year: between 5.0% and 5.5%).

Carrying amounts for investment properties changed as follows. Additions refer to acquisition costs, incidental acquisition costs, and costs of creation incurred up to the reporting date for the indicated real estate projects. These include acquisitions through business combinations (EUR 31,315 thousand), other acquisitions (EUR 3,437 thousand), reclassifications from properties under development (EUR 15,039 thousand), and retrospective costs of purchase or creation (EUR 1,729 thousand).

	At December 31, 2007 EUR 000	Additions / Reclassifications EUR 000	Changes in fair value EUR 000	At December 31, 2007 EUR 000
"Das Carré", Heidelberg	30,000	0	0	30,000
"westendFirst", Frankfurt	52,000	1,401	1,599	55,000
"Feldbergstraße", Frankfurt	0	3,437	0	3,437
"GutenbergPark", Mainz	0	15,367	3,633	19,000
"Kureck", Wiesbaden	0	31,315	0	31,315
	82,000	51,520	5,232	138,752

The “Das Carré” property in Heidelberg is encumbered with an uncertificated land charge held by a bank, with a nominal value of EUR 24,746 thousand plus 15% interest p.a. and a one-time 10% incidental payment.

The “westendFirst” property in Frankfurt is encumbered with a land charge held by a bank, with a nominal value of EUR 37,000 thousand plus 16% interest p.a.

The “Feldbergstraße” property in Frankfurt is encumbered with a land charge held by a bank, with a nominal value of EUR 2,100 thousand plus 15% interest p.a.

The “GutenbergPark” property in Mainz is encumbered with an uncertificated land charge held by a bank, with a nominal value of EUR 15,000 thousand plus 15% interest p.a. and a one-time 5% incidental payment.

The “Kureck” properties in Wiesbaden are the following pieces of land, which together are encumbered with a land charge held by a bank for EUR 25,923 thousand plus 18% interest:

- Adolfsberg GmbH & Co. KG; Wiesbaden
- Taunusstrasse 1 GmbH & Co. KG; Wiesbaden
- Taunusstrasse 3 GmbH & Co. KG; Wiesbaden
- Sonnenberger Strasse 2/2a GmbH & Co. KG; Wiesbaden
- Sonnenberger Strasse 2b GmbH & Co. KG; Wiesbaden
- Hochhaus GmbH & Co. KG, Wiesbaden

Income and expenses directly allocatable to investment properties are as follows:

	2007 EUR 000	2006 EUR 000
Rental income and incidental costs	7,934	4,255
Operating expenditures to generate rental income	-1,624	-1,332

Under the purchase agreement for the “westendFirst” property in Frankfurt am Main, the seller provided a rent guarantee under which the seller agreed to guarantee a contractually defined net “cold” rent for a specified period, or to provide grants toward filling vacancies. This obligation expired in 2007. The rent guarantee provided income of EUR 1,542 thousand in 2007.

3001 Properties under development

In accordance with IAS 16, properties in the course of construction or development are recognized as part of property, plant and equipment, and measured using the cost model. Borrowing costs directly attributable to the acquisition or production of assets in the course of the construction or development of real estate projects are capitalized as part of the cost of the asset, in accordance with IAS 23. Borrowing costs cease to be capitalized as of the date on which the real estate project is completed and ready for its intended use; see Note 3102.

The carrying amounts of properties under development changed as shown below. Additions refer to acquisition costs, incidental acquisition costs, and costs of creation incurred up to the reporting date for the indicated real estate projects. These comprise acquisitions through business combinations (EUR 10,383 thousand), other acquisitions (EUR 30,039 thousand), and retrospective costs of purchase or creation (EUR 11,193 thousand). A figure of EUR 15,039 thousand was recognized for reclassifications as investment properties.

	At January 1, 2007 EUR 000	Additions / Reclassifications EUR 000	At December 31, 2007 EUR 000
„Romeo & Julia“, Frankfurt am Main	28,576	10,048	38,624
„GutenbergPark“, Mainz	15,039	-15,039	0
"Office Tower", Darmstadt	0	10,788	10,788
„Zimmerstraße“, Berlin	403	157	560
„Mauerstraße“, Berlin	0	4,069	4,069
„Maxxon“, Eschborn-Süd	0	26,553	26,553
	44,018	36,576	80,594

Total land charges for properties under development as of the reporting date came to:

Property	Land charge EUR 000	Interest / Costs
"Romeo & Julia", Frankfurt am Main	58,000	16% interest
"Office Tower", Darmstadt	9,512	18% interest
„Mauerstraße 82“ and „Zimmerstr. 92-93“, Berlin	3.910 10.600	15% interest plus 5% one-time incidental costs
„Maxxon“, Eschborn-Süd	37,300	18% interest

The “Romeo & Julia” property in Frankfurt am Main was acquired in 2006 by IFM Property Project Ulmenstrasse GmbH for a purchase price of EUR 25,000 thousand. If the leases signed by December 31, 2008, generate a contractually defined minimum rental income, the purchase price will increase by up to EUR 2,000 thousand. If a notarized agreement for the resale of the property is signed before December 31, 2008, the purchase price will increase by EUR 1,000 thousand.

3002 Advance payments made on property, plant and equipment

The “Ulmenstraße” 22 property in Frankfurt was acquired by IFM AG as of January 1, 2008. Advance payments of EUR 8,666 thousand (vs. EUR 0) had been made up to the reporting date. A land charge of EUR 6,770 thousand was registered in favor of the financing bank.

3003 Office and other equipment

Property, plant and equipment is measured at cost less cumulative scheduled depreciation or impairment, using the cost model. Depreciation is taken using the straight-line method over the expected useful life of the asset. The expected useful life is between 3 and 13 years.

Changes in this item are shown in the statement of changes in consolidated assets, depreciation and amortization (Appendix 1).

3004 Goodwill

Goodwill at December 31, 2007, remained unchanged from the prior year at EUR 389 thousand, and resulted from the 2006 takeover of the major portion of the business operations of IFM Immobilien-Finanz-Management GmbH by IFM Asset Management GmbH.

3005 Other intangible assets

Of the other intangible assets, EUR 31 thousand pertains to software and licenses, which will be amortized on a straight-line basis over 3 years; EUR 154 thousand pertains to an advantageous lease acquired through the takeover of the major portion of the business operations of IFM Immobilien-Finanz-Management GmbH, and will be amortized over the remaining term of the lease (total term 8 years).

Changes in this item are shown in the statement of changes in consolidated assets, depreciation and amortization (Appendix 1).

3006 Impairment charges

An impairment test of goodwill was performed as of December 31, 2007, and as in the prior year, once again indicated no impairment. The calculation was based on estimated free cash flows, which were computed on the basis of detailed budget calculations for fiscal 2008 through 2010. Cash flow for the periods thereafter was projected as a perpetual annuity.

There were no indications suggesting an impairment of other assets during the year.

3007 Derivative financial instruments

In accordance with IAS 39, this reported figure is for interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements at variable rates based on the EURIBOR rate, with a remaining maturity of more than 12 months. These are financial assets at fair value, as shown below.

Instrument	Group company	Fair Value EUR 000	Average par value in EUR 000
Cap	IFM Property Project Eschborn GmbH	417	25,000
Swap	IFM Property Project Mainz GmbH	31	13,000
Swap	IFM Property Project Frankfurt GmbH	162	20,000
Swap	IFM Property Project Frankfurt GmbH	88	12,000
Swap	IFM Property Project Frankfurt GmbH	7	2,500
Cap	IFM Property Project Frankfurt GmbH	6	2,500
Cap	IFM Immobilien AG	40	2,578
Cap	IFM Immobilien AG	61	4,139
Cap	IFM Property Project Darmstadt GmbH	148	9,500
Cap	IFM Property Project Eschborn GmbH	187	12,000
Cap	IFM Property Project Wiesbaden GmbH & Co. KG	403	25,923
Swap	IFM Property Project Ulmenstraße GmbH	224	24,442
Swap	IFM Property Project Ulmenstraße GmbH	133	19,359
Total		**1,907**	

3008 Deferred tax assets and liabilities

The recognized deferred tax assets and liabilities per IAS 12 pertain to the following line items:

		12/31/2007 EUR 000	for comparison 12/31/2006 EUR 000
Deferred tax assets			
	Resulting from tax loss carry-forwards	2,758	3,125
	Other	258	0
		3,016	3,125
Netted against deferred tax liabilities		-431	0
Total deferred tax assets		**2,585**	**3,125**
Deferred tax liabilities			
	Investment properties	-3,687	-4,760
	Derivative financial instruments	-107	0
	Other	-126	-60
		-3,920	-4,820
Netted against deferred tax assets		431	0
Total deferred tax liabilities		**-3,489**	**-4,820**
Deferred taxes, net		**-904**	**-1,695**

The 2008 Corporate Tax Reform Act will cause extensive tax changes in Germany. Most particularly, the corporate income tax rate will sink from 25% in 2007 to 15% in 2008. Deferred taxes have been computed taking into account the tax rates that were adopted in 2007 and that went into effect on January 1, 2008.

For project companies in corporation form, a tax rate of 15.8% was assumed (prior year: 26.4%), also taking account of the extended reduction in local business income tax (“trade tax”). For project companies in partnership form, the local business income tax was calculated on the basis of the assessment multipliers normally applied for their locations. For IFM AG, the calculation used a tax rate of 32.8%, taking corporate income tax, the reunification surtax (“solidarity” surtax) and the local business income tax into account.

The revision of tax rates as a result of the corporate tax reform yielded noncash deferred tax income of EUR 1,754 million for 2007. Tax rate adjustments of EUR 450 thousand were applied directly to equity, with no effect on profit or loss, and resulted accordingly in a reduction of equity in 2007.

A total of EUR 2,053 thousand (vs. EUR 2,549 thousand) in recognized deferred taxes resulted from items that were applied directly to equity with no impact on profit or loss.

No deferred tax items were recognized for the difference between net assets of subsidiaries and their carrying amounts for tax purposes, since IFM AG can control the effects of reversals and it is not probable that the temporary differences will be reversed in the foreseeable future.

Where current budget projections and the existing deferred tax liabilities for temporary differences support the assumption that tax loss carry-forwards can be utilized in future years, deferred tax assets have been recognized. No deferred tax assets have been recognized for unused tax carry-forwards amounting to EUR 322 thousand (local business income tax) and EUR 1,023 thousand (corporate income tax). The loss carry-forwards will not expire over time.

301 Current assets

3010 Trade accounts receivable

Trade accounts receivable in accordance with IAS 39, at EUR 1,457 thousand (vs. EUR 641 thousand), are primarily receivables under leases and receivables from invoices for incidental expenses. As a rule, rent receivables have been assigned to the applicable banks under the loan agreements.

3011 Other current assets and expenses paid in advance

	12/31/2007 EUR 000	for comparison 12/31/2006 EUR 000
Derivative financial instruments	0	219
Other current assets	2,911	1,011
Expenses paid in advance	139	110
	3,050	1,340

3012 Other current assets

The other current assets per IAS 1.51, at EUR 2,911 thousand (vs. EUR 1,011 thousand), result primarily from value-added tax receivables of EUR 1,675 thousand (vs. EUR 561 thousand), receivables on corporate income tax, withholding tax on interest income and reunification surtax for EUR 727 thousand (vs. EUR 212 thousand), and security deposits of EUR 136 thousand (vs. EUR 143 thousand).

3013 Securities

The Group invests its free cash for short terms in investment funds: EUR 5,003 thousand (vs. EUR 0).

The fund's investment goal is to generate above-average returns through active portfolio management, allowing for risk diversification, in euros.

3014 Cash and cash equivalents

The figure shown in the balance sheet represents cash deposits at banks and cash on hand totaling EUR 17,622 thousand (vs. EUR 29,470 thousand).

302 Equity

Changes in the consolidated equity of IFM AG are shown in the statement of changes of equity (see also Note 34).

3020 Issued capital and additional paid-in capital

	Share capital EUR 000	Additional paid-in capital EUR 000
At January 1, 2007	8,500	69,797
Tax rate adjustments	0	-450
Stock option plans	0	92
At December 31, 2007	8,500	69,439

a) Share capital and additional paid-in capital

The stock of IFM AG was admitted to trading in the Entry Standard segment of the Open Market of the Frankfurt Stock Exchange in May 2006 (WKN: A0JDU9, ISIN: DE000A0JDU97). The first quotation was on May 19, 2006.

The Company's share capital is divided into 8,500,000 no-par shares of common stock, and comes to EUR 8,500 thousand.

The 2006 capital increase in return for cash yielded total additions of EUR 69,249 thousand to additional paid-in capital. This capital increase was associated with EUR 6,282 thousand in costs of raising equity capital. In accordance with IAS 32.37, these are deducted directly from equity, after adjustment for the associated tax advantage of EUR 2,531 thousand.

The decline in additional paid-in capital in 2007 results from tax adjustments for the cost of raising equity capital, which were made without an impact on profit or loss in the prior year, and caused a decrease of EUR 450 thousand in additional paid-in capital. Additional paid-in capital increased EUR 92 thousand as a consequence of the 2007 stock option plan. See the consolidated statement of changes in equity.

b) Authorized capital

The former authorized capital (2006 Authorized Capital) in the Company's articles of incorporation was suspended by the shareholders' meeting on July 20, 2007.

At the same time, a new authorized capital (the 2007 Authorized Capital) of EUR 4,250 thousand was created. The Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 30, 2012, by not more than a total of EUR 4,250 thousand, by issuing not more than 4,250,000 new no-par bearer shares of common stock in return for cash contributions and/or contributions in kind (2007 Authorized Capital).

c) Authorization to issue convertible bonds and creation of conditional capital (2007 Conditional Capital I)

At the shareholders' meeting of July 20, 2007, the Executive Board was authorized, subject to the consent of the Supervisory Board, to issue bearer and/or registered bonds with warrants and/or convertible bonds (hereinafter collectively the "Bonds") on one or more occasions on or before June 30, 2012, for a total par value of up to EUR 34,000 thousand and with a maturity of not more than 10 years, and to grant the bearers or holders of the Bonds conversion rights or options for stock of IFM Immobilien AG representing a notional value of not more than EUR 3,400 thousand of the share capital, in accordance with the details of the bond terms. The share capital has therefore been conditionally increased by not more than EUR 3,400 thousand, by the issue not more than 3,400,000 new no-par bearer shares of common stock (2007 Conditional Capital I). The bonds may also carry a variable yield, and the yield may also depend in whole or in part on the Company's dividend, comparably to an income bond.

d) Conditional capital for stock option plans (2006 Conditional Capital and 2007 Conditional Capital II)

2006 Conditional Capital

As part of the stock-based compensation of the Executive Board, the shareholders' meeting of April 24, 2006, approved a conditional increase in the share capital by not more than EUR 120 thousand, by the issue of not more than 120,000 no-par bearer shares of common stock. All these stock options were granted in 2006.

2007 Conditional Capital II

The shareholders' meeting of July 20, 2007, resolved to increase the share capital of IFM AG by not more than EUR 730 thousand by issuing not more than 730,000 new no-par bearer shares of common stock. Under the 2007 Stock Option Plan, 292,000 stock options were granted.

The details of these stock option plans are as follows:

Nature of agreement	Stock-based compensation for Executive Board		
Tranche	**Tranche 1**	**Tranche 2**	**Tranche 3**
Grant date	10/6/2006	10/6/2006	13/9/2007
Options granted	60,000	60,000	292,000
Maximum term (years)	5	5	5
Strike price (€)	5	5	10.94
Options outstanding at start of 2007 reporting period (Jan. 1, 2007)	60,000	60,000	0
Options granted during the 2007 reporting period	0	0	292,000
Options forfeited during the 2007 reporting period	0	0	0
Options exercised during the 2007 reporting period	0	0	0
Options expired during the 2007 reporting period	0	0	0
Options outstanding at end of 2007 reporting period (Dec. 31, 2007)	60,000	60,000	292,000
Options eligible for exercise at end of 2007 reporting period (Dec. 31, 2007)	0	0	0

The stock options as of December 31, 2007, had the following maximum contract terms:

	Issue date	Expiration	Remaining term (in years)
Tranche 1	10/6/2006	10/6/2011	3.8
Tranche 2	10/6/2006	10/6/2011	3.8
Tranche 3	9/13/2007	9/13/2012	4.7

Exercise terms for Tranche 1 and Tranche 2

- Options cannot be exercised until after a vesting period of 2 years.
- No options can be exercised in any period between March 10 of 2007, or March 10 of any subsequent year, and the date of the subsequent annual shareholders' meeting of IFM Immobilien AG, inclusive, or (after admission of the Company's stock to trading on a stock exchange or inclusion in such trading) in any period between the tenth day of the last month of any given half and the date of the subsequent release of the applicable preliminary semiannual interim report, inclusive, or (if the Company also releases quarterly results) between the tenth day of the last month of any quarter and the date of the subsequent release of the applicable preliminary quarterly results, inclusive. Options cannot be exercised on or after the tenth banking day before a shareholders' meeting, or during the ten stock exchange trading days before the annual financial press conference or the dates of the quarterly reports.
- Options may be exercised only if the Company's stock has been admitted to trading on a German stock exchange, or included in such trading, and the weighted average trading price of the stock of IFM Immobilien AG in trading on the Xetra trading system over the last ten trading days of the Frankfurt Stock Exchange prior to the date of exercise of the option is at least EUR 14.00, for Tranche 1 options, or EUR 15.00, for Tranche 2 options.
- Subscription rights under the stock options do not expire if a holder of the option ceases to be a member of the Executive Board, or if that person's employment agreement with IFM Immobilien AG is terminated.

Exercise terms for Tranche 3

- Options cannot be exercised until after a vesting period of 2 years.
- The subscription rights may be exercised only within 60 days after the release of the preliminary results from the prior fiscal year of IFM Immobilien AG, within 60 days after the release of a preliminary semiannual interim report of the Company, and, if the Company also releases quarterly results, within 60 days after the release of such preliminary quarterly results.
- The subscription rights may be exercised within 5 years after the date of issue of the stock options. If the stock options are not exercised within that period, they expire without compensation.

- Subscription rights under the stock options may be exercised only if the closing prices of the stock of IFM Immobilien AG in trading on the Xetra system of Deutsche Börse AG (or a successor system taking the place of the Xetra system) during the last five trading days prior to the date of exercise of the subscription right have consistently exceeded the base price by at least 25%.
- The subscription rights may be exercised only if the holder is still employed by IFM Immobilien AG at the time of exercise. If the holder becomes unable to meet the above requirements only after the vesting period, and if the employment relationship was neither terminated by the holder himself, nor terminated for cause by the Company, the stock options expire one year after the termination of employment; in other words, the subscription rights may be exercised until that date, subject to the other terms of the 2007 Stock Option Plan.

The expected fair values of Tranche 1 through 3 stock options are shown below.

	Issue date	Option value in € (rounded)
Tranche 1	10/6/2006	4.57
Tranche 2	10/6/2006	4.57
Tranche 3	9/13/2009	2.11

The total value of issued stock options, as measured under IFRS, was EUR 1,164 thousand as of December 31, 2007 (vs. EUR 548 thousand).

The following model parameters were used for the calculations, applying a modified Black-Scholes-Merton model:

	Tranche 1	Tranche 2	Tranche 3
Trading price of stock on measurement date (€)	9.20	9.20	11.40
Maximum term at issue date (years)	5.00	5.00	5.00
Expected term of options (years)	2.10	2.10	2.30
Strike price at expected exercise date (€)	5.00	5.00	10.94
Expected dividend yield	0.00%	0.00%	0.00%
Risk free interest rate for term	3.59%	3.59%	3.94%
Expected volatility for term	19.10%	19.10%	19.93%
Expected turnover of option holders as of Dec. 31, 2007	0.00%	0.00%	0.00%

In the absence of historically relevant data, the expected terms are based on management's estimation that the options will be exercised as quickly as possible. This expectation is based in part on the tax advantages to the option holders, which favor early exercise of all options because current tax regulations in Germany tax the difference between the strike price and the current price as a cash advantage, while capital gains are subject to a lower tax rate.

The measurement does not take account of the performance target for Tranche 3, which is that subscription rights can be exercised only if the closing prices of the stock of IFM Immobilien AG in trading on the Xetra system of Deutsche Börse AG (or a successor system taking the place of the Xetra system) during the last five trading days prior to the date of exercise of the subscription right have consistently exceeded the base price by at least 25%; it was management's opinion that this target could already be expected to be reached as of the date on which the options were granted.

Since the stock has been listed for only a short time, and no trading price for the company over an adequate term was available for purposes of estimating volatility, future volatility over the expected term of the options was derived on the basis of IFRS 2 BC 139, drawing on historical volatilities of a peer group of comparable companies in the real estate sector over an adequate term.

The calculation of personnel turnover is arrived at by weighting the historical data for the expired months of the vesting period against the turnover expected by management for the months remaining from the reporting date to the end of the vesting period. Since Tranche 1 and Tranche 2 options do not expire if the holder of the option ceases to be a member of the Executive Board, or if that person's employment agreement with IFM AG is terminated, the calculations were based on an expected turnover of 0.00%. The expense was already recognized in full in fiscal 2006. Tranche 3 was likewise issued only to members of the Executive Board, among whom no turnover was expected as of the reporting date.

The risk-free interest rates were calculated on the basis of the structural curve for the yields of listed German federal government securities issued by the Deutsche Bundesbank, calculated using the Svensson method.

IFM Immobilien AG incurred the following cumulative expenses from the stock option program as of December 31, 2007:

	12/31/2007
Total expense for equity-based compensation transactions	EUR 640 thousand
including: for stock-based compensation transactions balanced with equity instruments	EUR 640 thousand
Expense for equity-based compensation transactions for the period (2007); prior year EUR 548 thousand	EUR 92 thousand

3021 Other reserves and distributable profit

The prior year's other reserves resulted from the contribution of interests in IFM Property Project Frankfurt GmbH and GP Properties GmbH to IFM AG (EUR 9,484 thousand). For the year under review, EUR 232 thousand was allocated to other reserves through the application of hedge accounting, so that the value as of the reporting date was EUR 9,716 thousand.

The distributable profit was calculated as follows:

	EUR 000
Distributable profit at Jan. 1, 2007	439
Consolidated profit for 2007 before minority interests	5,076
Distributable profit at Dec. 31, 2007	5,515

3022 Minority interests

Minority shareholders hold 5.2% each of the Company's subsidiaries IFM Property Project Frankfurt GmbH and GP Properties GmbH. Minority shareholders hold 10% each of NEWCOM Property Verwaltungs GmbH and NEWCOM Property GmbH & Co. Joint Venture KG. The reported minority interests of EUR 1,016 thousand (vs. EUR 673 thousand) pertain to these shareholders' holdings in the equity of the subsidiaries in question.

Changes in the minority interests in IFM AG are shown in the statement of changes of equity (see also Note 34).

303 Liabilities

The liabilities shown in the consolidated balance sheet at December 31, 2007, consist of the following:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	153,774	1,247
Trade accounts payable	13	3,510
Other short-term liabilities and deferred expenses	0	2,588
Other provisions	0	1,661
Tax provisions	0	239
Deferred tax liabilities	3,489	0
	157,276	9,245

The values for the prior year were as follows:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	18,193	32,271
Trade accounts payable	70	15,590
Other short-term liabilities and deferred expenses	0	1,397
Other provisions	0	352
Deferred tax liabilities	4,820	0
	23,083	49,610

Liabilities with remaining terms of more than one year are classified as long-term liabilities. All liabilities must be extended or refinanced within this period.

3030 Liabilities to banks

Liabilities to banks resulted in the following finance charges:

	Total EUR 000	Variable interest EUR 000	Fixed interest EUR 000
Less than 1 year	1,247	596	651
1 to 2 years	28,890	28,336	554
2 to 3 years	35,302	34,718	584
3 to 4 years	14,416	13,798	618
4 to 5 years	68,669	52,757	15,912
More than 5 years	6,497	6,497	0
	155,021	136,702	18,319

The values for the prior year were as follows:

	Total EUR 000	Variable interest EUR 000	Fixed interest EUR 000
Less than 1 year	32,271	20,149	12,122
1 to 2 years	525	0	525
2 to 3 years	554	0	554
3 to 4 years	584	0	584
4 to 5 years	618	0	618
More than 5 years	15,912	0	15,912
	50,464	20,149	30,315

The weighted interest rate for all loans, allowing for circumstances at the reporting date, came to 5.38%. The weighted interest rate for fixed-interest loans as of the reporting date was 5.49% (prior year: 5.31%).

The interest rate adjustments are based substantially on changes in the EURIBOR rate plus a contractually agreed margin for each case.

The mortgages are described in Notes 3000-3002.

3031 Trade accounts payable

The trade accounts payable, at EUR 3,523 thousand (vs. EUR 15,660 thousand) particularly include payments still to be made for construction work. Of the prior year figure, EUR 14,500 thousand was a purchase price liability for the property in Mainz.

3032 Other short-term liabilities and deferred expenses

This item consisted of the following as of the reporting date:

	12/31/2007 EUR 000	for comparison 12/31/2006 EUR 000
Land transfer tax	1,381	877
Security deposits received	205	150
Deferred expenses	359	170
Derivatives	379	0
Other	264	200
	2,588	1,397

3033 Other provisions

The other provisions of EUR 1,661 thousand (prior year: EUR 352 thousand) pertain primarily to provisions for outstanding invoices on purchased construction work, and costs for annual financial statements, legal counsel, and consultants. The provisions from the prior year were used up in full.

3034 Tax provisions

The tax provisions are primarily for local business income tax payable by the property companies in Wiesbaden, which were acquired in 2007.

3035 Deferred tax liabilities

Most of the deferred tax liabilities are for the fair valuation of investment properties; see Note 3008.

304 Leases

3040 Operating leases (with Group as lessee)

A lease that cannot be classified as a finance lease is an operating lease, in which the lessor remains the beneficial owner of the leased property. The future minimum lease payments under operating leases are as follows:

	12/31/2007 EUR 000	for comparison 12/31/2006 EUR 000
Less than 1 year	109	51
1 to 5 years	259	170
More than 5 years	70	99
	438	320

The leases currently in effect are for office space, office machinery, and motor vehicles. The leases have remaining terms of up to 82 months, and include no conditional rent payments. Payments of EUR 104 thousand were recognized and charged to the income statement for leases in effect during the year.

One lease agreement for office space in Heidelberg, with a current annual rent of EUR 37 thousand, includes an option for IFM Asset Management GmbH to extend the lease, which would otherwise end on October 31, 2014, for another five years. The lease agreement includes a price adjustment covenant in the form of an escalator clause commonly used in the market.

3041 Operating leases (with Group as lessor)

The Group generates most of its revenues by leasing investment properties. The leases entered into by Group companies are classified as operating leases in accordance with IAS 17.

Under operating leases, investment properties with a carrying amount of EUR 138,752 thousand were leased, along with a small portion of properties under development. The leases are with both commercial and private tenants, and take an extremely wide variety of forms with various terms. In some cases, the tenant has an extension option. There are no options to buy.

The minimum lease payments receivable under operating leases are as follows:

	12/31/2007 EUR 000	for comparison 12/31/2006 EUR 000
Less than 1 year	9,895	2,499
1 to 5 years	20,748	7,364
More than 5 years	1,136	1,162
	31,779	11,025

The minimum lease payments receivable include the contractual net rent until the agreed end of the lease, irrespective of whether the tenant can be expected to exercise an extension option.

No conditional rent payments were received.

3042 Finance leases (with Group as lessee)

The Group has entered into finance leases for motor vehicles under which the lessor remains the beneficial owner of the leased vehicle. As of the reporting date, the net carrying amounts of leased items reported as office and other equipment came to EUR 51 thousand (vs. EUR 109 thousand). Liabilities under finance leases as of the reporting date were as follows:

	Minimum lease payments EUR 000	Finance charges EUR 000	Present value EUR 000
Less than 1 year	14	1	13
1 to 5 years	30	2	28
More than 5 years	0	0	0
	44	3	41

The remaining terms of the leases are 20 months. No conditional rent payments treated as expenses were made.

305 Contingent liabilities and other financial liabilities

There were no contingent liabilities for the year under review. There is no longer any need to anticipate a charge in regard to the matter reported for the prior year (a threatened action for damages for alleged fraud concerning a shareholders' acquisition of shares).

Other financial liabilities under rental, lease, maintenance and upkeep agreements as of December 31, 2007, totaled EUR 687 thousand (vs. EUR 577 thousand); this figure also includes contractual liabilities under operating leases.

Commitments under current investment and ordering obligations came to EUR 8,481 thousand at December 31, 2007.

Additionally, IFM Property Project Zimmerstrasse GmbH has undertaken to pay the purchase price of EUR 10,530 thousand for the property at Zimmerstrasse 92-93, 94. The payment will be made in two installments, the first of which is due on September 30, 2008, and the second on March 31, 2009.

31 Explanatory notes to the consolidated income statement

310 Income statement

3101 Revenues

Revenues pertain to income from property leases (net rents and incidental costs). For the period under review, they apply in full to properties capitalized in the prior year, and only pro rata temporis for properties acquired during the period, as follows:

		2007 EUR 000	2006 EUR 000
"Das Carré"	Heidelberg	2,770	2,331
"westendFirst"	Frankfurt a. M.	3,354	1,924
"GutenbergPark"	Mainz-Hechtsheim	621	0
"Maxxon"	Eschborn-Süd	957	0
"Office Tower"	Darmstadt	274	0
"Kureck"	Wiesbaden	1,042	0
"Feldbergstraße"	Frankfurt a. M.	147	0
Other		96	22
		9,261	4,277

3102 Other own work capitalized

The other own work capitalized, in the amount of EUR 941 thousand, pertains to the production of properties currently under development. These are capitalized finance costs incurred in the prior year, in the amount of EUR 769 thousand.

3103 Other operating income

The other operating income of EUR 313 thousand (vs. EUR 45 thousand) particularly includes refunds received from tenants and not applicable to leases.

3104 EGain or loss on fair valuation of investment properties

The fair valuation of investment properties in accordance with IAS 40 yielded a gain of EUR 5,232 thousand for 2007 (vs. EUR 1,621 thousand). The gain was generated from the market valuation of the WestendFirst property in Frankfurt am Main (EUR 1,599 thousand) and GutenbergPark in Mainz (EUR 3,633 thousand); see Note 3000.

3105 Cost of goods sold

The cost of goods sold particularly pertains to the cost of maintaining and managing leased properties.

The cost of goods sold breaks down among the individual projects as follows:

	2007 EUR 000	2006 EUR 000
"westendFirst", Frankfurt am Main	452	176
"Das Carré", Heidelberg	695	696
"GutenbergPark", Mainz	477	0
"Maxxon", Eschborn-Süd	189	0
"Office Tower", Darmstadt	105	0
Other	6	0
	1,924	872

3106 Personnel expenses

Personnel expenses comprise the following:

	2007 EUR 000	2006 EUR 000
Wages and salaries	1,373	531
Severance pay	208	0
Social security	170	48
Stock-based compensation	92	548
Voluntary and other payments	23	0
	1,866	1,127

3107 Depreciation and amortization

The breakdown of depreciation and amortization among line items in the balance sheet is shown in the statement of changes in consolidated assets, depreciation and amortization (Appendix 1).

3108 Other operating expenses

The other operating expenses comprise the following:

	2007 EUR 000	2006 EUR 000
Advertising and agency costs, commissions	1,182	659
Bank charges, incidental costs of money transfers	113	399
Legal counsel, consultants, accounting and annual financial statements	934	369
Third-party services and independent contractors	169	184
Formation costs	0	102
Supervisory Board	144	85
Insurance	143	50
Travel and entertainment	74	43
Annual report	65	40
Bad debts	50	33
Repairs, maintenance and upkeep	63	27
Vehicle costs	99	0
Designated sponsoring costs	84	0
Other	363	181
	3,483	2,172

3109 Net interest expense

The net interest expense was calculated as follows:

	2007 EUR 000	2006 EUR 000
Other interest and similar income	976	670
Interest and similar expenses	-5,189	-2,430
Gain or loss on fair valuation of derivatives	285	219
	-3,928	-1,541

Interest income derived primarily from the short-term cash deposits of IFM AG.

The interest expenses are primarily for the borrowings to finance real estate projects, and are distributed among the individual projects as follows:

	2007 EUR 000	2006 EUR 000
Investment properties	3,577	2,350
Properties under development	1,598	69
Other	14	11
	5,189	2,430

The measurement of derivative financial instruments (interest rate hedges) at fair value through profit or loss yielded income of EUR 285 thousand (vs. EUR 219 thousand).

3110 Income taxes and other taxes

Tax expenses and refunds break down as follows:

	2007 EUR 000	2006 EUR 000
Current income taxes	-72	0
Deferred taxes	976	-359
Total income taxes	904	-359
Other taxes	-11	-47
Total tax income (prior year: expense)	893	-406

See Note 3008, Deferred tax assets and liabilities, for details of deferred taxes.

The deferred tax income of EUR 976 thousand for 2007 (vs. a deferred tax expense of EUR 359 thousand for the prior year) pertains to:

	2007 EUR 000	2006 EUR 000
Temporary differences from property appraisals	1,020	-472
Deferred taxes on loss carry-forwards	84	173
Other temporary differences	-128	-60
	976	-359

For fiscal 2007 and 2006, the tax expense reported using the applicable tax rate of 18.4% (prior year: 28.7%) differs as follows from the actual values: The applicable tax rate results from the fact that as a rule, special-purpose entities are assumed to be exempt from local business income tax because of the expanded deduction for property in assessing the local business income tax.

	2007 EUR 000	2006 EUR 000
Profit (loss) for period before income taxes	4,332	891
Theoretical tax expense at applicable tax rate	-797	-256
Tax effect of nontaxable income	164	
Nondeductible expenses (stock options, compensation for Supervisory Board)	-26	-177
Change because of tax rates	1,754	71
Loss of tax credits for companies currently running a loss	-96	
Other	-95	3
Income tax shown in income statement	904	-359

The change because of tax rates in 2007 is caused by the large discrepancy (EUR +1,754 thousand) resulting from the corporate tax reform. In the reconciliation, it should be noted that corporate income tax exemptions (Sec. 8b Corporate Income Tax Act) of EUR 1,041 thousand produced a reduction in the theoretical tax expense; the tax effect of this nontaxable income was EUR 164 thousand.

3111 Minority interests

The minority interests (see the consolidated statement of changes in equity for December 31, 2007) result from the net loss of EUR –55 thousand shown in Balance Sheet I as defined under the German Commercial Code. Minority interests of EUR 216 thousand result primarily from changes in fair valuation and changes in tax rates.

32 Earnings per share

	2007	2006
Net profit (loss) for period after minority interests (EUR 000)	5,076	443
Weighted average number of shares	8,500,000	4,706,575
Basic/diluted earnings per share (EUR)	0.60	0.09

The stock options issued under the conditional capital increase are not yet included in the calculation of diluted earnings per share because the associated performance targets had not been met as of the reporting date.

No dividend payment is planned for fiscal 2007.

33 Noteworthy events after the reporting date

No significant events occurred in the period between the balance sheet date and the date of completion of this report.

34 Statement of changes in equity

The changes in the Group’s equity as of the reporting date appear in the statement of changes of equity, which is an integral part of the consolidated financial statements. The increase in the Group’s equity to EUR 94,186 thousand (including minority interests) in the year under review results primarily from the net profit for the period (including minority interests) of EUR 5,237 thousand.

35 Cash flow statement

The Group's financial position is shown in the cash flow statement, which is an integral part of the consolidated financial statements under IFRS. In accordance with IAS 7, the cash flow statement distinguishes among cash flows from operating, investing and financing activities. See Note 43 in regard to investing activities relating to business combinations.

The cash flow from operating activities includes the following:

	EUR 000 2007	EUR 000 2006
Interest payments received	950	662
Interest payments made	5,217	2,491
ncome tax payments made	444	211

Noncash income of EUR 6,482 thousand (vs. EUR 934 thousand) particularly relates to income of EUR 5,232 thousand from the fair valuation of investment properties (vs. EUR 1,621 thousand) and income of EUR 976 thousand from deferred taxes (vs. a deferred tax expense of EUR 359 thousand).

The cash funds consist only of the cash and cash equivalents shown in the balance sheet.

36 Segment reporting

No segment report in accordance with IAS 14 was prepared for fiscal 2007 or the comparison period, since the Group companies operate in a single business segment and in only one geographical segment.

4 Further information

40 Information about the parent company

The Group parent company, IFM AG, is a stock corporation as defined by the German Stock Corporations Act (Aktiengesetz). The Company is registered in the Commercial Register of Mannheim Local Court under No. HRB 700273 at the following address:

IFM Immobilien AG
Karl-Ludwig-Strasse 2
69117 Heidelberg
Bundesrepublik Deutschland

41 Business purpose and principal activities

The parent company was formed under Notary's Instrument No. 127 in the register of documents for 2005 of Dr. Richard H. Sterzinger, notary in Frankfurt am Main, on October 27, 2005, in the legal form of a German stock corporation (Aktiengesellschaft). The company was originally named "Sirus Grundbesitz AG," and was renamed "IFM Immobilien AG" by a resolution of the shareholders' meeting on March 31, 2006. The company's registered office and principal place of business is in Heidelberg.

According to its articles of incorporation, the business purpose of IFM AG is to acquire, manage and sell real estate, and to provide similar services, as well as to direct, acquire, manage and sell equity interests in other companies in the real estate sector, in each case in its own name and on its own account, as an investment of its own corporate assets. Transactions that are subject to permits are excepted (e.g., under Sec. 34c of the German Industrial Code, the German Banking Act or the German Act on Legal Counsel).

The parent company is a holding company which primarily acquires interests in companies that own real estate, or that are intended as project companies for individual real estate projects. The parent company and project subsidiaries, and thus also their business and financial policies, are uniformly managed by the Executive Board of the parent company.

The Group companies operate as investors and project developers for commercial real estate, with an emphasis on office and downtown retail uses. Business operations focus on asset management for commercial properties, the restructuring and redevelopment of properties, and the development of marketing and rental concepts. This strategy is intended to reposition the properties in the market. The acquired properties are normally expected to offer high potential for development and appreciation, and to lie in by preferred locations.

The properties are managed by IFM Asset Management GmbH, founded in 2006, which signs agency agreements in the form of a *Geschäftsbesorgungsvertrag* with the project companies for this purpose, and performs other services for them as well.

42 Risks resulting from business operations

The real estate sector is subject to cycles that can be projected only with considerable uncertainty. Thus both timing and regional diversification are increasingly important. The Group addresses the potential risks resulting from market fluctuations by applying extensive regional expertise and detailed due diligence.

The Group does not view itself primarily as a real estate broker, and therefore the timing risk is limited primarily to rental activities. Instead, its business focuses on acquiring, redeveloping, restructuring, and repositioning and marketing properties. The emphasis in fiscal 2007 was on expanding the Company's portfolio of high-quality properties. Some properties may also be expected to go up for sale if attractive selling prices are possible.

With their clear focus on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin, the Group's companies can profit from their expertise in these regions. In this regard, expansion intensified further in Berlin during fiscal 2007. Here IFM concentrates exclusively on the central Berlin region. Additionally, the Group continuously watches the markets. As part of this activity it is explicitly looking into the Hamburg, Düsseldorf, Cologne and Munich regions in particular.

At present, the Group does not operate in the sector as a purchaser of large real estate portfolios. Instead, IFM chooses properties on the basis of whether it believes they offer an attractive risk-opportunity profile, have large potential for development and appreciation, and can be developed into a high-quality rental property in a preferred location. For this purpose, before acquiring a property IFM conducts a due diligence process – i.e., a review of the property's legal, geographic, structural and economic situation, as well as its environment. Generally IFM acquires both partly occupied and vacant properties, provided that it believes they can be expected to appreciate. It prefers investments that fall within the range between EUR 15 million and EUR 90 million per property.

The general development risks are reduced by the Executive Board's expertise. For example, IFM profits considerably from its management's and employees' know-how in identifying suitable properties and assessing their potential for appreciation. IFM believes that a further critical factor is regional expertise in the sector, a prerequisite for an accurate estimation of a property's potential for appreciation.

Services that are not included in the core competencies of IFM are outsourced to external professional service providers at a very early stage. A team of experts is assembled individually for each project. Thus the Company must rely on cooperation with these outside service providers; their faulty performance or default on future projects could result in losses, and weaken IFM's competitive position. At the same time, cooperating with outside service providers reduces risk, because involving specialists makes it possible to assess project risks accurately.

IFM has grown vigorously over the past two years, and has set itself the goal of pursuing this growth further. This growth will require continuous further development, especially in risk management, financing and controlling. Structured cost planning and professional project organization, with appropriate reporting systems and overall project controlling, make it possible at an early point to detect and counteract potential mishaps, such as construction delays or unbudgeted increases in construction costs. Hence in selecting personnel for controlling, a strong emphasis is set on professional skills and experience, and the personnel structure is being expanded further in this area particularly.

The emphasis on investing in properties with buildings already constructed on them, together with the legal grandfather provisions from which these properties already benefit, reduce the permit risk and the risks associated with the underlying land and soil. The risk that legacy contamination, such as pollution in buildings or groundwater, might be discovered after a purchase has gone through is reduced by early and regular communication with the responsible permit authorities and representatives of other interested agencies.

The Company addresses the risk of lost rent, for example because of defaults under existing leases on existing properties, by running credit checks. The Company sees little risk of difficulties in filling newly positioned properties, since IFM's properties target a diversified group of clients that includes not only national and international corporate groups, but a large number of smaller enterprises. Additionally, the Company views its resourcefulness in arriving at individualized leasing and marketing concepts as a further risk reduction factor.

In spite of all allowances for risks, future market fluctuations cannot be ruled out, nor can the associated negative implications for the Group's business performance. The result could be changes on both the demand and supply side.

For example, the real estate sector is dependent on the performance of the economy in general, especially in terms of demand for rental space. The projected economic growth rates in Germany are likely to maintain a level over the next few years that will result in job growth, and thus also rising demand for high-quality office space.

The Group believes that a portfolio composed of high-quality properties will help smooth out sector-specific fluctuations, and thus mitigate potential risk. Marketing and rental risks are further mitigated by developing and implementing creative marketing concepts and by initiating the marketing of projects promptly, using professional consultants.

Tax risks

The 2008 German Corporate Tax Reform Act introduced an interest limit. From 2008 onward, if interest expenses exceed interest income, and with certain exceptions (for example, if the figure remains below a threshold of EUR 1 million), the resulting net interest expense can be deducted only up to 30% of EBITDA (taxable income before net interest expenses and scheduled depreciation and amortization for tax purposes) in any given fiscal year. Non-deductible interest expenses in excess of this figure can be carried forward and applied in later years, still subject to the interest limit. Additionally, as of 2008, 25% of all finance expenses will generally no longer be deductible for purposes of local business income tax. Both changes in the law may adversely affect the project companies' after-tax profits, and thus have material adverse effects on the assets and liabilities, financial position and profit or loss of IFM.

Personell risks

IFM's success depends significantly on its management and its experienced personnel in key positions. Their loss might adversely affect the Company's competitiveness. Additionally, especially in light of the planned expansion of the portfolio, it is an ongoing challenge for the Group to recruit qualified employees amid intense competition, for example so as to avoid bottlenecks when conducting multiple projects at the same time.

To reduce risks from staff turnover and instill long-term employee loyalty to the Company, the compensation system includes a variable, performance-based bonus in addition to fixed salaries.

In regard to the presentation of risks and risk management, the reader is also referred to the Management Report (Section D).

43 Description of business combinations

431 Information under IFRS 3

Business combinations in fiscal 2007:

The companies below were acquired in fiscal 2007.

Essentially, the fair-value and proportionate share of net assets methods were chosen in measuring business combinations. Under IFRS 3.66 ff., an acquirer must disclose the following information:

- Goodwill:

  No goodwill resulted from business combinations in fiscal 2007. The purchase price allocation was carried out principally through additions to property values.

- "Bargain purchases":

  No negative differences in goodwill resulted.

- Comparability:

  Pro forma figures for revenue and profits that would have resulted if the companies acquired and first consolidated during the year had already been consolidated at the beginning of the period (IFRS 3.70); see table below.

The business combinations of the following companies are summarized and abbreviated as follows:

• NEWCOM Property GmbH & Co. Joint Venture KG, • NEWCOM Property Verwaltungs GmbH,	NEWCOM GmbH & Co. KG
• IFM Property Project Darmstadt GmbH,	"OfficeTower"
• IFM Property Project Wiesbaden GmbH & Co. KG, • IFM Property Project IX GmbH (Komplementär) • IFM Property Project Adolfsberg GmbH & Co. KG • IFM Property Project Hochhaus GmbH & Co. KG • IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG • IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG • IFM Property Project Taunusstraße 1 GmbH & Co. KG • IFM Property Project Taunusstraße 3 GmbH & Co. KG	"Kureck"

By a contract dated May 14, 2007, IFM Immobilien AG acquired from J.P. Morgan Partners 90% each of NEWCOM Property GmbH & Co. Joint Venture KG and the German limited liability company (GmbH) that acts as its general partner, NEWCOM Property Verwaltungs GmbH, with effect for all purposes of the law of obligations as of January 1, 2007. The acquisition date for the first consolidation under IFRS was June 25, 2007, since the transaction was recorded in the Commercial Register and the purchase price was paid on that date. NEWCOM GmbH & Co. KG holds 100% of IFM Property Project Darmstadt GmbH. Since January 1, 2002, there has been a control and profit-and-loss transfer agreement between these two companies, so that under German commercial law, NEWCOM GmbH & Co. KG is to absorb the losses of IFM Property Project Darmstadt GmbH. IFM Property Project Darmstadt GmbH owns the land under the Office Tower high-rise in Darmstadt, with a surface area of more than 8,000 m^2.

For purposes of the "Kureck" Wiesbaden business combination, as a first step IFM Property Project Wiesbaden GmbH & Co KG was founded on July 13, 2007, with fixed capital of EUR 50 thousand.

Then this limited partnership acquired 100% of the limited partner's capital of each of the 6 special-purpose entities (see above); the acquisition date was August 1, 2007, the effective date of the transfer.

In all, the following carrying amounts and fair values were taken over as a result of the business combinations:

	Fair value at acquisition date	Carrying amount immediately prior to business combination
	EUR 000	EUR 000
Investment properties	31,315	24,509
Properties under development	10,383	11,089
Other receivables, trade accounts receivable	545	545
Deferred tax assets	310	0
Cash	47	47
Total	**42,600**	**36,190**
Other liabilities, trade accounts payable	-341	-341
Liabilities to banks	-8,773	-8,773
Minority interests	-171	
Total acquisition cost	**33,315**	

The companies were first consolidated at various dates during the fiscal year. If the companies had already been consolidated as of the beginning of the period, the revenues and profits below would have resulted (IFRS 3.70).

In this regard, NEWCOM GmbH & Co KG does not generate revenues itself; it takes over the profit or loss of IFM Property Project Darmstadt GmbH.

Comparability		
	Revenues	Profit or Loss
NEWCOM GmbH &. Co KG	This is a holding company, which does not generate revenues. The revenues of IFM Property Project Darmstadt GmbH to June 30, 2007, came to EUR 270 thousand; from that date to the end of 2007 revenues were EUR 274 thousand.	The loss to June 30, 2007, was EUR 120 thousand; the loss from that date to the end of 2007 was EUR 287 thousand.

The “Kureck” property companies in Wiesbaden generated the following revenues and profits or losses for the periods before and after their first consolidation.

Comparability		
	Revenues	Profit or Loss
"Kureck" Wiesbaden	The property companies generated revenues of EUR 2,380 thousand to July 31, 2007, and EUR 1,044 thousand from that date to year’s end.	The profit to July 31, 2007, was EUR 669 thousand; the profit from that date to year’s end was EUR 521 thousand.

Assuming that the acquisition date for all business combinations had been at the beginning of the reporting period, the Group’s total revenues would have been EUR 11,911 thousand.

The consolidated profit would have been EUR 5,786 thousand if the acquisition date for all business combinations had been at the beginning of the reporting period.

Business combinations in fiscal 2006:

In 2006, Sirus Grundbesitz AG (now IFM AG) and the shareholders of IFM Property Project Frankfurt GmbH and GP Properties GmbH agreed to increase the share capital of Sirus Grundbesitz AG in return for the contribution in kind of a 94.8% interest in each of IFM Property Project Frankfurt GmbH and GP Properties GmbH, and to accept new shareholders accordingly. The first consolidation took effect as of March 31, 2006.

The business combination was a business combination under joint control and does not fall under IFRS 3. The business combination added EUR 9,484 thousand to the equity attributable to Group shareholders, and EUR 584 thousand to minority interests.

Furthermore, under a purchase agreement with economic effect as of October 1, 2006, IFM Asset Management GmbH took over the major portion of business operations from IFM Immobilien-Finanz-Management GmbH. The purchase price of EUR 708 thousand yielded goodwill of EUR 389 thousand.

432 Information under IAS 7.40

Business combinations in fiscal 2007:

In detail, the following assets and liabilities were taken over at fair value as part of the acquisition of NEWCOM GmbH & Co KG:

	EUR 000
Cash and cash equivalents	47
Properties under development	10,383
Deferred tax assets	310
Other assets	323
Liabilities to banks	-8,774
Other liabilities	-112
Minority interests	-171
Total acquisition cost	2,006

The acquisition was carried out for cash and by a transfer of liabilities:

	EUR 000
In cash	1,110
Assumption of loan liabilities	896
Total acquisition cost	2,006

In detail, the following assets and liabilities were taken over at fair value as part of the acquisition of the "Kureck" Wiesbaden properties:

	EUR 000
Investment properties	31,315
Other assets	222
Other liabilities	-228
Total acquisition cost	31,309

The acquisition was carried out as follows:

	EUR 000
In cash	30,479
Outstanding incidental acquisition costs	830
Total acquisition cost	31,309

Thus the acquisition of the consolidated companies resulted in a net cash outflow of EUR 31,541 thousand.

Business combinations in fiscal 2006:

In 2006, the acquisition of consolidated companies resulted in a net cash inflow of EUR 903 thousand. In the acquisition of shares in IFM Property Project Frankfurt GmbH and GP Properties GmbH by way of a capital increase in return for contributions in kind, there was a cash inflow of EUR 1,696 thousand. The other acquisitions yielded a cash outflow of EUR 793 thousand.

44 Employees

On average, Group companies had 26 employees (not including the Executive Board) for the year (prior year: 6). All of these 26 (prior year: 6) were salaried employees.

45 Supervisory Board and Executive Board

451 Supervisory Board

The Supervisory Board of IFM AG has the following members:

Luca Pesarini (Chairman), graduate in business
Gordon Rapp (Vice-Chairman), attorney; since March 31, 2006
Eberhard Hascher, tax consultant
Martin Lechner, graduate in business
Dr. Marcus Opitz, corporate consultant; since March 31, 2006
Philipp Vogel, businessman; since March 31, 2006

The compensation of EUR 144 thousand (vs. EUR 84 thousand) paid to the Supervisory Board takes into account the new performance-based compensation of EUR 20 thousand (vs. EUR 0).

Consistently with the recommendations of the German Corporate Governance Code, additional compensation was agreed for members of the Supervisory Board. Besides a fixed component, each member of the Supervisory Board receives a variable performance-based component. This performance-based component was calculated as follows for each member of the Supervisory Board:

a) 1% of the change against the prior year in the operating profit (pre-tax profit) shown in the consolidated financial statements under IFRS for the fiscal year for which compensation is paid, prior to the effects of properties owned by IFM Immobilien AG, plus

b) 0.05% of the effects from properties shown in the consolidated financial statements under IFRS for the fiscal year for which the compensation is paid.

C) If either component (a) or (b) of the variable compensation is negative, the corresponding payable component is EUR 0.

The variable component of compensation will be paid for the first time for fiscal 2007.

452 Executive Board

The Executive Board of IFM AG has the following members:

Georg Glatzel (CEO), graduate economist and real estate economist (EBS), Heidelberg
Marcus Schmitz (CFO, since April 1, 2007), graduate in business administration (Fachhochschule), Frankfurt
Bernd Michael Weber (CFO, to March 31, 2007), graduate in business, Frankfurt

The compensation paid to members of the Executive Board and expensed for fiscal 2007 is as follows:

	2007 EUR 000	2006 EUR 000
Executive Board salaries	490	307
Severance pay	208	0
Other compensation and salaries	17	34
Stock option plans	92	548
	807	889

The Supervisory Board has decided to introduce an additional variable performance-based component of compensation for the members of the Executive Board. This compensation is based on the gains on disposal from the company’s real estate projects. The compensation to be distributed to the Executive Board is to total 10% to 11.5% of the gains on disposal.

Additionally, the Executive Board is authorized to pay similar compensation to second- and third-level management employees.

The total amount of compensation paid to the Executive Board and management employees is not to exceed 15% of the gains on disposal.

No compensation under IAS 24.16 resulted from these arrangements during the year.

46 Related party transactions

Under IAS 24, individuals or entities that control or are controlled by IFM AG must be disclosed unless they are included as consolidated entities in the consolidated financial statements of IFM AG. A controlling relationship exists if a shareholder holds more than half of the voting rights in IFM AG, or under a contractual arrangement has the ability to control the financial and business policies of the management of IFM AG.

Additionally, the disclosure obligation under IAS 24 also extends to transactions with associated companies, and transactions with individuals who exercise a significant influence on the financial and business policies of IFM AG, including close family members or entities acting as intermediaries. A significant influence on the financial and business policies of IFM AG may exist if the person holds an interest of 20% or more in IFM AG, has a seat on the Executive Board or Supervisory Board, or holds some other key position in management.

The following disclosure obligations result for IFM AG for fiscal 2007:

Essentially, related parties to be considered connected with the IFM AG Group are the members of the Executive Board and Supervisory Board, their immediate families, and entities they control. This includes IFM Immobilien-Finanz-Management GmbH, which is held by a member of the Executive Board (Georg Glatzel).

One member of the Executive Board (Georg Glatzel) assumed a personal guarantee for EUR 4,586 thousand toward a bank, on behalf of a subsidiary of IFM AG. Guarantee commissions of EUR 18 thousands were paid out for this purpose during 2007 (vs. EUR 34 thousand) This guarantee was no longer in existence at December 31, 2007.

During fiscal 2007, transactions for a total of EUR 1 thousand (vs. EUR 1,133 thousand) were undertaken by IFM AG and its subsidiaries with IFM Immobilien-Finanz-Management GmbH, in the course of normal business activities. These primarily concerned services provided by IFM Immobilien-Finanz-Management GmbH, particularly in project management.

Revenues include EUR 78 thousand (vs. EUR 20 thousand) in revenues from services performed for IFM Immobilien-Finanz-Management GmbH.

As of December 31, 2007, the Group had receivables of EUR 140 thousand (vs. EUR 147 thousand) from IFM Immobilien-Finanz-Management GmbH and liabilities of EUR 0 (vs. EUR 249 thousand) toward the same company.

IFM AG invests some of its liquid funds in the ETHNA Bond Premium. The company that administers the ETHNA Bond Premium is LRI Invest S.A., of Munsbach, Luxembourg. It has appointed ETHNA Capital Partners S.A., of Wollerau, Switzerland, as an investment counselor, of which Luca Pesarini, the Chairman of the Company's Supervisory Board, is the managing partner. IFM AG invested EUR 5,003 thousand in the fund in fiscal 2007.

The following additional disclosure obligations existed for fiscal 2006:

Because of majority ownership, until March 31, 2006, the Company was controlled by Sirus Investment GmbH (shareholders Georg Glatzel and Luca Pesarini), and from that date until May 19, 2006 (listing in the Entry Standard segment), the Company was controlled by Sirus Investment GmbH and IFM Immobilien-Finanz-Management GmbH under a contractual agreement. Further related parties in particular included Osiris GmbH & Co. KG and Osiris Holding GmbH (the shareholder of each was Bernd Weber, a member of the Executive Board at the time), and IFM Bauconsult GmbH (shareholder Georg Glatzel).

In addition to the above transactions, the following other related party transactions took place:

As part of the capital increase in return for contributions in kind, the following related parties received shares of IFM AG during 2006 in return for their contribution of interests in IFM Property Project Frankfurt GmbH: Sirus Investment GmbH (426,184 shares), IFM Immobilien Finanz-Management GmbH (314,361 shares), Osiris Holding GmbH (79,029 shares) and Bernd Weber (52,686 shares).

IFM Asset Management GmbH has taken over most of the business operations of IFM Immobilien-Finanz-Management GmbH. The purchase price was EUR 708 thousand.

In 2006, the following loans granted by related parties to subsidiaries of IFM AG were repaid to the lenders, and where applicable, the following interest expenses were incurred:

	Loan EUR 000	Interest EUR 000
Sirus Investment GmbH	1,790	36
Georg Glatzel and Luca Pesarini	200	4
IFM Immobilien-Finanz-Management GmbH	511	9
Osiris GmbH & Co. KG	600	19

IFM Bauconsult GmbH billed a total of EUR 55 thousand for services to Group companies.

Heidelberg, March 20, 2008

Georg Glatzel　　　　Marcus Schmitz

„Office Tower" Darmstadt

„Zimmerstraße / Mauerstraße“ Berlin, Central

Appendix Consolidated Financial Statements

Appendix 1

Changes in Consolidated Non-Current Assets as of December 31, 2007

		Cost of acquisition or creation				
		At 1/1/07 EUR 000	Additions EUR 000	Disposals EUR 000	Reclassifications EUR 000	At 12/31/07 EUR 000
I.	Investment properties	80,379	36,481	0	15,039	131,899
II.	Properties under development	44,018	51,615	0	-15,039	80,594
III.	Advance payments made on property, plant and equipment	0	8,666	0	0	8,666
IV.	Office and other equipment	472	304	55	0	721
V.	Goodwill	389	0	0	0	389
VI.	Other intangible assets	202	24	0	0	226
		125,460	97,090	55	0	222,495

Changes in Consolidated Non-Current Assets as of December 31, 2007

Depreciation and amortization				**Changes in fair value per IAS 40**			**Carrying amount**	**Carrying amount**
At 1/1/07 EUR 000	Additions EUR 000	Disposals EUR 000	At 12/31/07 EUR 000	At 1/1/07 EUR 000	Additions EUR 000	At 12/31/07 EUR 000	At 12/31/07 EUR 000	At 12/31/06 EUR 000
0	0	0	0	1,621	5,232	6,853	138,752	82,000
0	0	0	0	0	0	0	80,594	44,018
0	0	0	0	0	0	0	8,666	0
62	170	8	224	0	0	0	497	410
0	0	0	0	0	0	0	389	389
9	32	0	41	0	0	0	185	193
71	202	8	265	1,621	5,232	6,853	229,083	127,010

Appendix 2

List of interests held as of December 31, 2007

Company name and location	Share of equity held %
Fully consolidated companies included in the consolidated financial statements	
GP Properties GmbH, Heidelberg	94.8
IFM Property Project Frankfurt GmbH, Heidelberg	94.8
IFM Property Project Ulmenstraße GmbH, Heidelberg	100.0
IFM Asset Management GmbH, Heidelberg	100.0
IFM Property Project Mainz GmbH, Heidelberg	100.0
IFM Property Project 5 GmbH, Heidelberg	100.0
IFM Property Project Eschborn GmbH, Heidelberg	100.0
IFM Property Project Feldbergstraße GmbH, Heidelberg	100.0
IFM Property Project VIII GmbH, Heidelberg	100.0
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	90.0
NEWCOM Property Verwaltungs GmbH, Heidelberg	90.0
Held indirectly through NEWCOM Property Project GmbH & Co. Joint Venture KG	
IFM Property Project Darmstadt GmbH, Heidelberg	100.0
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	100.0
IFM Property Project IX GmbH, Heidelberg (GmbH acting as general partner)	100.0
Held indirectly through IFM Property Project Wiesbaden GmbH & Co. KG	
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	100.0
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	100.0
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	100.0
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	100.0
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	100.0
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	100.0

Audit Opinion
Consolidated Financial Statements (IFRS)

To IFM Immobilien AG, Heidelberg:

We have audited the consolidated financial statements prepared by IFM Immobilien AG, Heidelberg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. 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 Article 317 Handelsgesetzbuch (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, 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 of IFM Immobilien AG, Heidelberg, as of December 31, 2007 comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a (1) Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation 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.

Heidelberg, March 20, 2008

FALK & CO GMBH WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT SIEGEL HEIDELBERG

FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

([illegible])
Wirtschaftsprüfer

(Speß)
Wirtschaftsprüfer

Financial Statements (German Commercial Code)

„westendFirst“ Frankfurt am Main, Westend

Balance Sheet for the business year 2007

Assets	EUR	12/31/2007 EUR	12/31/2006 EUR
A. Non-current assets			
I. Intangible assets			
Concessions, industrial property rights and similar rights and assets, and licenses thereto		6,160.00	10,749.00
II. Property, plant and equipment			
1. Other equipment, office equipment	200,787.00		121,368.00
2. Advance payments on property, plant and equipment and facilities under construction	8,666,564.00		0.00
		8,867,351.00	
III. Financial assets			
Interests in affiliated companies		16,403,172.50	6,333,256.66
B. Current assets			
I. Accounts receivable and other assets			
1. Trade accounts receivable	0.00		18,620.69
- including: EUR 0.00 with a remaining term of more than one year			0.00
2. Amounts receivable from affiliated companies	43,850,731.07		56,893,789.21
- including: EUR 15,860,000.00 with a remaining term of more than one year			(55.800.000,00)
3. Other assets	1,954,914.34		710,368.44
- including: EUR 88,522.25 with a remaining term of more than one year			0.00
		45,805,645.41	
II. Securities			
Miscellaneous securities		5,003,025.00	0.00
III. Cash on hand, cash on deposit with the Bundesbank and other banks, checks		9,729,533.98	12,207,271.26
C. Expenses paid in advance		50,162.57	36,818.36
Total assets		**85,865,050.46**	**18,588,095.28**

Balance sheet for the business year 2007

Equity and Liabilities	EUR	31.12.2007 EUR	31.12.2006 EUR
A. Equity			
I. Issued capital		8,500,000.00	8,500,000.00
II. Additional paid-in capital		73,000,000.00	73,000,000.00
III. Loss carried forward		-5,935,072.19	-4,088.10
IV. Net profit / loss for year		686,602.66	-5,930,984.09
B. Provisions			
Other provisions		357,900.00	201,200.00
C. Liabilities			
1. Liabilities to banks	6,791,391.33		0.00
- including: EUR 21,391.33 with a remaining term of one year or less			(0,00)
- including: EUR 6,770,000.00 with a remaining term of more than five years			(0,00)
2. Trade accounts payable	468,503.64		83,695.80
- including: EUR 468,503.64 with a remaining term of one year or less			(83.695,80)
3. Liabilities to affiliated companies			
- including: EUR 1,651,781.80 with a remaining term of one year or less	1,651,781.80		471,692.02
			(471.692,02)
4. Other liabilities	343,943.22		10,725.99
- including: EUR 0.00 for social security			(1.168,00)
-including: EUR 12,794.72 for taxes			(0,00)
- including: EUR 12,794.72 with a remaining term of one year or less			(10.725,99)
		9,255,619.99	566,113.81
Total equity and liabilities		**85,865,050.46**	**76,332,241.62**

Profit and loss statement for the business year 2007

Income Statement from Jan. 1, through Dec. 31, 2007	Euro	2007 EUR		2006 EUR
1. Revenues		536,000.76		132,125.00
2. Other operating income		212,308.06		9,801.99
3. Personnel expenses				
a) Wages and salaries	-878,437.21		-391,155.31	
b) Social security and expenses for pensions and assistance benefits	-28,267.38		-10,573.25	
		-906,704.59		-401,728.56
- including EUR 435.63 for pensions				(0,00)
4. Depreciation and amortization		-46,381.32		-20,219.40
5. Other operating expenses		-1,676,427.97		-7,126,786.12
6. Income from equity investments		259,875.27		0.00
- including: EUR 259,875.27 from affiliated companies				(0,00)
7. Other interest and similar income		2,320,712.48		1,484,457.26
- including: EUR 1,833,636.03 from affiliated companies				(919.117,81)
8. Interest and similar expenses		-11,307.45		-8,209.56
9. Operating profit (loss)		**688,075.24**		**-5,930,559.39**
10. Other taxes		-1,472.58		-424.70
11. Net profit / loss for year		**686,602.66**		**-5,930,984.09**
12. Loss carried forward from prior year		-5,935,072.19		-4,088.10
13. Distributable loss		**-5,248,469.53**		**-5,935,072.19**

1. General Accounting Principles

The annual financial statements of IFM Immobilien AG were prepared in compliance with the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). Values were also measured on the basis of on tax regulations.

As of the reporting date, IFM Immobilien AG had the size characteristics of a small capital corporation; furthermore, it was not categorized as a listed company within the meaning of Sec. 2 (5) of the German Securities Trading Act (*Wertpapierhandelsgesetz*).The simplification options that apply for small capital corporations were exercised in preparing the Notes to the financial statements. Preparation of a management report was waived in accordance with Sec. 264 (1) Sentence 3 of the German Commercial Code.

However, the presentation of the balance sheet and income statement has voluntarily adopted the same format as for large capital corporations. The income statement is presented using the "nature of expense" method.

The recognition and measurement principles are the same as for the prior year.

The following recognition and measurement principles were primarily applied in preparing the annual financial statements.

Non-current assets are measured at cost, less scheduled depreciation or amortization if applicable.

Depreciation and amortization are taken on a straight-line basis as a function of the expected useful life of the assets, and in keeping with the requirements of the tax regulations. Use has been made of the measurement option under Sec. 6 (2) of the German Income Tax Act (EStG), for movable goods valued at EUR 410.00 or less held as non-current assets.

Financial assets are normally valued at cost; no impairment adjustments were necessary.

Receivables and other assets are measured at their nominal value, making allowances for all evident risks.

Other provisions take account of all risks and doubtful debts evident as of the reporting date, on the basis of a reasonable commercial assessment.

Liabilities are measured at their repayment value.

2. Notes to the balance sheet

The line item for property, plant and equipment substantially refers to payments on the purchase price for a property containing a building.

See the list of interests held for the composition of the line item for “Interests in affiliated companies.”

Interests in affiliated companies are generally measured at their acquisition cost. Here acquisition cost means the purchase price for these interests, or the subscription values in cases of new company formations, plus all capitalizable expenses associated with the acquisitions.

Trade accounts receivable are normally measured at their nominal values. No write-downs for actual or expected payment defaults were necessary.

Receivables from affiliated companies recognized as a separate item are essentially receivables for loans extended, together with the associated interest for calendar 2007.

Other assets are primarily receivables for value-added tax and for withholding tax on interest income and the reunification surtax.

The item for expenses paid in advance is for amounts spent prior to the reporting date to cover expenses payable for a certain period thereafter.

The issued capital of IFM Immobilien AG recorded in the Commercial Register (share capital) was EUR 8,500,000.00 on the reporting date (prior year: EUR 8,500,000.00). It is divided into 8,500,000 no-par bearer shares of common stock, each notionally representing EUR 1.00 of the share capital.

The additional paid-in capital consists of the premiums from the capital increases carried out in return for cash contributions in fiscal 2006, in accordance with Sec. 272 (2) No. 1 of the German Commercial Code.

At the shareholders’ meeting of July 20, 2007, the Executive Board was authorized to take the following measures affecting equity:

At the shareholders’ meeting of July 20, 2007, the Executive Board was authorized to take the following measures affecting equity:

- 2007 Authorized Capital
- Issuing of convertible bonds and creation of conditional capital
- Issuing of stock options and creation of conditional capital.

a) Authorized capital

The former authorized capital (2006 Authorized Capital) in the Company's articles of incorporation was suspended by the shareholders' meeting on July 20, 2007.

At the same time, a new authorized capital (the 2007 Authorized Capital) of EUR 4,250,000.00 was created.

The Executive Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 20, 2012, by not more than a total of EUR 4,250,000, by issuing not more than 4,250,000 new no-par bearer shares of common stock in return for cash contributions and/or contributions in kind (2007 Authorized Capital). The new shares are normally to be offered to the shareholders for purchase.

However, the Executive Board was authorized, subject to the consent of the Supervisory Board, to exclude the shareholders' preemptive rights in the following cases:

- for fractional amounts;

- in the case of capital increases in return for contributions in kind, in order to issue stock for purposes of acquiring companies, portions of companies, or interests in companies, or to acquire land or other real estate or interests in land or other real estate;

- Where necessary in order to grant bearers or holders of convertible bonds and/or warrants under bonds with warrants issued by the Company a right to purchase new stock, in the same scope as would be accorded to them as a shareholder after the exercise of the option or the conversion right, or after satisfaction of an option or conversion obligation; and

- If the capital increase is in return for cash contributions, and the total proportion of share capital represented by the new shares for which preemptive rights are excluded is not more than 10% of the share capital in existence as of the date of issue of the new shares, and if the issue amount for the new shares is not materially less (as defined in Secs. 203 (1) and (2) and 186 (3) Sentence 4 of the German Stock Corporations Act) than the trading price of shares already listed in the same category and bearing the same rights and entitlements, at the date of the Executive Board's final determination of the issue price; in calculating the 10% limit, a deduction is to be made for the proportion of share capital represented by new or repurchased stock issued or sold since July 20, 2007, under a simplified exclusion of preemptive rights under or equivalent to Sec. 186 (3) Sentence 4 of the Stock Corporations Act, as well as the proportion of the share capital associated with option and/or conversion rights or obligations under bonds issued since July 20, 2007, under an according application of Sec. 186 (3) Sentence 4 of the Stock Corporations Act.

b) Conditional Capital

2006 Conditional Capital

The shareholders' meeting of April 24, 2006, resolved to conditionally increase the share capital by not more than EUR 120,000.00 by issuing not more than 120,000 new no-par bearer shares of common stock. This conditional capital increase is to serve solely to accord subscription rights to members of the Executive Board.

2007 Conditional Capital I

The shareholders' meeting of July 20, 2007, resolved to conditionally increase the share capital by not more than EUR 3,400,000 by issuing not more than 3,400,000 new no-par bearer shares of common stock (2007 Conditional Capital I). This conditional capital increase is to serve for granting shares when holders exercise conversion rights and/or options, or when holders of convertible bonds or warrants under bonds with warrants require satisfaction of conversion and/or option obligations.

2007 Conditional Capital II

The shareholders' meeting of July 20, 2007, resolved to conditionally increase the Company's share capital by not more than EUR 730,000, by issuing not more than 730,000 new no-par bearer shares of common stock (2007 Conditional Capital II). This 2007 Conditional Capital II is intended to cover subscription rights deriving from stock options.

Under the 2007 Stock Option Plan (SOP 2007), a first tranche totaling 292,000 options was issued on September 13, 2007. Under the 2006 Stock Option Plans (SOP 2006 A and SOP 2007 B), a total of 120,000 options were issued on October 6, 2006.

At December 31, 2007, the conditional capital under the above measures came to EUR 4,250,000.00 (prior year: EUR 120,000.00).

The other provisions were formed primarily to cover expenses associated with the preparation and auditing of the annual financial statements and pending invoices for consulting services.

Liabilities with a remaining term of more than five years come to EUR 6,770,000.00.

Liabilities totaling EUR 6,770,000.00 are secured by land liens. Additionally, all current and future rent receivables have also been assigned.

3. Notes to the income statement

The income statement is presented using the "nature of expense" method and following the regulations for large capital companies.

4. Other information

a) Interest held

The following list presents interests held in other Companies in compliance with Sec. 285 No. 11 of the German Commercial Code, as of December 31, 2007.

1) Direct equity interests:

Company name and location	Interest held in %	Issued capital / Limited partner's capital EUR	Equity 12/31/2007 EUR	Net profit or loss for year 2007 EUR
IFM Property Project Ulmenstraße GmbH, 69117 Heidelberg	100	25,000.00	4,897,736.65	-11,335.52
IFM Property Project Mainz GmbH, 69117 Heidelberg	100	25,000.00	-1,239,362.68	-1,255,592.13
IFM Property Project Zimmerstraße GmbH, 69117 Heidelberg	100	25,000.00	-153,868.16	-177,838.24
IFM Asset Management GmbH, 69117 Heidelberg	100	100,000.00	140,594.76	106,635.13
IFM Property Project Eschborn GmbH, 69117 Heidelberg	100	25,000.00	7,344,012.43	-429,798.79
IFM Property Project Feldbergstraße GmbH, 69117 Heidelberg	100	25,000.00	27,572.45	2,572.45
IFM Property Project VIII GmbH, 69117 Heidelberg	100	25,000.00	22,862.93	-2,137.07
IFM Property Project IX GmbH, 69117 Heidelberg	100	25,000.00	25,426.94	426.94
IFM Property Project Wiesbaden GmbH & Co. KG 69117 Heidelberg	100	50,000.00	50,000.00	259,875.27
IFM Property Project Frankfurt GmbH, 69117 Heidelberg	94.8	25,000.00	-660,913.47	-594,892.63
GP Properties GmbH, 69117 Heidelberg	94.8	100,000.00	-723,697.13	86,842.91
NEWCOM Property GmbH & Co. Joint Venture KG 69117 Heidelberg	90	10,000.00	-1,000,684.07	-407,549.15
NEWCOM Property Verwaltungs GmbH 69117 Heidelberg	90	25,000.00	26,822.93	147.16

The net profit or loss for the following companies represents the result from a truncated fiscal year:

- IFM Property Project Feldbergstrasse GmbH: 1/10 – 12/31/2007
- IFM Property Project VIII GmbH: 2/15 - 12/31/2007
- IFM Property Project IX GmbH: 2/15 – 12/31/2007
- IFM Property Project Wiesbaden GmbH & Co. KG: 7/12 – 12/31/2007.

2) Indirect equity interests:

IFM Immobilien AG indirectly holds interests in the following companies through IFM Property Project Wiesbaden GmbH & Co. KG:

Company name and location	Interest held in %	Equity EUR	Net profit or loss for year 2007 EUR
IFM Property Project Adolfsberg GmbH & Co. KG, 69117 Heidelberg	100	3,054,927.60	-2,617.21
IFM Property Project Hochhaus GmbH & Co. KG, 69117 Heidelberg	100	3,671,607.59	7,813.35
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, 69117 Heidelberg	100	6,281,798.79	17,417.26
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, 69117 Heidelberg	100	1,146,172.34	2,644.48
IFM Property Project Taunusstraße 1 GmbH & Co. KG, 69117 Heidelberg	100	6,350,421.00	20,964.08
IFM Property Project Taunusstraße 3 GmbH & Co. KG, 69117 Heidelberg	100	3,462,700.92	8,044.73

Because their fiscal years have been changed to the calendar year, the results shown for the above companies refer only to the period from December 1 through December 31, 2007.

IFM Immobilien AG indirectly holds an interest in the following company through NEWCOM Property GmbH & Co. Joint Venture KG:

Company name and location	Interest held in %	Issued capital EUR	Equity 12/31/2007 EUR	Profit or loss 2007 EUR
IFM Property Project Darmstadt GmbH 69117 Heidelberg	100	25,000.00	23,367.60	-339,923.19

On December 28, 2001, this company signed a control and profit-and-loss transfer agreement with Newcom Property GmbH & Co Joint Venture KG, headquartered in Heidelberg (the controlling company). For that reason, the net loss for the year is shown here only for information.

b) Contingent liabilities

IFM Immobilien AG has issued an interest and cost overrun guarantee to a bank for a real-estate loan agreement (guarantee agreement) on behalf of a subsidiary, IFM Property Project Zimmerstrasse GmbH. As of December 31, 2007, IFM Property Project Zimmerstrasse GmbH had drawn on the real estate loan in the form of two guarantee lines of EUR 5,265,000.00 each. The guarantee lines have terms from December 12, 2007, to September 30, 2008, for the first, and to May 31, 2009, for the second. The guarantee commission is 0.85 % p.a. on each outstanding guaranteed amount.

The cost overrun guarantee is not yet applicable, since no construction work had been carried out as of the reporting date.

c) Governing bodies of the Company

Executive Board

The following were appointed to the Executive Board of the Company during fiscal 2007:

Georg Glatzel (CEO), graduate economist and real estate economist (EBS), Heidelberg
Marcus Schmitz (CFO, since April 1, 2007), graduate in business administration (Fachhochschule), Frankfurt
Bernd Michael Weber (CFO, to March 31, 2007), graduate in business, Frankfurt

Supervisory Board

The following were members of the Supervisory Board in fiscal 2007:
Luca Pesarini (Chairman), graduate in business, Figino, Switzerland
Gordon Rapp (Vice-Chairman), attorney, Neckargemünd, Germany
Eberhard Hascher, tax advisor, Frankfurt am Main, Germany
Martin Lechner, graduate in business, Zürich, Switzerland
Dr. Marcus Opitz, corporate consultant, Cologne, Germany
Philipp Vogel, businessman, Frankfurt, Germany

Heidelberg, March 2008

Georg Glatzel Marcus Schmitz

Audit Opinion
Financial Statements
(German Commercial Code)

„Kureck“ - Wiesbaden, City Center

Audit Opinion

To IFM Immobilien AG, Heidelberg:

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of IFM Immobilien AG, Heidelberg, for the business year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 Handelsgesetzbuch (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). 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 annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. 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 annual financial statements of IFM Immobilien AG, Heidelberg, as of December 31, 2007 comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in
accordance with German principles of proper accounting.

Heidelberg, March 20, 2008

FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

([illegible]) Wirtschaftsprüfer

(Spieß) Wirtschaftsprüfer

Forward-Looking Statements and Information Obtained from Third Parties

This annual report contains certain forward-looking statements. Forward-looking statements are any statements that are not about historical facts and events. Such statements appear at numerous points in this annual report, particularly where information is given about the Company's intentions, beliefs or current expectations in regard to its future financial earnings, plans, liquidity, outlook, growth, strategy and profitability, as well as the economic conditions to which it may be exposed. Such statements are based on the Company's current estimates, arrived at to the best of the Company's knowledge, but they are subject to risks and uncertainties, inasmuch as they refer to events and are based on assumptions that may not bear out in the future. For that reason they cannot constitute a warranty for future developments. In view of the risks, uncertainties and assumptions involved, the future events mentioned in this annual report may also not come to pass, and certain assumptions may prove inaccurate.

The business activities of IFM Immobilien AG are subject to a number of risks that may likewise render a forward-looking statement, estimate or prediction inaccurate, and that may cause the business performance as well as the asset position, financial position and results of operations of IFM Immobilien AG to deviate from projections. Such deviations may be negative or substantial in nature. The most important factors that may result in such deviations include the regulatory environment of the real estate market, measures taken by regulatory and permit-issuing authorities, the permit environment, and changes in the real estate industry in those states and regions where IFM Immobilien AG does business. Other uncertainty factors include acceptance of and demand for real estate, competitors' behavior, uncertainties as to whether developed properties can be let at the expected prices, and changes in legislation, particularly changes regarding taxes. Additional risk factors and events published in annual reports and other declarations by IFM Immobilien AG must also be taken into account.

This annual report includes information about the market and the real estate sector, as well as other statistical data and predictions about the markets that are of relevance for IFM Immobilien AG. This information is based on market statistics and industry reports, as well as other information available to the public, as well as estimates by IFM Immobilien AG, which in turn are (generally) based on published data or figures from sources available to the public. The Company itself has not separately checked the information taken or derived from market and industry publications or other third-party studies and reproduced in this annual report. For that reason it assumes no liability or warranty as to the accuracy of such information contained in this annual report. The reader should note that certain estimates on the part of the Company are based on such third-party studies. These estimates by the Company have not been checked by independent experts. Other parties may arrive at other conclusions by applying other methods for the collection, analysis or calculation of market data. Therefore, for all third-party publications relating to the market and industry and referred to in this annual report, it must be understood that the Company believes that the information they contain is reliable, but cannot guarantee the correctness or completeness of that information. Such market and industry studies are often based on information and assumptions that may be neither accurate nor appropriate to the circumstances, and their methods by their nature are often prospective and speculative.

Neither IFM Immobilien AG nor its Executive Board offers any guarantee that the opinions expressed in this annual report will prove to be correct, or that projected developments will actually occur. The Company assumes no obligation to amend forward-looking statements or revise them in light of future events or developments, or to update them in any other way.

Imprint

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Financial Calendar 2008

Capital Market Conference, Munich	06. May, 2008
Commerzbank real estate conference	16. May, 2008
Release Q1 Report	May 2008
Annual Meeting	18. July 2008
SCC Small Cap Conference, Frankfurt	25.-27. August 2008
Release First-Half Report	August 2008
Expo Real, Munich	06.- 08. October 2008
Initiative Immobilien Aktie, Frankfurt	20.-21. October 2008
German Equity Capital Forum, Frankfurt	10.-12. November 2008
Release Q3 Report	November 2008

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