IFM IMMOBILIEN AG

Annual Report

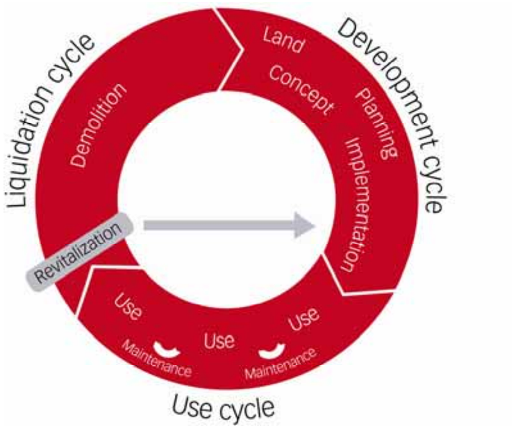
2008

Who we are and what we do

IFM Immobilien AG

- **Investor and project developer** - commercial real estate, with an emphasis on office and downtown retail use
- **Target properties -** preferred location, attractive risk/opportunity profile, extensive potential for development and appreciation
- **Core activity -** Redevelopment, restructuring and repositioning
- **Strategic approach -** Developing innovative marketing and leasing concepts
- **Creating lasting property value**

IFM - real estate cycle



Transforming properties into vital brands

IFM Immobilien AG

■ **Number of office locations**	6
■ **Total area in portfolio**	137,918 m²
■ **Annual net "cold" rent, in EUR m** (at Dec. 2008)	14.7
■ **Value per IFRS, in EUR m**	328.4

IFM locations

Legende

- Current locations
- Planned locations

The English version of the annual report 2008 of the IFM Immobilien AG and the individual statement of the IFM Immobilien AG is a one-to-one translation of the audited German annual report of the IFM Immobilien AG and the individual financial statements of the IFM Immobilien AG. The English version is not audited.

2008 in figures

Key performance figures (EUR m)	2008	2007	Change in %
Revenues	15.1	9.3	63%
Gain on fair valuation of investment properties	13.7	5.2	162%
Operating profit	4.8	4.3	11%
Profit after taxes and minority interests	0.3	5.1	-94%
Earnings per share (basic, in EUR)	0.03	0.60	-95%

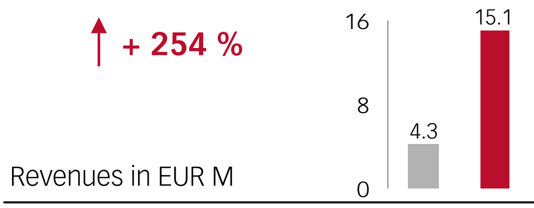
Key balance sheet figures (EUR m)	December 31, 2008	December 31, 2007	Change in %
Total assets	355.4	260.7	36%
Non-current assets	334.4	233.6	43%
- including: Investment properties	274.3	138.8	98%
- including: Properties under development	45.2	80.6	-44%
Equity	100.6	94.2	7%
- including: Issued capital	9.4	8.5	10%
Equity ratio (in %)	28.3	36.1	22%
Liabilities	254.5	166.5	53%
- including: Financial liabilities	221.0	155.0	43%

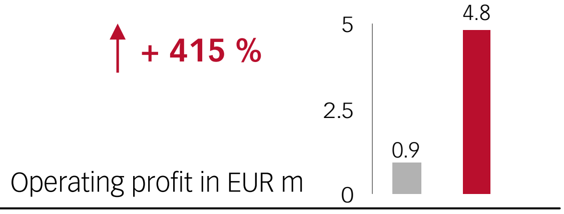
Other key figures	2008	2007	Change in %
Cash flow from operating activities (EUR m)	-1.3	0.3	n.a.
Employees	34	26	31%

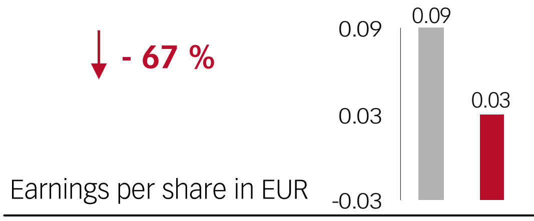
IFM stock

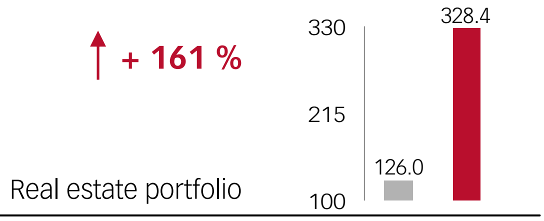
Key figures			
Sector	Real estate	Exchanges	Frankfurt, Stuttgart, Hamburg, Düsseldorf, Berlin/Bremen, Xetra
WKN	A0JDU9	First listed	May 19, 2006
ISIN	DE000A0JDU97	No. of shares outstanding	9,349,999
Stock symbol	IFM	Trading price on Dec. 31, 2008	EUR 5.36
Bloomberg	IFM GR	Market capitalization at Dec. 31, 2008	EUR 50.1 million
Reuters	IFM.DE	High for year (May 27, 2008)	12.85
Market segment	Prime Standard	Low for year (Dec. 19, 2008)	4.90
Designated sponsor	Close Brothers Seydler Bank AG	Ownership structure	Executive Board / Supervisory Board 11%

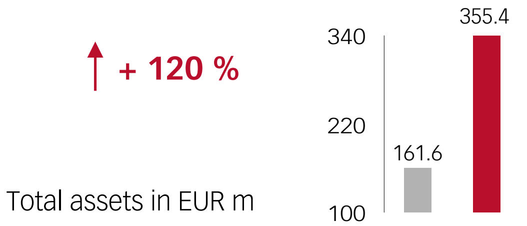
Performance, 2006 (IPO) – 2008

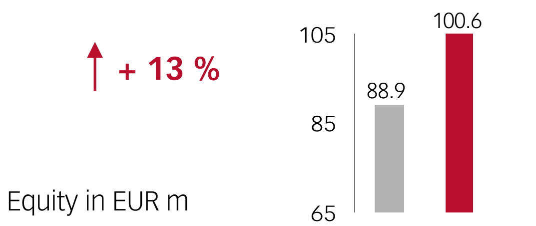






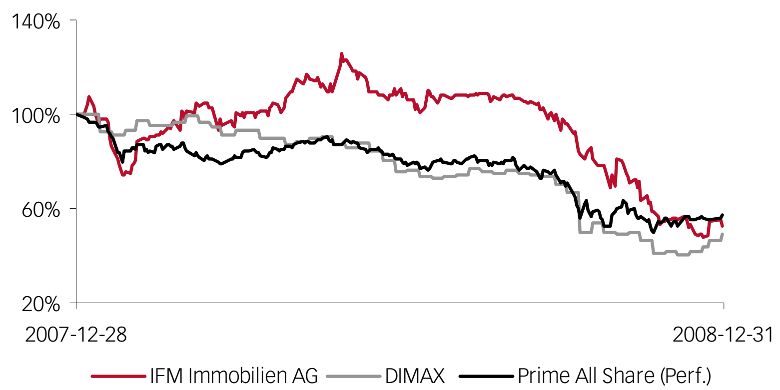






Price performance 2008

IFM Immobilien AG vs. DIMAX & Prime All Share (indexed)

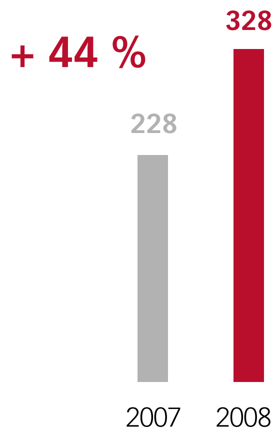


2008 highlights

Financial

- 2008 revenues up 63.5%, to EUR 15.1 million
- EBIT more than doubles to EUR 16.6 million
- Consolidated net profit of EUR 0.3 million
- Real estate portfolio grows 44%, to EUR 328 million

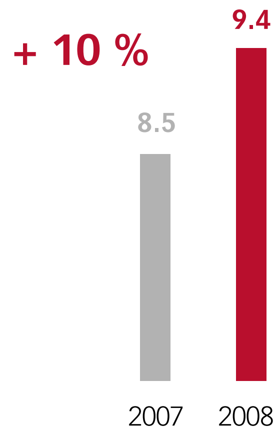
Property portfolio performance in EUR m



Strategy and operations

- 2/2008 Nominated for MIPIM Award
- 4/2008 Move to Prime Standard segment
- 6/2008 Successful capital increase
- 7/2008 Acquisition of “Zeilgalerie“ in Frankfurt am Main
- 10/2008 IFM booth at EXPO Real

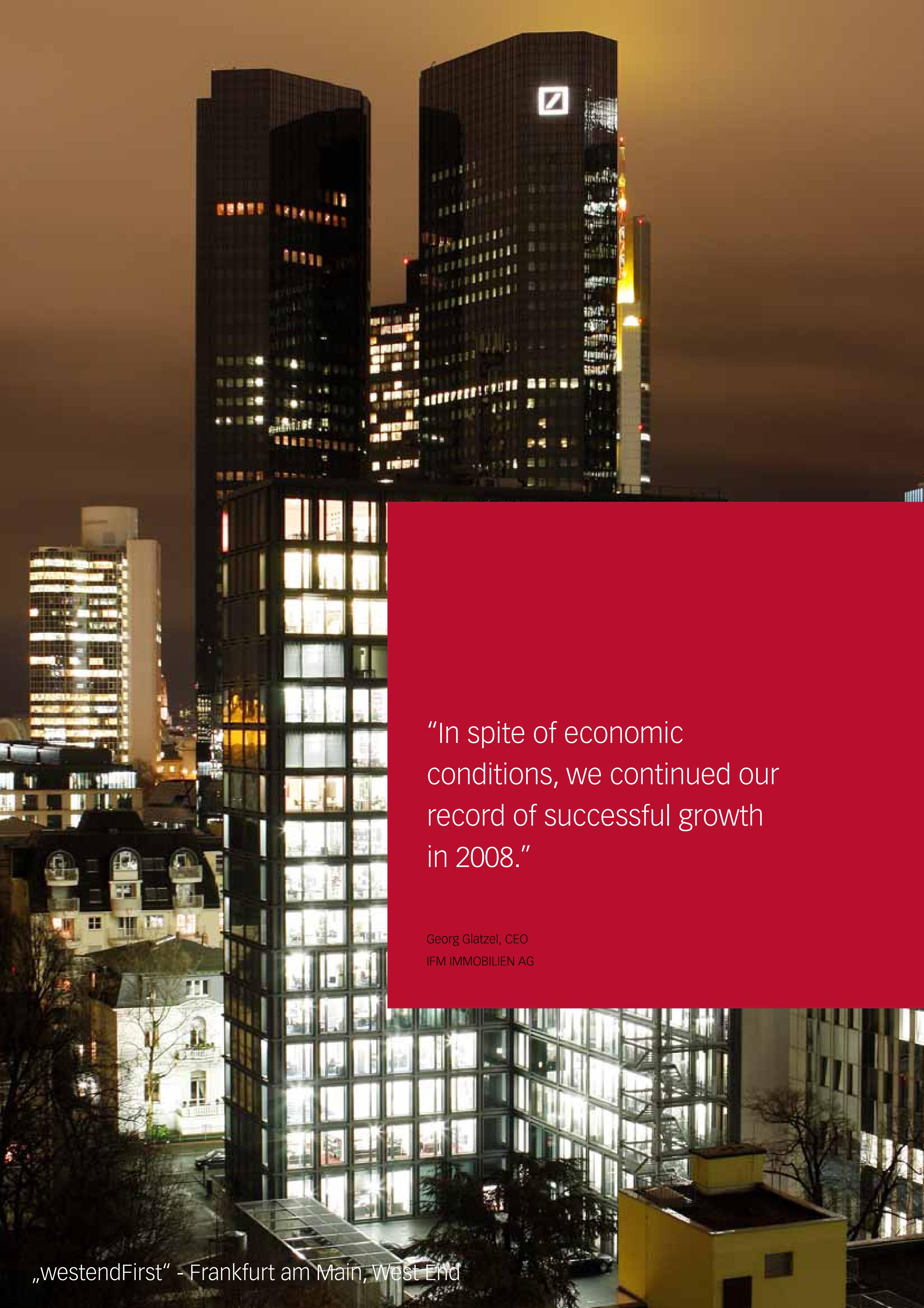
Issued capital in EUR m



Headlines 2008

- Cherry picking in the real estate market (CBS Resarch AG 11/2008)
- IFM Immobilien AG wächst stark (Wiesbadener Kurier 08/2008)
- IFM Immobilien AG platziert erfolgreiche Kapitalerhöhung (property magazin 06/2008)

„Romeo & Julia" - Frankfurt am Main, West End



"In spite of economic conditions, we continued our record of successful growth in 2008."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„westendFirst" - Frankfurt am Main, West End

Foreword from the CEO

Foreword from the CEO

Dear Shareholders,

IFM Immobilien AG is a unique company. We stand apart from the competition in what we do and how we do it. IFM has special strengths in its business: as an investor, we can identify commercial properties in prime locations, with extensive potential for development and appreciation. And as a project developer, we have the expertise and resources to leverage a property's potential through a thorough revitalization, creating a premium landmark. Our motto is "Transforming properties into vital brands."

Our aim is to develop successful, unique real estate projects. We do that on the basis of a stable foundation:

- IFM has its own operating unit that can respond flexibly and dynamically to the market's new challenges and needs.

- IFM holds a leading position in real estate marketing. We have a core competence in branding properties, positioning them with a new image in the eyes of our target groups. Our holistic approach to marketing lets us transform commercial properties into living brands, a significant factor for success in revitalization projects.

- IFM takes a long-term perspective and applies a conservative financing approach. We're not out to grow at any price. We invest selectively. We view real estate as more than mere merchandise – it's the focus of an active process of adding value.

All of these give us a clear competitive advantage – even in today's demanding market environment. As we showed in 2008: IFM continued its dynamic growth, and generated consolidated revenues of EUR 15.1 million – a gain of 63 percent against the year before. In spite of noncash losses on the valuation of derivatives and deferred taxes, we still showed a profit of EUR 0.3 million. So IFM is on a very solid footing. By year's end, our real estate portfolio had reached a balance-sheet value of EUR 328 million, an increase of about 44 percent against the end of the prior year.

Last year's acquisition of the "Zeilgalerie" in Frankfurt am Main is further evidence of the success of our approach: this is a shopping galleria that enjoys numerous advantages, including nationwide fame, an outstanding location, and heavy foot traffic. We plan to be applying our expertise in revitalization over the next two years to make the "Zeilgalerie" a unique shopping environment that will offer shoppers an entirely new shopping experience. And we managed the acquisition in the face of a difficult economy – impressive confirmation of the trust and reputation we've earned through our work with investors and lender banks.

Over the past few years we've built up a strong portfolio by investing in carefully selected properties. That enables us to generate substantial added value with our current portfolio and project developments, completely apart from strategies for potential exits or new acquisitions. To name just two examples:

- In the Romeo & Julia office towers, we've created a new highlight in Frankfurt's West End. We've already begun the leasing process, and the response from potential tenants has been very positive.

- At our Maxxon property in Eschborn, last year we began the construction work for the ground-up renovation of the existing buildings. In December we signed the first lease for this high-quality office space, which shall be completed in 2010. That's just one sign of the quality of the property and the appeal of the location. We'll be next-door neighbors there with well-known firms like Ernst & Young and Deutsche Börse.

In spite of the sharp economic downturn, we also view the crisis as an opportunity. Many institutional investors who pursued aggressive financing strategies in the past few years will have to withdraw from the German market, or have done so already. For that reason, we assume that a number of purchase opportunities will turn up on the market within the next few years for neglected properties with high potential for development and appreciation – just the kind of property that fits with IFM's strategy.

IFM has won itself a good reputation in the industry, and has enjoyed dynamic growth. We'll maintain that path, and at the same time systematically keep in mind the factors for success that have been typical of our company:

- IFM has done pioneering work in real estate marketing, and its innovative concepts have been a breath of fresh air in the industry. We'll keep up our work to surprise the market with innovations in the future.

- Our tenants can count on our treating their needs as our own, and on our all-inclusive assistance. Our customers' satisfaction is one of our top priorities.

- Sustainability is important to us: we take economic, social, and ecological aspects into account. We make an investment only where we can foresee long-term economic success. Additionally, in project development we pay special attention to "soft" factors like architecture and design – things that contribute to make an ideal working atmosphere for our tenants. And we take the principles of green building as a given in all our projects.

IFM is just something else. We are optimistic about the future. Because even in today's market conditions, we can still put our business model to work, and we also foresee opportunities to act anti-cyclically. That makes IFM an attractive investment – not least of all for you, our shareholders.

Heidelberg, March 2009

Georg Glatzel
CEO

„Romeo & Julia" - Frankfurt am Main, West End

A Talk with the Executive Board

CEO Georg Glatzel and CFO Marcus Schmitz discuss IFM Immobilien AG's performance and prospects

Mr. Glatzel, you say IFM is a special company. What do you do that's any different from competitors?

Glatzel: We always try to build on what's already there, but at the same time to try new paths and think along new lines. That's especially the case for our business as an investor and project developer. We revitalize properties and bring them back to life. That's why our motto is "Transforming properties into vital brands." A lot of commercial properties on the market are no longer appropriate for that market – and only a few of them have significant potential. That's where it takes a lot of experience to find the right properties. IFM really is something different – our expertise and experience in project development mean that we can identify properties with extensive potential in top locations. We have our own operating business unit to work on our properties, so we already have the important parts of the value-added process in house. Our track record and our current project developments make it clear that in this segment – one of our core lines of business – we have an excellent position, and can regularly create premium, landmark properties.

But now the rules of the market have changed. The financial crisis is also affecting project developers' business. What does that situation mean for IFM?

Glatzel: At IFM, we're not looking so much at the crisis as at the opportunities it opens up for us. Don't misunderstand me – of course we've given a great deal of thought to the impact of the financial crisis and its consequences for our business model. We already made some adjustments to acknowledge the new environment last year. But we think new opportunities are going to open up for us. Why? Because in the past years, a lot of institutional investors got into the market pretty aggressively, and bought up big packages of real estate. They were following a line of thinking that was based more on the financial market. But as we see it, in today's market environment the important thing as a market participant is to work actively and professionally with a property. That's where we see the strengths of IFM. Obviously project developers like IFM also need banks as financing partners. But our track record and the reputation we've earned over the past few years make us an attractive business partner for lender banks. We especially proved that last year when we bought the "Zeilgalerie" – one of Germany's most famous shopping gallerias.

But successful project development by itself isn't enough to generate revenues. Doesn't the economic downswing create a more strenuous leasing environment?

Glatzel: In general, we can't escape the overall economic situation any more than anyone else. But it's turning out that in this market environment particularly, the quality and location of a real estate investment can be significant competitive advantages. Over the past years, IFM has selectively built up a strong portfolio, and on top of that has special expertise in real estate marketing. So we find ourselves well equipped to achieve our leasing goals even in today's market environment. It's turning out that we were right to systematically expand in real estate and lease marketing as our core business. We've repeatedly found that we're a trend setter, and from our point of view, that gives us a significant competitive advantage.

IFM's business model also includes a successful exit – meaning selling properties at maximized value. When do you expect such sales?

Glatzel: Ever since it was listed for trading in the Entry Standard segment three years ago, IFM has pursued a consistent strategy of building up a portfolio of properties of appropriate size that is designed to retain its value. We've done extremely well at that. At the moment we're also reviewing a scenarios for shedding properties where we've completed our "homework" and can no longer generate added value. But since our business model is not necessarily dependent on a short-term exit, we carefully weigh the potential proceeds from an exit against the actual and expected running cash flow of the property while it remains in our portfolio.

„Zimmerstraße / Mauerstraße“ - central Berlin

Mr. Schmitz, IFM has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since April 2008. Has the change paid off?

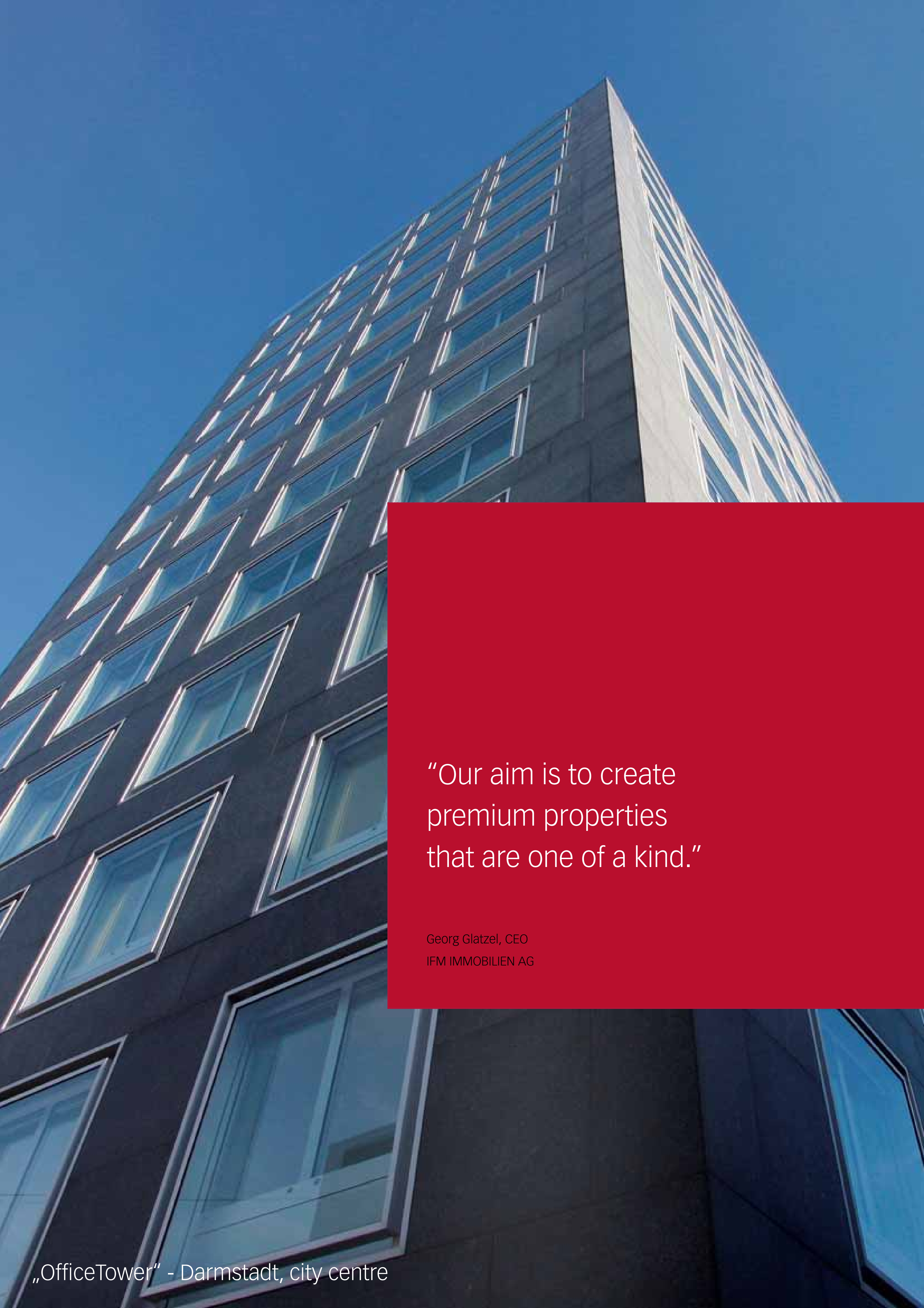
Schmitz: Moving IFM to the Prime Standard segment was the logical next step for us. Since we were first listed in the Frankfurt exchange's Entry Standard in May 2006, we've expanded our property portfolio considerably. By now it has a balance-sheet value of EUR 328 million. Prime Standard's expanded disclosure requirements have helped strengthen our presence in the capital market, and thus raise our profile among international investors. That's particularly in light of the fact that a considerable portion of our share capital is owned by shareholders in other parts of Europe. Unfortunately, in spite of even more investor relations work, we weren't able to keep IFM stock from declining amid the general difficult market environment. But within the real estate industry, we've still outperformed. Once the market environment returns to normal, we believe there's a good chance that the capital market will give due recognition to the quality and future potential of our business model.

Many investors are now having refinancing problems because of significantly higher interest rates. Has IFM been affected that way?

Schmitz: Financing costs have in fact increased for everyone in the market. If the current tight market conditions continue for an extended time, we won't be able to avoid that either. But by the same token, we have to take into account that because of our diversified interest rate hedging strategy, we've been able to profit to a certain degree from lower interest rates. That's especially been thanks to the way we've hedged interest rate spreads, which allows us to share somewhat in declining interest rates. One important refinancing measure was for our "Romeo & Julia" property at the end of 2009. Here we're optimistic that completing the property on budget and our planned leasing strategy will enable us to convert the project development financing to classic portfolio financing.

Mr. Glatzel, what will be the highlights of 2009?

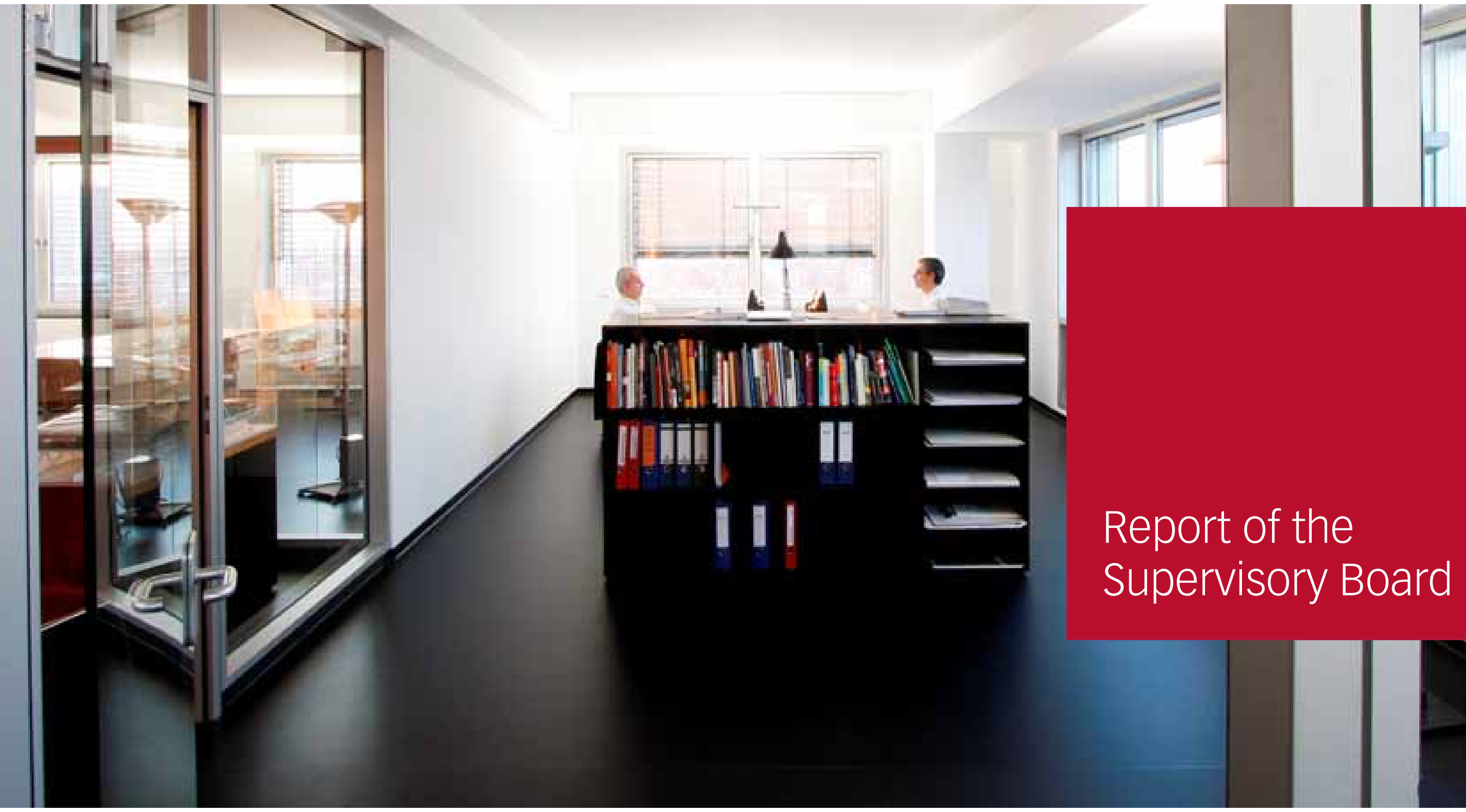
Glatzel: When we start revitalizing the "Zeilgalerie" project, we'll lay the groundwork for a new highlight in an outstanding location in the Frankfurt pedestrian zone. On top of that, we'll systematically attend to our ongoing project developments and to leasing and customer relations. Those are where we see especially significant potential for IFM to move away from the beaten track again in 2009.



"Our aim is to create premium properties that are one of a kind."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„OfficeTower" - Darmstadt, city centre



Report of the Supervisory Board

Dear Shareholders,

At IFM Immobilien AG, 2008 was a year of solid business performance. Among the year's particular highlights were the acquisition of the "Zeilgalerie" shopping gallery in Frankfurt am Main, and IFM's move to the Regulated Market (Prime Standard segment) of the Frankfurt Stock Exchange. We also continued to develop the properties in our portfolio. Revenues were well above the 2007 figures, and the pre-tax profit increased by about 10 per cent. We also showed a profit after taxes.

Oversight and advice in dialogue with the Executive Board

During the year, the Supervisory Board, comprising six members representing the shareholders, conscientiously performed the duties incumbent upon it under the laws and the Company's articles of incorporation. It regularly advised the Executive Board, and vigilantly supervised how the Company was managed. It held a total of ten meetings for that purpose in 2008.

At its meetings, the Supervisory Board was informed regularly, promptly and fully about the company's situation, primarily in detailed reports from the Executive Board. The Supervisory Board carefully reviewed and thoroughly discussed the Executive Board's reports and its suggestions for resolutions. Between meetings, the Chairman of the Supervisory Board maintained regular contact with both members of the Executive Board.

The Supervisory Board monitored the Company's strategic evolution and significant measures taken, and assisted with its advice. At meetings and in additional written and oral reports, it obtained information from the Executive Board about business policies, other fundamental issues of corporate planning, business performance, and other matters of material significance.

At its meetings, the Supervisory Board regularly discussed business developments, plans and corporate strategy with the Executive Board. It also 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. The focal point of deliberations was the performance of the Group's real estate portfolio.

The Executive Board presented oral and written reports on acquisitions under review, and also on preparatory discussions and negotiations, potential divestments, and the progress of projects at the individual properties. After a thorough review, the Supervisory Board made recommendations on how to proceed further. The "Zeilgalerie" acquisition was preceded by the consent of the Supervisory Board, after appropriate discussion. The Supervisory Board also became engaged at an early stage in other decisions on matters of consequence for the Company.

In fiscal 2008, the Supervisory Board primarily addressed the following topics:

- The strategic further development of the IFM Immobilien Group, in both operating and financial terms, not least of all in light of the changing conditions in the real estate and financial markets;
- The Company's move to the Regulated Market (Prime Standard segment) of the Frankfurt Stock Exchange;
- Human resource planning, especially in regard to filling key positions, for example at the project companies;
- Preparation of the content for the annual Shareholders' Meeting on July 18th, 2008;
- Matters of corporate governance (e.g., establishment of committees of the Supervisory Board, the rules of procedure for the Supervisory Board and Executive Board, variable compensation of the Executive Board by issuing stock options under the existing Stock Option Plan and bonus rules, etc.).

Committees and rules of procedure

The Supervisory Board is composed of six members to be chosen by the Shareholders' Meeting: Luca Pesarini (Chairman), Gordon Albert Rapp (Vice-Chairman), Eberhard Hascher, Martin Lechner, Philipp J.N. Vogel, and Pål Berg (succeeding Dr. Marcus Opitz).

At the beginning of the year, the Board had a Personnel Committee, a Compliance Committee, and an Acquisitions / Planning & Construction / Sales Committee. At its meeting of April 11th, 2008, in view of the recommendations of the Corporate Governance Code, the Board then resolved to form a Presiding and Personnel Committee, an Acquisitions/Planning & Construction/Sales Committee, a Nominating Committee, and a Compliance and Audit Committee. It also defined or redefined those committees' areas of responsibility and authority. The former committees were dissolved or replaced.

The members of the new Presiding and Personnel Committee are Luca Pesarini, Gordon Albert Rapp and Eberhard Hascher. In compliance with the recommendation of the Corporate Governance Code, during the year they addressed such matters as the regular review of the compensation system for the Executive Board, including material contract terms, and also discussed human resource planning for upper-level executives. Because of detailed discussions considering the members of the Committee a separate conference was disclaimed during the year.

The Acquisitions / Planning & Construction / Sales Committee consists of Luca Pesarini, Gordon Albert Rapp and Philipp J.N. Vogel. During the year this committee primarily dealt with the acquisition of the "Zeilgalerie" and with reviewing potential opportunities for acquisitions and sales. The committee met once during the year.

The Nominating Committee consists of Luca Pesarini, Martin Lechner and Philipp J.N. Vogel. During the year, the Nominating Committee addressed the selection of Mr. Berg as a new member of the Supervisory Board. The committee met once during the year.

The members of the Compliance and Audit Committee during the year were Gordon Albert Rapp and Eberhard Hascher, and until he resigned from the Supervisory Board on September 5, 2008, Dr. Marcus Opitz. Since this committee was not formed until after the preparation of the annual financial statements for 2007, during the 2008 year it particularly dealt with the subsequent quarterly and semiannual reports, as well as matters of corporate governance and an upper-level risk management system. It also engaged the independent auditor and defined the principal points of emphasis for the audit. The committee met five times during the year.

Members of the Executive Board and Supervisory Board

There were no changes in the Company's Executive Board in 2008.

The Supervisory Board of IFM Immobilien AG underwent the following changes during the year:

Dr. Marcus Opitz resigned from the Board as of September 5th, 2008. In concert with the Nominating Committee, the Executive Board decided to petition Mannheim Local Court to appoint Mr. Pål Berg as a new member of the Supervisory Board, to fill out the term until the 2009 shareholders meeting. At that time he would also be nominated for election by the shareholders to the Supervisory Board. As requested, on January 14th, 2009 the court appointed Mr. Berg to the Supervisory Board. Mr. Berg is an investment officer with Norway's Havfonn AS, which is part of an investor group that holds a significant share in IFM Immobilien AG.

Parent-company and consolidated annual financial statements

With due attention to the preliminary audit by the Compliance and Audit Committee, the Supervisory Board of IFM Immobilien AG audited the parent-company financial statements and management report for 2008 and the consolidated annual financial statements and group management report for 2008 as prepared by the Executive Board, and examined the Executive Board's proposed allocation of the distributable profit or loss. The annual financial statements and management report of IFM Immobilien AG for 2008 and the consolidated financial statements and group management report for 2008 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 independent auditors furthermore found that the Executive Board had properly taken the measures incumbent upon it under Sec. 91 (2) of the German Stock Corporations Act. In particular, the Executive Board has set up an appropriate information and oversight system meeting the Company's needs; the Supervisory Board believes this system is suitably conceived and managed to recognize at an early stage any developments that might threaten the Company's continuing existence.

The documentation for the annual financial statements, along with the independent auditors' audit reports, was conveyed sufficiently in advance to all members of the Supervisory Board for preparation and review.

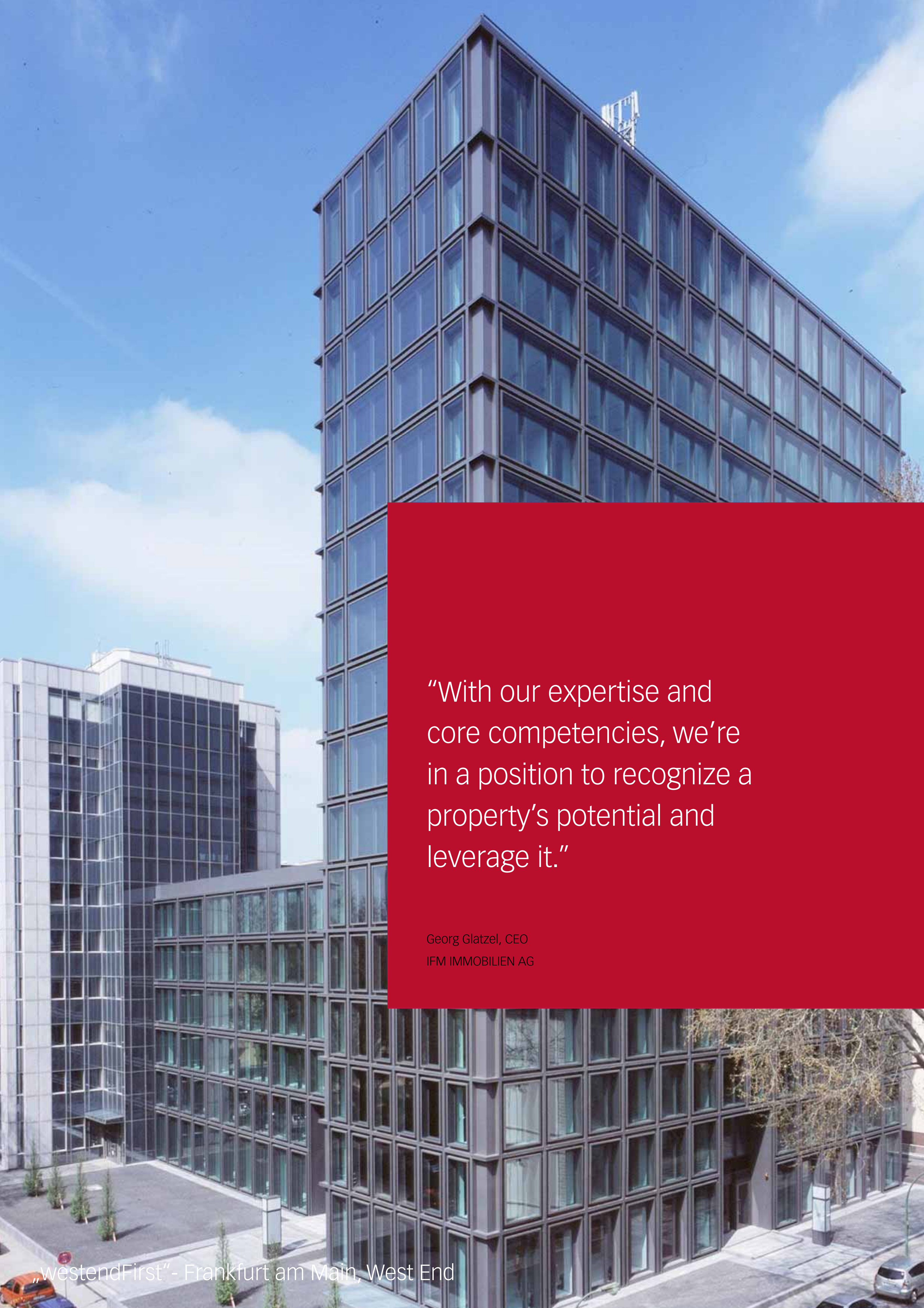
The independent auditors participated at the audit meeting on March 9th, 2009 and the financial review meeting of the Supervisory Board on March 19th, 2009. They reported on the material results of their audit and offered explanations regarding the audit reports. The Compliance and Audit Committee had reviewed the documentation for the parent-company and consolidated financial statements in advance. 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 the preliminary audit by the Compliance and Audit Committee and the Supervisory Board's own audit are consistent with the results of the auditors' audit. Accordingly, at the financial review meeting on March 19th, 2009, the Supervisory Board approved the parent-company annual financial statements and management report and the consolidated annual financial statements and group management report prepared by the Executive Board. The parent company's annual financial statements were thereby adopted. The Supervisory Board likewise concurs in the Executive Board's proposal for the allocation of the distributable profit (that it be carried forward to the new period).

Expression of gratitude

During the year, the Company made important strategic choices that will provide a good starting point for its further development. The Supervisory Board wishes to extend its cordial thanks to the Executive Board and all Company employees for their hard work and deep dedication during fiscal 2008.

Frankfurt am Main, March 19th, 2009

The Supervisory Board
Luca Pesarini
Chairman



"With our expertise and core competencies, we're in a position to recognize a property's potential and leverage it."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„westendFirst" - Frankfurt am Main, West End

Business Model

IFM Immobilien AG takes the road less traveled

In a strenuous market environment properties in prime locations are especially in demand. But these properties are often no longer competitive in the market, for a variety of reasons – overdue investment in updates, imbalanced tenant structures, high vacancy rates, inadequate structural condition, or simply because the owners don't have enough understanding and know-how about how to manage their properties. Yet some of these properties have considerable potential for appreciation, and offer excellent basic material for lasting high yields once investments have been applied to their substance.

IFM Immobilien AG takes the road less traveled in the real estate sector, transforming properties into vital brands. IFM is an investor and project developer that particularly works in commercial real estate, with an emphasis on office and downtown retail uses. It revitalizes existing properties, and builds new ones. It works actively with the properties in its portfolio to enhance the potential for development and appreciation that they already posses. And in this way, IFM creates lasting value.

IFM positions properties in the market by way of focused, innovative marketing concepts. It rebrands properties, establishes the new brands, and thus generates significant added value for potential tenants. Thus it systematically takes account of a property's "soft facts," and creates customized advantages and additional benefits for interested parties.

Innovations with added value

By actively working on a property, IFM generates significant appreciation and creates new landmarks. It invests both in new construction and existing properties that offer attractive risk-opportunity profiles. Here it pursues a strategy of developing a high-quality portfolio of properties, which it then holds on to for the medium term to generate rental income. Its professional portfolio management strategy also includes sales of properties where IFM has completed its value-added process .

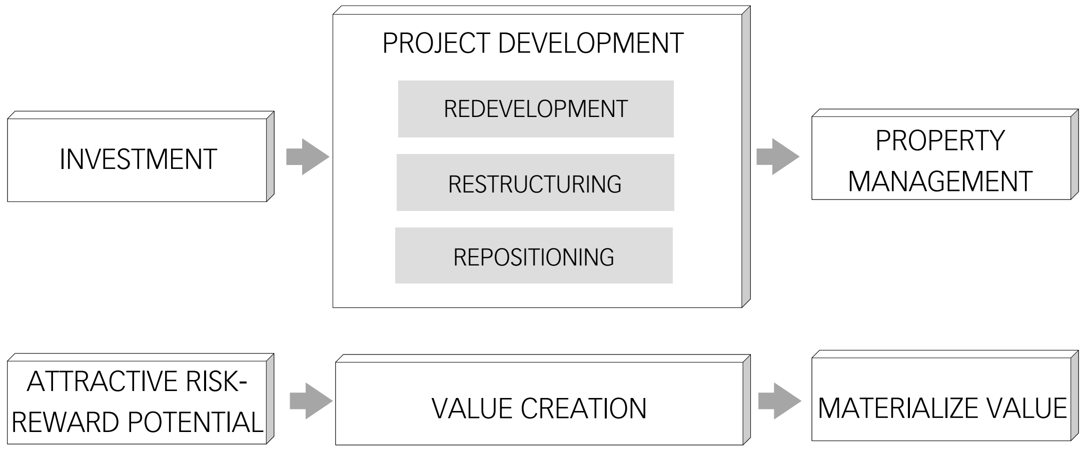
In deciding on an investment and identifying suitable properties, IFM systematically applies its years of experience and its established network in regional real estate markets. IFM generates added value by investing in portfolio properties whose potential for development and appreciation can be enhanced, and also in project development for new buildings. 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 attractive architectural design. Once work is completed, the properties have the feel of a new building.

- **Restructuring:** IFM develops new use concepts, improves tenant structures, and reduces vacancies.

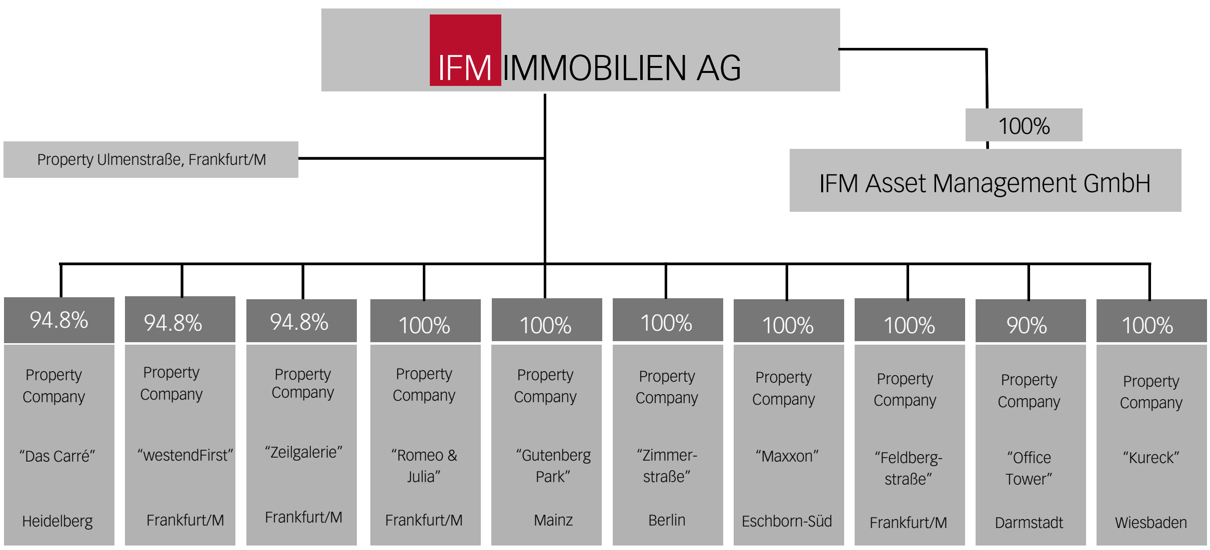
- **Repositioning:** With "real estate branding," IFM transforms properties into vital brands with a unique corporate identity, capable of sparking emotional connections and positive images with target groups. Thus it can market properties fast and accurately for the intended target groups.

"Transforming properties into vital brands" – The IFM Business Model



IFM's operating business unit combines essential core lines of business like due diligence, project development, marketing and leasing, and property management, so that IFM retains control over the areas which are crucial for the success of the business model.

Group structure of IFM Immobilien AG



"By revitalizing the 'Zeilgalerie' we'll create a real highlight and contribute toward sprucing up the Frankfurt pedestrian zone."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

"Zeilgalerie" - Frankfurt am Main, city centre

Transforming
properties
into vital brands

The Shopping Mall That Gives Customers What They'll Want Tomorrow – Today

The Revitalization of the "Zeilgalerie"

The "Zeilgalerie" is unique. Shoppers at the famous galleria in the heart of Frankfurt can enjoy an elaborately designed structure of glass and steel that is unique among German shopping districts. A long passage guides shoppers all around the skylit central court, past numberless shops, all the way up to the seventh floor – where they can sample the gastronomic delights of several restaurants and take in a breathtaking view of the city. There's a reason why the property is one of the best-known shopping malls in the country.

But the "Zeilgalerie" is also a neglected property in need of substantial investment for updates. Shoppers can enter only through a small street entryway from the "Zeil." The glass and steel construction projects a feeling of outmoded industrial architecture, with uninviting storefronts. The structure of the mall and the stores is stressful for shoppers and hard for them to understand, and the mix of tenants is inconsistent. In other words – at the moment the "Zeilgalerie" is not an overly inviting place to shop or hang out. Today's shoppers like to rummage around a bit, try things on, relax – but those needs aren't met.

The "Zeilgalerie" has the potential to become something entirely new

The "Zeilgalerie" will undergo some fundamental changes. IFM Immobilien AG recognized the property's vast potential for appreciation and development. In summer 2008, IFM acquired the shopping mall with the aim of applying its many years of experience in revitalization to enhance the potential that was already there. The goal: a "Zeilgalerie" that will offer shoppers a unique shopping experience. Based on thorough research into future conditions, as well as extensive market analyses and market research, the new "Zeilgalerie" shall incorporate the shopping trends of the future today, so as to meet clients' wishes, and ultimately also to offer an attractive location for retailers and restaurateurs. Under the "Zip Shopping" concept, a new shopping world shall evolve, where retailing, restaurants and culture are "zipped" together.

The "Zeilgalerie" offers ideal basic material: it is well known in Frankfurt and throughout Germany. It is one of Frankfurt's most noteworthy buildings, and has become an integral part of the cityscape for many visitors. On top of that, the "Zeilgalerie" is in one of the country's most heavily visited shopping districts – Frankfurt's Zeil boasts the third-highest foot traffic in Germany. With its special location, the mall also has great potential to increase rental income. On top of that, the "Zeilgalerie" is mostly already occupied by tenants. But this also poses a special challenge, since the revitalization work has to go on with "doors open." That will allow the income flow to continue even as the renovation work proceeds.

A new kind of shopping

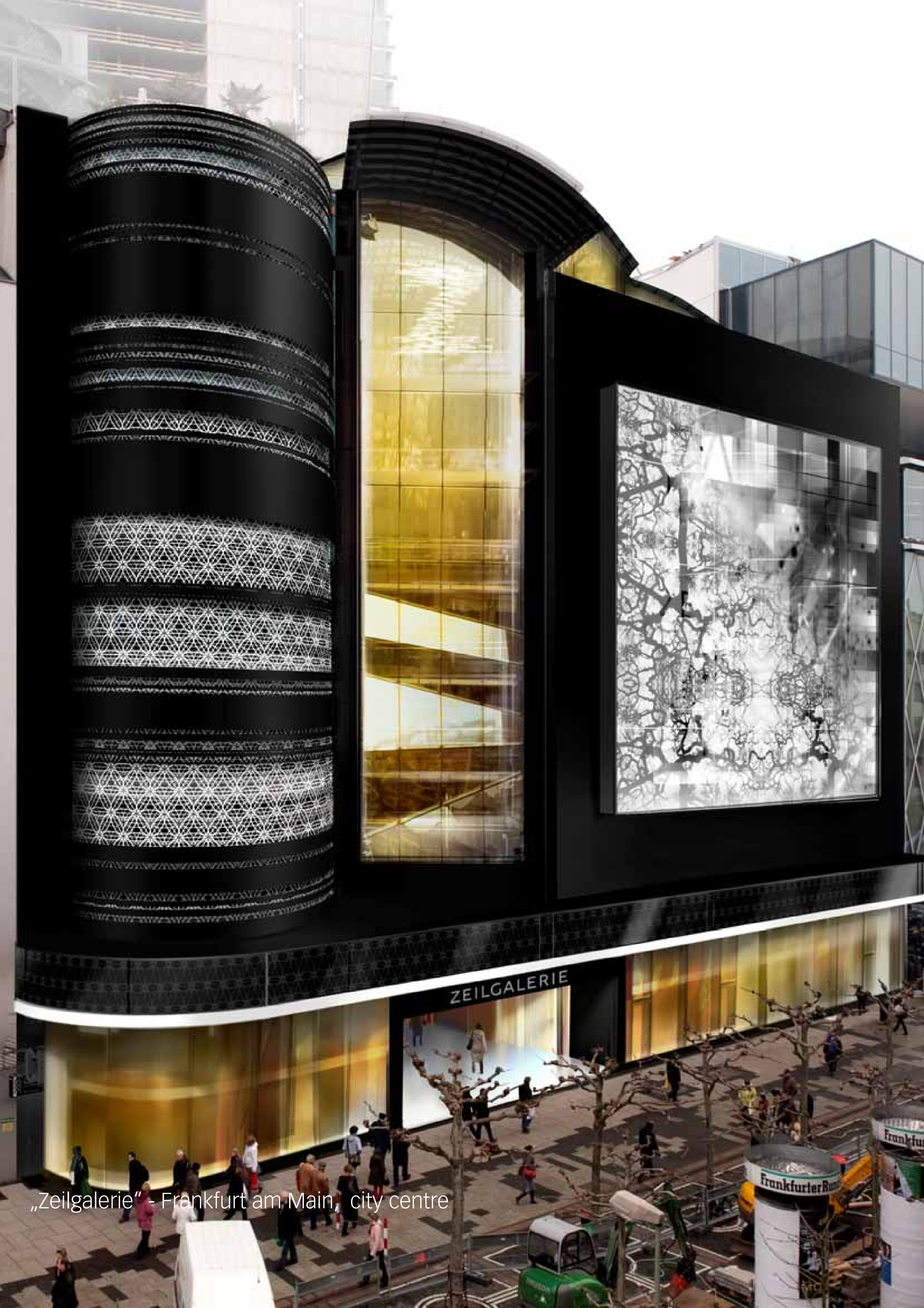
The new “Zeilgalerie” will combine shopping and leisure options under a single roof. Under the innovative “Zip Shopping” concept, formerly distinct retailing, restaurant and cultural facilities shall cooperate together, thus attracting shoppers who are especially interested in style, multimedia and special events.

A first glimpse of what the new “Zeilgalerie” might be like:

Shoppers can take care of everything in one place – stop off at the post office or bank, go shopping. They can try clothes on and try other merchandise out, in an experience that plays on all five senses. The emphasis will be on the shopping experience and an atmosphere of well-being. Men can visit an “auto bar” right in the midst of a fashionable clothing store, with the latest information from the automotive industry. They can linger over a cappuccino while their wives try on and show off new dresses. Visitors to the bookstore can seek out the latest releases and spend hours browsing next to the fireplace. At the “Zeilgalerie”, shoppers will find not just popular brands, but friends and like-minded people. They can pick up a bite at the kitchen accessories store, where there’s a bargain lunch every day. Or have a full meal at the restaurant, where they can buy the décor if the mood seizes them. The “Zeilgalerie” will offer shoppers an experience that’s fundamentally different from shopping at any other shopping mall.

This new form of shopping is a response to what more and more of today’s shoppers expect from a shopping experience. City centers are becoming “lifestyle stages” where consumers seek not goods, but experiences. At the same time, with less and less time available, people want to be able to find a variety of services at a single stop. So the shopping mall of the future will have to be an “all-in-one” location with even more amenities, thus satisfying today’s shoppers’ expectations about an experience. In addition, consumption is more and more becoming a source of identity. Shoppers want to stand apart from everyone else, yet at the same time belong to certain groups. Which is why it’s more and more important to offer them public spaces for communication and a variety of integrated cultural options, not just run-of-the-mill chain stores. They want to meet like-minded people, try clothes on, try other products out, and feel at ease.

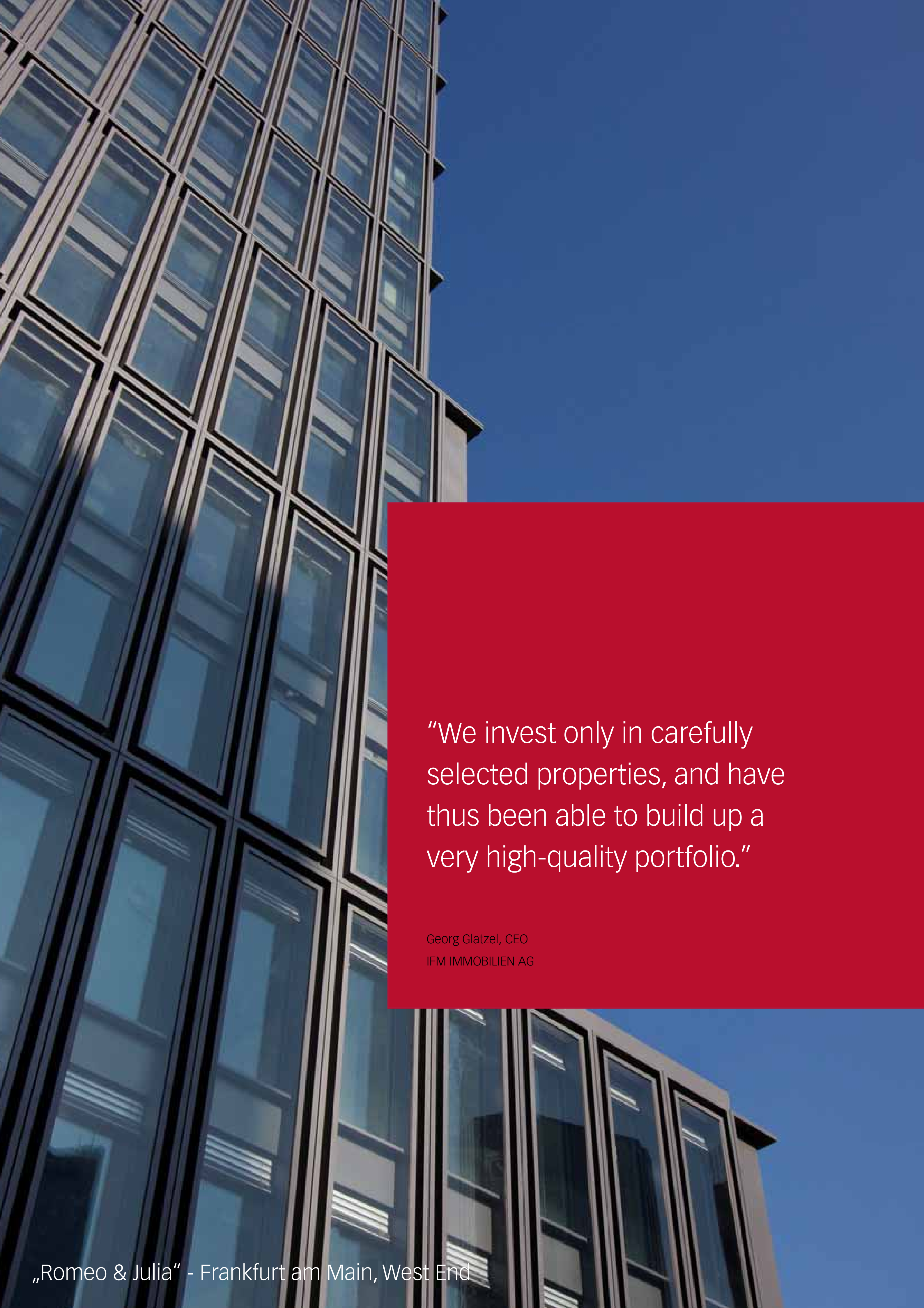
That’s why the revitalization of the “Zeilgalerie” includes a revised, coordinated range of retailers, and why a shop may even display merchandise from other sources. The results should make the “Zeilgalerie” an entirely different kind of shopping experience.



„Zeilgalerie“ - Frankfurt am Main, city centre

Structural changes for “Zip Shopping”

IFM plans to modify the architecture of the “Zeilgalerie” with effective changes, lending it a new face. The building will get a larger, more inviting entry, and offer distinct highlights even on the exterior. Plans are to implement a new animated façade. The boundaries between different shopping spaces, and between shops and public space, will be blurred. Transitions between shops and between floors will be more fluid. The lighting will be updated, the color palette on the inside will be brighter and friendlier, contributing to the atmosphere of well-being.



"We invest only in carefully selected properties, and have thus been able to build up a very high-quality portfolio."

Georg Glatzel, CEO
IFM IMMOBILIEN AG

„Romeo & Julia" - Frankfurt am Main, West End

Portfolio

Portfolio- Locations

IFM Immobilien AG has compiled an strong portfolio of commercial properties within a short time. These properties, which emphasize office and downtown 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.

Portfolio

- Das Carré, Heidelberg
- westendFirst, Frankfurt am Main
- Romeo & Julia, Frankfurt am Main
- GutenbergPark, Mainz
- Maxxon, Eschborn-Süd
- OfficeTower, Darmstadt
- Kureck, Wiesbaden
- Feldbergstrasse, Frankfurt am Main
- Ulmenstrasse 22, Frankfurt am Main
- Zimmerstrasse/Mauerstrasse, Berlin
- Zeilgalerie, Frankfurt am Main

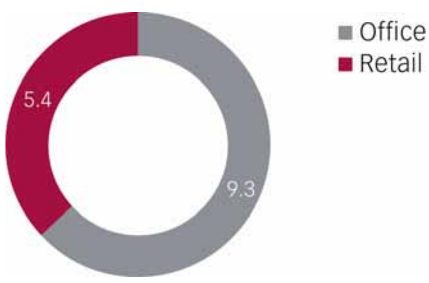
Legend

- Current locations
- Planned locations

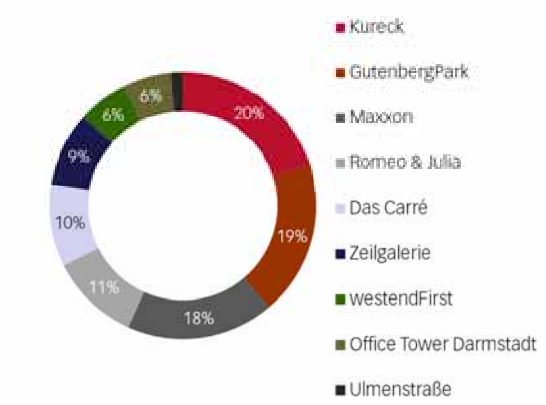
Portfolio overview

	Area (sqm)	Occupancy Rate	Annual net rent (Actual, in EUR million)	Annual net rent (Budget, in EUR million)	IFRS Value (in EUR million)
"Das Carré", Heidelberg	13,634	100%	2.0	2.0	29.5
"westendFirst", Frankfurt	8,339	100%	3.1	>3.2	55.0
„Romeo & Julia", Frankfurt	14,768	35%	0.0	>5.0	66.0
"GutenbergPark", Mainz	25,759	65%	1.0	>1.5	20.7
"Maxxon", Eschborn-Süd	24,570	35%	1.4	>3.0	30.2
"Office Tower", Darmstadt	8,195	71%	0.6	0.9	12.8
"Kureck", Wiesbaden	27,470	100%	2.5	2.5	33.4
"Feldbergstraße", Frankfurt	775	100%	0.2	0.2	3.5
"Ulmenstraße 22", Frankfurt	2,089	100%	0.4	0.6	8.8
"Zimmerstarße/Mauerstraße"	1,099	100%	0.1	0.1	15.0
„Zeilgalerie" Frankfurt	11,220	95%	3.4	>3.8	53.5
	137,918		**14.7**	**22.8**	**328.4**

Rental income according to type of use in EUR m



Area according to properties in %



„westendFirst“,
Frankfurt

westendFirst
Frankfurt/Main

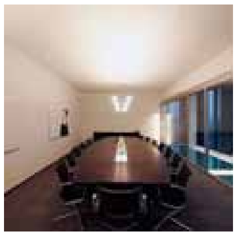
Description

"westendFirst", in Frankfurt's West End, offers an exclusive office experience. The property boasts quality architecture with floor-to-ceiling windows and a unique panorama of Frankfurt. Very flexible design allows for all current types of offices. Built-in systems are state-of-the art, and are based on low-energy-consumption design.

The building complex consists of a 16-story high-rise and a six-story building adjoining it at right angles. IFM revitalized the property in 2004-2006; it has been fully occupied since March 2007. International experts were also impressed with the building's quality: "westendFirst" was nominated for a MIPIM Award in 2008. Tenants include such well-known entities as the German Soccer League (DFL), the Graf von Westphalen law offices, and Fortis.

Figures

Current status:	Portfolio property, repositioning complete
Occupancy:	100%
Type of use:	Office
Area:	8,339 m²
Parking spaces:	146
Internet:	www.westendfirst.de



Investment

Total investment:	EUR 41.1 million
Annual net cold rent:	EUR 3.1 million
Value per IFRS (at Dec. 31, 2008):	EUR 55.0 million

„Romeo & Julia“,
Frankfurt

Romeo & Julia
Frankfurt/Main

Description

"Familiar, but so new!" is the impression conveyed by the "Romeo & Julia" office towers in Frankfurt's West End. The property is an exclusive office address in a top downtown location, with extensive parking available. "Romeo & Julia" offers the latest technical appointments and a distinguished façade with floor-to-ceiling windows that offer a panoramic view of Frankfurt and the Taunus mountains.

The property comprises two towers rising above a shared core. Their 19 and 17 floors, respectively, provide about 13,500 square meters of space for offices, plus two exclusive penthouse apartments. The revitalization involved a complete renovation and repositioning in the market, and was finished end of 2008. The first leases with major-name companies were signed only a short time after construction work was completed.

ROMEO & JULIA

Figures

Current status:	Project development completed, leasing phase
Occupancy:	35% (as of March 2009)
Type of use:	Office, residential
Area:	14,768 m²
Parking spaces:	148
Internet:	www.romeoundjulia.ag

Investment

Total investment:	EUR 67.0 million
Annual net cold rent:	>EUR 5.0 million (projected, at full occupancy)
Value per IFRS at Dec. 31, 2008):	EUR 66.0 million

„Ulmenstraße 22“,
Frankfurt

Ulmenstraße 22
Frankfurt/Main

Description

The „Ulmenstraße 22“ building offers outstanding office space immediately adjacent to the „westendFirst“ and „Romeo & Julia“ properties. The building has a central-city location in Frankfurt’s West End, only a short distance from the pedestrian zone, the Frankfurter Messe, and the main railroad station. There are also good connections with mass transportation.
„Ulmenstrasse 22“ has upscale appointments, and is fully occupied. IFM has reorganized the tenant structure, and is using part of the space for its headquarters.

Figures

„Ulmenstraße 22“

Current status:	Portfolio property
Occupancy:	100%
Type of use:	Office
Area:	2,089 m²
Parking spaces:	25

Investment

Total investment:	EUR 9.0 million
Annual net cold rent:	EUR 0.4 million
Value per IFRS (at Dec. 31, 2008):	EUR 8.8 million

"Zeilgalerie",
Frankfurt

„Zeilgalerie"
Frankfurt/Main

Description

The "Zeilgalerie" is one of Germany's most famous shopping gallerias, and is located on Frankfurt's Zeil, one of the country's most heavily trafficked shopping streets. The architecture is a sumptuous design in glass and steel, together with a passage that leads round and round the central court all the way to the top floor. The "Zeilgalerie" also has a viewing platform with a breathtaking panorama of the city.

At the "Zeilgalerie", IFM is planning to create an innovative new kind of shopping. It has developed a use concept based on extensive research into the market and future shopping trends. The property is to undergo a thorough revitalization by 2010, with changes to the architecture and the tenant mix. Plans include a high-quality animated façade. All the construction work can be done with the shops still open. IFM additionally plans to change the Zeilgalerie's branding, and to position it in the market with a new image.

Figures

Current status:	Project development planned to start in fall 2009; repositioning phase
Occupancy:	95%
Type of use:	Retail
Area:	11,220 m²
Internet:	www.zeilgalerie.de

Investment

Total investment:	EUR 61.0 million
Annual net cold rent:	EUR 3.4 million
Value per IFRS (at Dec. 31, 2008):	EUR 53.5 million

„Das Carré“,
Heidelberg

Das Carré
Heidelberg

Description

„Das Carré“, in Heidelberg’s city center, offers all the attractions of an appealing shopping gallery: retail, food service, fitness and wellness facilities, as well as service businesses, are all together under a single roof. In addition, Carré’s residential units in the adjoining high-rise convey an up-to-date urban attitude.
The property consists of a two-story commercial base and a 14-story high-rise with 177 units. About 600 parking spaces are located immediately next to the building, and the underground garage has 116 spaces. The property has been fully occupied since its repositioning by IFM.

Figures

Current status:	Portfolio property, repositioning complete
Occupancy:	100%
Type of use:	Retail, gastronomy, residential
Area: 1	13,634 m²
Parking spaces:	116
Internet:	www.dascarre.de

Investment

Total investment:	EUR 26.6 million
Annual net cold rent:	EUR 2.0 million
Value per IFRS (at Dec. 31, 2008):	EUR 29.5 million

„OfficeTower“,
Darmstadt

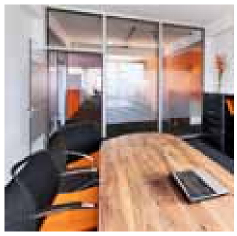
Office Tower
Darmstadt

Description

The "OfficeTower" is located in a prime downtown location in Darmstadt. The building, 45 meters high, offers quality office space with the latest facilities, as well as a side wing with commercial space for retail and service uses, along with a restaurant and additional office space. The address stands out for its timeless, elegant architectural design, with its interplay of glass, granite and aluminum, as well as its up-to-date interior appointments using low-energy design, and finally its prestigious appearance. IFM has done extensive renovation and modernization work on the building. An innovative marketing concept successfully repositioned the "OfficeTower" on the market.

Figures

Current status:	Repositioning, for lease
Occupancy:	71 %
Type of use:	Office, retail
Area:	8,131 m²
Parking spaces:	18
Internet:	www.officetower.ag



Investment

Total investment:	EUR 12.1 million
Annual net cold rent:	EUR 0.6 million
Value per IFRS (at Dec. 31, 2008):	EUR 12.8 million

„Maxxon“,
Eschborn-Süd

Maxxon
Eschborn-Süd

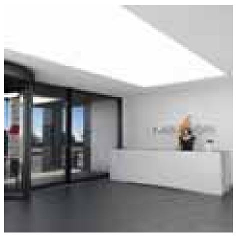
Description

The "Maxxon" business park in Eschborn consists of three office buildings on a triangular lot. IFM is planning a homogeneous building complex. Two of the office buildings are currently undergoing a thorough renovation. On completion, the result will be a quality complex of buildings in a very good office location. One of the three buildings has already been almost entirely leased out even as the revitalization work has been going on, so that attractive cash flows are being generated during the construction phase. Another advantage is the 580 parking spaces.

One of Eschborn's main attractions as a location is its low rate for local business income tax ("trade tax") compared to nearby Frankfurt. That's why a considerable number of major corporations have offices there, or are planning to move in – including EuroHypo, Deutsche Börse, and IFM's next-door neighbor, Ernst & Young.

Figures

Current status:	Project development
Occupancy:	35%
Type of use:	Commercial
Area:	24,570 m²
Parking spaces:	580
Internet:	www.maxxon-eschborn.de



Investment

Total investment:	EUR 45.0 million
Annual net cold rent:	EUR 1.4 million
Value per IFRS	
(at Dec. 31, 2008):	EUR 30.2 million

„Zimmerstraße“,
Berlin

Zimmerstraße
Berlin

Description

The "Zimmerstrasse" lot occupies a prominent position in central Berlin, between the Federal Finance Ministry and Checkpoint Charlie. It is one of the few lots in this special location to carry construction rights – one of the last lots not already occupied by structures. It offers opportunities for developing a project with a total area of 21,000 square meters. 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 advance sign-up process for leases, implementation of project development is beginning. IFM has already submitted the preliminary planning application.

BERLIN
Zimmerstraße

Figures

Current status:	Preliminary planning application for project development
Type of use:	Commercial, residential
Lot size:	21,000 m²

Investment

Annual net cold rent:	EUR 0.1 million
Value per IFRS (at Dec. 31, 2008):	EUR 15.0 million

„GutenbergPark“,
Mainz

GutenbergPark
Mainz

Description

Located in the Mainz-Hechtsheim commercial zone, “GutenbergPark“ offers a broad range of potential uses in a very good location. Tenants have a broad choice of office, service, production and warehouse space. So the property can be suited to tenants’ varying needs. Tenants can also use a restaurant with its own lounge area.
“GutenbergPark“ is the former production site of the famed Gutenberg printing house, and is located just minutes away from the A60 Autobahn. IFM is applying an innovative design and use concept to establish the property as an up-to-date luxury business park.

Figures

GutenbergPark MAINZ

Current status:	Repositioning, for lease
Occupancy:	65%
Type of use:	Commercial, office, gastronomy
Area:	25,759 m²
Parking spaces:	410
Internet:	www.gutenbergpark.de

Investment

Total investment:	EUR 15.8 million
Annual net cold rent:	EUR 1.0 million
Value per IFRS (at Dec. 31, 2008):	EUR 20.7 million

„Kureck“, Wiesbaden

Kureck
Wiesbaden

Description

The Kureck is in an outstanding location in central Wiesbaden, across from the famed Kurhaus. IFM acquired the property from R+V Versicherung in a sale and lease back transaction. The former owner will remain a tenant until the end of 2010 or beginning of 2011.

IFM is planning to develop the project with revitalization and several new structures involving a variety of use concepts. In addition to exclusive residences and offices, plans also call for integrating other commercial uses. The project is to be carried out in several phases, and is being closely coordinated with the Wiesbaden authorities.

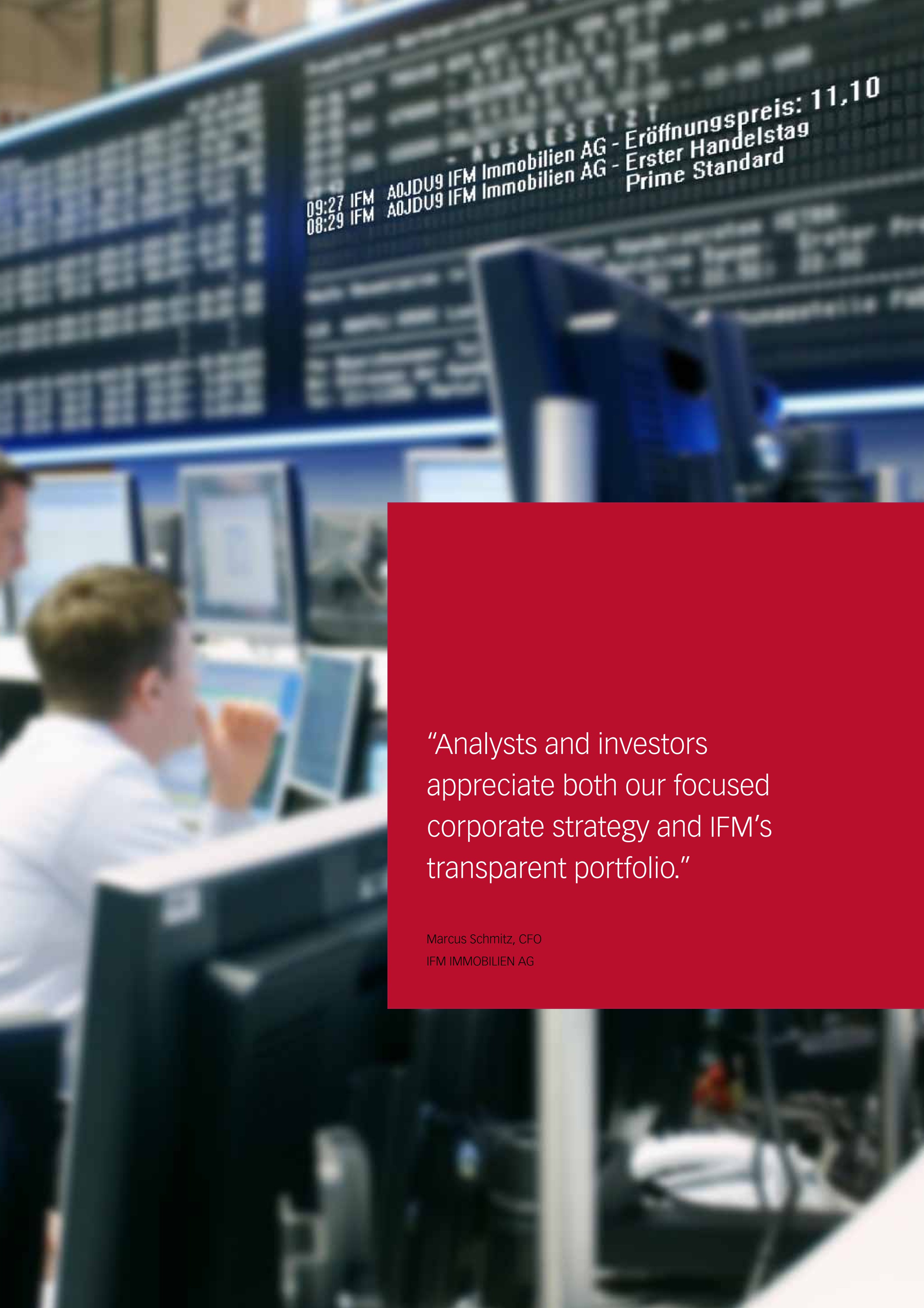
KURECK WIESBADEN

Figures

Current status:	Buildings in use by R + V
Occupancy:	100%
Type of use:	Office
Area:	25,759 m²

Investment

Annual net cold rent:	EUR 2.5 million
Value per IFRS (at Dec. 31, 2008):	EUR 33.4 million



"Analysts and investors appreciate both our focused corporate strategy and IFM's transparent portfolio."

Marcus Schmitz, CFO
IFM IMMOBILIEN AG

Investor Relations

Financial crisis dominates the stock's year

Substantial losses on the world's stock markets were the dominant feature of 2008. The international financial crisis, which had begun with the collapse of the residential real estate sector in the USA (the subprime mortgage crisis) in 2007, intensified significantly in 2008, especially in the second half, exerting serious downward pressure on the major stock indexes. The decline put an end to a five-year uptrend in the German stock markets.

The markets suffered especially severe slumps in September and October, as investors sold off in reaction to weakening economic reports and disappointing company earnings projections.

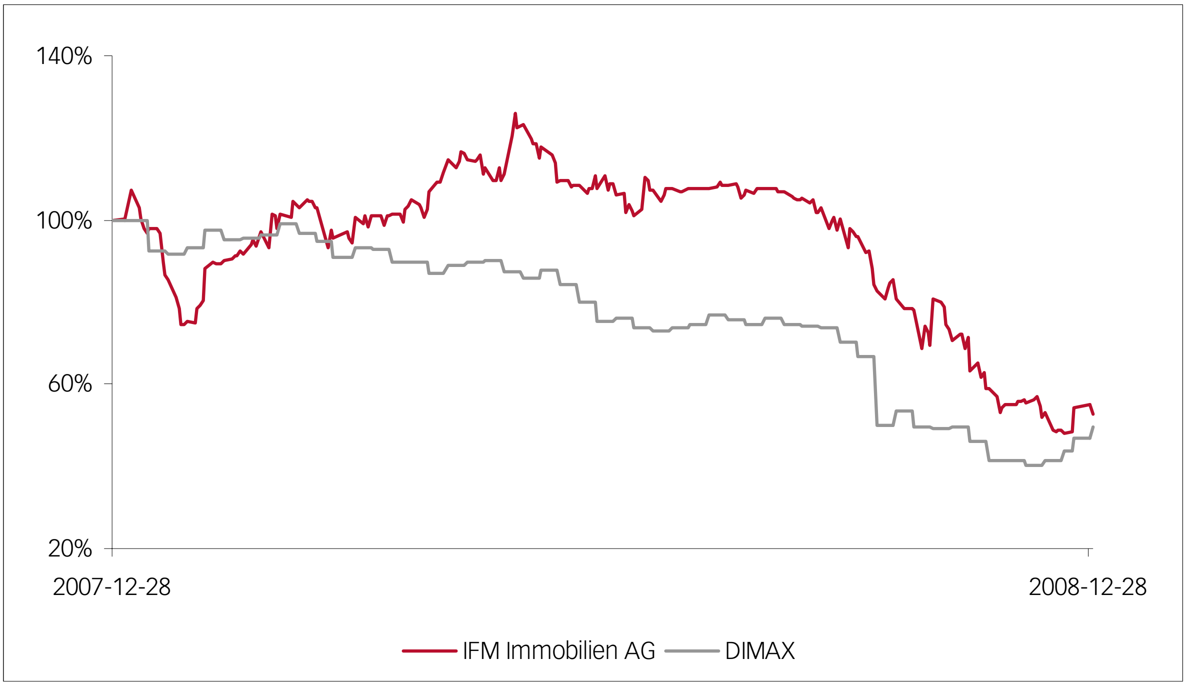
The DAX index fell from 8,067 at the beginning of the year – which was also the year's high – to 4,810, a 40.4% drop. The CDAX, which includes all German companies in both the Prime Standard and General Standard segments, lost 42.6%. The Prime All Share, which reflects the performance of all stock in the Prime Standard segment, lost 42.5%. For Germany's MDAX, TecDAX and SDAX indexes, 2008 was the worst year in their history: the MDAX lost 43.2%, the TecDAX lost 47.8%, and the SDAX lost 46.1%. The DIMAX real estate index plunged 49.7%.

IFM stock performs better than the industry in general

In spite of the adverse economic environment, IFM stock proved very robust for a long time in 2008, and thus stood apart from most other German real estate stocks. To be sure, after closing out 2007 at EUR 10.20 and rising briefly at the beginning of January, it initially declined to prices under EUR 8.00. But then it recovered steadily, by May 27 had climbed to the year's high of EUR 12.85. Until October, the stock remained quite stable around EUR 11.00. Not until the fourth quarter did the increasing severity of the financial crisis pull IFM stock into the general downtrend. The low for the year came on December 19, at EUR 4.90. By year's end, the stock had recovered slightly to close at EUR 5.36 (all figures are Xetra trading prices). The total decline for 2008 came to 47.5%.

From the second quarter onward, IFM stock maintained a higher level than the DIMAX German real estate index. It only began approaching index levels toward year's end.

IFM stock compared to the DIMAX



IFM stock moves to different segment

On April 30, 2008, IFM stock began trading on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange. The change from the Entry Standard to the Prime Standard segment means that IFM Immobilien AG must comply with more extensive transparency and reporting requirements under international standards.

The change in segments is intended to increase IFM's recognition in the capital market and make IFM stock even more attractive, especially to international investors.

Successful capital increase

On June 20, 2008, IFM Immobilien AG successfully completed a capital increase of about 10.0% of its share capital, in return for cash. Despite the difficult environment in the financial and capital markets, the issue met with heavy demand, and was significantly oversubscribed. The capital increase generated proceeds of EUR 9.35 million for the Company, before transaction costs. The share capital increased from EUR 8.5 million to EUR 9.35 million.

IFM Stock

Ownership structure

So far as IFM Immobilien AG is aware, there were no material changes in its ownership structure in 2008.

The Executive Board and Supervisory Board together hold 11% of the stock; 58% is in free float; and 31% is held by a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS and Furuholmen Eiendom AS.

About IFM stock

Category	Bearer shares of common stock (WKN: A0JDU9, ISIN DE000A0JDU97)
Exchanges	Xetra and the regional stock exchanges (Frankfurt, Stuttgart, Hamburg, Düsseldorf, Berlin/Bremen)
Trading segment	Prime Standard
Designated Sponsor	Close Brothers Seydler Bank AG

	2008	2007
No. of shares (at Dec. 31)**	9,349,999	8,500,000
High (EUR)	12.85	13.80
Low (EUR)	4.90	8.00
Year-end close (EUR)	5,36	10.20
Market capitalization in EUR m***	50.12	86.70

* All figures are closes in Xetra trading

** Capital increase on June 20, 2008

*** Calculated on basis of each year- end close

Dialogue with the capital market

IFM Immobilien AG attaches great significance to maintaining a detailed, open, timely dialogue with the capital market, shareholders, and the media. As a company listed in the Frankfurt Stock Exchange's Prime Standard segment, IFM thus meets the associated rigorous requirements for transparency and extensive disclosure.

IFM Immobilien AG communicates regularly with German and international investors in order topoint out the company´s potential. The Executive Board went on road shows in Germany and other countries.. The Executive Board also regularly kept the media and investors informed about the Company's successful performance. IFM Immobilien AG likewise attends several investor conferences. Well-known financial and research institutes track the Company's performance, including Petercam, SRC Research and CloseBrothers Seydler.

The Executive Board will continue to explore appropriate ways of meeting investors', potential shareholders` and analysts' need for information, and intensifying dialogue with the media.

„westendFirst“ - Frankfurt am Main, West End

Corporate Governance

Corporate Governance Report - Declaration of Conformity

General information

IFM Immobilien AG views careful, responsible corporate management and oversight (corporate governance) as an important tool in safeguarding and strengthening its reputation with the capital market and business partners. The core features of corporate governance are close, confident cooperation between the Executive Board and the Supervisory Board, a respect for shareholders' interests, and transparency in corporate communications.

The Government Commission on the German Corporate Governance Code established a standard for evaluating the management of German companies listed on a stock exchange. The Code was originally published on February 26, 2002; the most recent amendment dates from June 6, 2008, and was published in the electronic version of the Bundesanzeiger, Germany's Federal Gazette, on August 2008. It contains recommendations and suggestions regarding the management and supervision of listed German companies. Its provisions differ in their binding force. Along with explanations of current corporate law, the Code also includes recommendations, which companies may choose not to adopt; but in that case, if the company is listed on a stock exchange, it must disclose annually which recommendations it has not followed. The Code also includes suggestions that a company can decline to apply without further mention. Under Sec. 161 of the German Stock Corporations Act, IFM Immobilien AG is now subject to this obligation for the first time, since its stock was admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange on April 29, 2008.

With the exceptions described and explained below, as well as in the Declaration of Compliance they issued on March 19, 2009 in accordance with Sec. 161 of the Stock Corporations Act, the Executive Board and Supervisory Board of IFM declare their fundamental adherence to the recommendations of the German Corporate Governance Code.

Shareholders and shareholders' meeting

Our shareholders can exercise their rights of joint management and control at the shareholders' meeting. Each share confers one vote at the shareholders' meeting. Shareholders may cast their votes themselves, or may also arrange to have them cast by a proxy. We make it easier for shareholders to exercise their rights in person, and also support them in appointing proxies. The Executive Board arranges for the appointment of a proxy who is required to cast shareholders' votes as the shareholders instruct, and who also remains available during the course of the shareholders' meeting. The documents required for the shareholders' meeting are published for easy access on our Web site, together with the agenda for the meeting. For reasons of cost, and also because the organizational outlay would be unreasonably large in light of the Company's size, there are no plans to broadcast the shareholders' meeting on the Internet.

It is in the interest of both the Company and all shareholders for the shareholders' meeting to be conducted expeditiously. For that reason, our articles of incorporation authorize the chair of the meeting to set time limits for shareholders' questions and comments.

At IFM Immobilien AG, the Executive Board and Supervisory Board cooperate closely in the Company's best interest. In particular, the Executive Board coordinates the Company's strategic focus with the Supervisory Board, and discusses the status of implementation of that strategy with the Supervisory Board at regular intervals. The Executive Board of course also informs the Supervisory Board regularly, promptly and fully about all matters of planning, business performance, current risks, risk management and compliance that are relevant to the Company.

The Supervisory Board has laid down further details of the Executive Board’s duties regarding information and reporting. In the Executive Board’s rules of procedure, the Supervisory Board has also reserved a power of approval over decisions or measures that will result in fundamental changes in the Company’s net worth, financial position or earnings, or that are considered material for other reasons, such as the acquisition or sale of the IFM Group’s real estate projects.

The Executive Board currently has two members. The rules of procedure for the Executive Board provide for the appointment of a Chairman (CEO), who is also the Executive Board’s spokesman to the Supervisory Board and to the Chairman of the Supervisory Board. The current CEO is Georg Glatzel.

Under the terms of the rules of procedure, each member of the Executive Board, independently and on his own responsibility, manages the business operations assigned to him under a business allocation plan, in compliance with the resolutions adopted by the full Executive Board or by the Supervisory Board. The assignment of particular business operations does not relieve any member of the Executive Board from the Board’s collective responsibility for the overall management of the business.

In compliance with the articles of incorporation, the Company’s Supervisory Board consists of six members, who are to be elected by the shareholders’ meeting. In nominating candidates for the Supervisory Board, care is taken that the Supervisory Board at all times includes members who have the necessary knowledge, abilities and professional experience to perform their duties properly.

The Supervisory Board has a Presiding and Personnel Committee, an Acquisitions/Planning & Construction/Sales Committee, a Nominating Committee, and a Compliance and Audit Committee.

Conflicts of interest

The members of the Executive Board and Supervisory Board are obligated to act in the Company’s best interest. Each member of the Executive Board must inform the Supervisory Board of conflicts of interest without delay. All transactions between the Company and members of the Executive Board or persons or entities closely related to the Executive Board must conform to the usual standards of the industry, and are subject to the consent of the Supervisory Board. The members of the Supervisory Board must inform the Supervisory Board of any conflicts of interest; in its report to the shareholders’ meeting, the Supervisory Board must then inform the shareholders’ meeting of such conflicts of interests and how they were handled. Any transactions between members of the Executive Board or Supervisory Board, or their related parties, are explained in the Notes to the Consolidated Financial Statement. There were no conflicts of interest among members of the Executive Board or Supervisory Board during the year.

Reporting

The shareholders and third parties are provided with information primarily by way of the consolidated financial statements. During the year, they are additionally kept informed in the semiannual financial report and with interim reports or quarterly reports during the first and second halves. The consolidated financial statements and the condensed consolidated financial statements in the semiannual and quarterly financial reports are prepared in compliance with the pertinent international reporting standards.

Corporate Governance Report - Declaration of Conformity

Declaration of Compliance with the Corporate Governance Code

On March 19th, 2009 the Executive Board and Supervisory Board of IFM Immobilien AG declared that with the following exceptions, they have complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code. The benchmark for the companies acting in the past has been the decision based on the Corporate Governance Codex as of June 14, 2007 which has been the valid version at the date of the admission of the Company's shares to trading at the regulated market of the Frankfurt Stock Exchange on 29 April 2008. The following declaration refers to the version of the Code dated 14 June 2007 taking appropriately into account the changes introduced through the version of the Code resolved on June 6, 2008 and published in the electronic Federal Gazette on August 8, 2008. With respect to the future, this declaration refers solely to the version of the Code dated June 6, 2008.

- Item 2.3.2 of the Code: The Company considers the notification of the invitation on the annual meeting in the electronic Federal Gazette to be sufficient.

- Item 3.8 of the Code: The D&O insurance for the members of the Management Board does not include a deductible. The Company is of the opinion that the motivation and level of responsibility with which the members of the Management Board and Supervisory Board carry out their tasks would not be improved by a deductible. The purpose of the D&O insurance is to provide a safeguard against the Company's own substantial risk and at the most, secondly, to protect the personal assets of the members of the decision-making bodies, where required.

- Item 4.2.2 of the Code: The remuneration system of the Management Board including the main contractual terms is discussed and regularly reviewed by the chairman's and human resources committee. Regular reports are made to the full Supervisory Board regarding the activities of the various committees of the Supervisory Board, including therefore those of the chairman's and human resources committee. It is the view of the Management Board and the Supervisory Board that there is no need for any further discussion and review of the remuneration system and the main contractual terms in full meetings of the Supervisory Board.

- Items 4.2.4, 4.2.5, 5.4.6, 7.1.3 of the Code: The Company refrains from a disclosure of the individual compensation of each member of the Management Board in accordance with the resolution of the shareholder meeting dated July 18, 2008. The Corporate Governance Report thus does not contain a compensation report. To the extent permitted by the law, it is also the intention of the Company not to disclose the individual compensation including any remuneration for services rendered on an individual basis of each member of the Supervisory Board. Moreover, apart from the mandatory disclosures required by law, the Company does not intend to publish any other disclosures regarding actual details of stock option program, similar securities-based incentive systems in the Company or comparable compensation structures with long-term incentive effect and risk elements. The Management Board and the Supervisory Board believe that the mandatory disclosures ensure that sufficient information is available to investors and the general public.

- Item 4.2.3 of the Code: The variable parts of the compensation of the Management Board are not limited by a cap for extraordinary and unexpected circumstances. The employment agreements of the members of the Management Board do not contain any explicit provisions that severance payments to a member of the Management Board in case of early termination of his services for the Company without good cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. Due to the structure of the variable parts of the Management Board compensation, the Company does not feel that a general fix limitation of the compensation would be necessary and appropriate. The Company further believes that the inclusion of an explicit fixed severance cap in the employment agreements of the members of the Management Board would unduly limit the freedom of the Supervisory Board and could not always meet the needs of the individual case.

- Item 4.3.1 of the Code: On the basis of arrangements included in the service of contract and a decision of the Company's Supervisory Board, the CEO has been granted certain exemptions from the statutory prohibition on competition. The Company is of the view that it will not suffer any significant disadvantages as a result of these arrangements.

- Item 5.1.2 (2) sentence 3 of the Code: The Supervisory Board has not specified an age limit for members of the Management Board. The members of the Supervisory Board are convinced that suitability for corporate management is substantially dependent on individual capability.

- Item 5.4.3 sentence 1 and 3 of the Code: In the past, elections for members of the Supervisory Board have sometimes been carried out using a list based system or by voting for candidates en bloc in accordance with requirements set by legal precedent. In the future, for reasons of efficiency, the Company would like to be able to continue to have the option of electing members of the Supervisory Board using these methods. In addition, the Company will not announce proposed candidates for the chairmanship of the Supervisory Board so that the Supervisory Board can continue to elect a chairman from among its members on an impartial basis.

- Item 5.4.4 of the Code: It is the opinion of the Management Board and Supervisory Board that it can be useful, in certain circumstances, for former members of the Management Board to become members of the Supervisory Board and also to take over the chairmanship of the Supervisory Board or the chairmanship of certain committees. The internal knowledge held by former members of the Management Board about the Company enhances the efficiency of the control exercised by the Supervisory Board.

- Item 5.6 of the Code: The Supervisory Board of the company did not conduct an evaluation of its performance so far, the reason of which is primarily the young history of the Company and the short period since the admission of the Company's shares to trading at the regulated market and the consequential application of this recommendation of the Code. After a new verification of cost and estimated benefit, the company will probably renounce the formal evaluation of its performance in the future, too. Concerning the companies point of view, the Supervisory Board controls and discusses its work constantly in the context of its meetings sufficiently. The cost and benefit of an additional formal evaluation of performance as well as the enlistment of external consultants in this context are not in an adequate relation to the benefit in the view of the company.

- Item 6.6 of the Code: The Company considers the legal requirements for the notification and publication of dealings in shares of the Company by the members of the Management Board and Supervisory Board to be sufficient.

- Item 7.1.2 sentence 3 of the Code: The Company will endeavor to follow the recommendation that interim reports should be made publicly available within 45 days of the end of the relevant reporting period but is unable to guarantee this because of the large number of subsidiaries involved in the consolidation.

The Declaration of Conformity is to be posted for the public on IFM Immobilien AG's Web site at www.ifm.ag for a period of five years.

Annual Document under Sec. 10 of the German Securities Prospectus Act

The German Securities Prospectus Act (WpPG) has been in effect since 2005. Its Sec. 10 requires issuers of securities admitted for trading on an organized market to provide a document to the public at least once per year, containing or referring to all information that the company has published or otherwise made available to the public over the past twelve months in compliance with various laws and regulations governing the capital market.

IFM Immobilien publishes its Annual Document, as well as the notices that it summarizes relating to trading and securities law, on the Internet at www.ifm.ag. The Annual Document can also be requested directly from IFM Immobilien AG.

Stock option plans

Under an authorization from the shareholders' meeting of April 24, 2006, the Supervisory Board of IFM Immobilien AG set up a stock option plan for Executive Board members under the names SOP 2006 A and SOP 2006 B. The Supervisory Board decided to issue a first tranche totaling 120,000 options. Under this plan, 80,000 stock options were issued to the CEO, Georg Glatzel, and 40,000 options were issued to Bernd Weber, who was an Executive Board member at the time. As of December 31, 2008, 120,000 stock options had been issued.

Under the authorization from the shareholders' meeting of July 20, 2007, the Company's Supervisory Board resolved on August 24, 2007, to set up another stock option plan, the SOP 2007, for Executive Board members in office. The Supervisory Board approved the issue of a first tranche totaling 292,000 options on September 13, 2007, and a second tranche totaling 292,000 options on February 20, 2008. Accordingly, a total of 494,000 options were issued to Georg Glatzel and 90,000 options were issued to Marcus Schmitz. As of December 31, 2008, a total of 584,000 options had been issued in two tranches.

Details on the stock option plans are included in the Notes to the Consolidated Financial Statements, under Item 3020 letter d).

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

„IFM stand EXPO Real" - Munich

Consolidated Management Report

Consolidated Management Report for the business year 2008

A. The Business Environment

1. Group strategy and business activities

IFM Immobilien AG is an investor and project developer particularly engaged in commercial real estate, with an emphasis on office and downtown retail uses. Its business activities include producing high-quality new buildings in prime locations, mainly for commercial purposes, and revitalizing commercial properties. Revitalization includes

- redevelopment (e.g., structural alterations, structural restoration)
- restructuring (e.g., revisions in tenancy structure), and
- repositioning (e.g., with innovative marketing and leasing concepts).

Geographically, IFM's operations particularly focus on the Rhine-Main region, the Rhine-Neckar metropolitan area, and Berlin (central). The Company constantly reviews options for expanding its geographical presence into the Cologne/Düsseldorf, Hamburg and Munich areas.

IFM selects properties on the basis of clearly defined criteria. These include high potential for development and appreciation, an attractive risk-opportunity ratio, and preferred locations with good infrastructure. 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 is generated through active project development and treated as profits according to the IAS 40 accounting standard. The business model also provides for income from the sale of properties whose value the company believes has been fully added, and whose appreciation can be realised through a sale.

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

As the ultimate parent company of its corporate group, IFM Immobilien AG is responsible 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 the project subsidiaries are all managed by the Executive Board of the parent company, as part of its management of the Group's business and financial policies; in some cases, project subsidiaries are also managed by additional managing directors.

Properties in the portfolio are usually 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.

IFM Asset Management GmbH, a wholly-owned subsidiary of IFM Immobilien AG, serves as the Group's operations unit. For this purpose, it signs agreements for services with the project companies, and takes the primary responsibility for Group companies. Its duties primarily include due diligence, commercial and overall project management, rental management, real estate marketing, 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, such as architects, engineers and advertising agencies.

3. Managing bodies

3.1. Executive Board and Supervisory Board

The Company's Executive Board consists of two members, Georg Glatzel (CEO) and Marcus Schmitz (CFO).

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 can also appoint the CEO, as Chairman of the Executive Board, as well as a Vice-Chairman.

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 co-determination requirements under the German labor laws, which would require it 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 complies with the requirements of law. In all material respects it also conforms to the recommendations and suggestions of the German Corporate Governance Code.

The Supervisory Board decides the compensation of the Executive Board. It also regularly reviews whether the structure of the compensation system is appropriate. The compensation of the Executive Board consists of an annual base salary plus a variable component. 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.

The variable component paid to the Executive Board is derived from the gains on the disposal of real estate projects, and also includes noncash perquisites in the form of the use of a company car. The compensation of Executive Board members additionally includes a stock-based component. Stock options were issued under two stock option plans in 2006, 2007, and 2008.

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 (see Section E in the Management Report as well the Notes to the Financial Statements).

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, possible changes in the tax treatment of real estate financing, and structural developments in the credit industry.

The crisis in the international financial markets, which intensified significantly over the course of 2008, led to sometimes significant increases in refinancing expenses throughout the real estate sector, because banks were passing on their higher investment costs to clients, and also increased their risk premiums. The higher cost of credit may have repercussions for IFM in the event of new acquisitions or in follow-up financing. In fiscal 2009, IFM will particularly be refinancing the Romeo & Julia property. Because the project was completed on budget and the leasing process is advancing well, IFM is confident that it can arrange for follow-up financing on acceptable terms before the year is out.

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 revitalization 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.

Another critical influencing factor for business operations is the performance of the economy. This may have an impact on new tenancies and lease renewals, on demand, and directly or indirectly on realizable prices. Amid this setting, innovative real estate marketing becomes even more important for the Group – further confirmation of the Company's corporate strategy to date.

5. Corporate management and performance indicators

5.1. Financial performance indicators

The long-term success of the IFM Immobilien Group is measured on the basis of value-oriented parameters.

One particular financial performance indicator is the return on equity of the individual special-purpose entities relative to their equity employed. The actual return on equity is compared to the theoretically required return of between 15% and 25% per year, before taxes, on the basis of equity employed (not including leverage). Consequently a great deal of importance attaches to the comparison of planned figures against the actual figures.

5.2. Non-financial performance indicators

In addition to financial parameters, certain non-financial performance indicators are very important in achieving business success. These are provided by the Group's particular business model, and by the know-how of its management and employees.

The principal non-financial performance indicators include:

<u>A knowledge of the real estate market:</u> The IFM Group's economic success depends significantly on the experience and expertise of its management and employees in identifying suitable properties in prime locations with great potential for appreciation, and in estimating development options as accurately as possible. In this regard, a detailed knowledge of regional markets is a necessity. The CEO of IFM Immobilien AG has more than 20 years of experience in project development for commercial properties, as well as a thorough knowledge of the real estate sector. Other employees also have many years of experience in property development, as well as knowledge and connections in the real estate industry.

Skills in real estate marketing: The IFM Immobilien Group has special skills in real estate marketing that set it apart from the competition. Among its specific strengths are preparing customized leasing and marketing concepts, positioning a new or revitalized property accurately for its intended public, and effectively reaching potential tenants. These enable the Group to speed up the leasing process compared to its competitors, and to achieve marketing successes earlier.

In designing and executing such marketing concepts, IFM works closely with such partners as advertising agencies and brokers.

Know-how in project development: In revitalization, IFM concentrates on its core competencies in the 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 will be carried out properly and on time.

6. Research and development

The IFM Immobilien Group operates as an investor and project developer, especially in commercial real estate. Thus its research and development activities are limited to developing projects for properties in its portfolio, preparing innovative marketing concepts, and analyzing and monitoring the market within the real estate sector. Otherwise it conducts no research and development activities.

7. The economic environment in 2008

The German economy slackened significantly in 2008. This was especially the case in the fourth quarter, when the international financial crisis became considerably more intense. According to preliminary calculations, the growth of the German gross domestic product (GDP) decreased to 1.3% in 2008, compared to 2.5% the year before. GDP declined in the fourth quarter. Capital spending and higher government demand provided some momentum, although with a declining trend as the year went on. Deteriorating conditions in the export sector had a contrary, slowing effect.

At the end of 2008, the economies of other major industrialized nations were also either on the verge of a recession, or in a recession already. In expectation of a substantial economic downswing, companies and private consumers' propensity to spend declined. The growing intensity of the financial crisis caused state institutions to approve extensive guarantee and support measures for the financial system and for certain other sectors, such as the automotive industry in the United States. These measures are intended in part to counteract banks' reluctance to lend as a consequence of a general loss of confidence in the banking sector. Global GDP growth was estimated at only 3.4 percent for 2008, compared to an increase of 5.2 percent the year before.

Sources:
European Central Bank, Monthly Report, January 2009
Press Release, Federal Statistical Office, January 14, 2009
International Monetary Fund, World Economic Outlook, January 2009

8. Development of the commercial real estate market in 2008

The crisis in the international financial markets, and the substantial economic downswing in broad parts of the world, also affected the markets for commercial real estate in many countries during 2008. Yet Germany was still one of the most robust investment locations in Europe. The office market in the six German real-estate citadels of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart proved relatively crisis-resistant for much of the year, although it did not match the dynamic performance of the year before. Not until the fourth quarter of 2008 did important indicators for the commercial rental market, such as exports or employment figures, begin to decline significantly.

Cumulatively for all six of the above German metropolitan areas, about 2.9 million square meters of office space were leased or sold to owner-occupants in 2008 –a decrease of barely 8% against the year before. Here Frankfurt am Main (including its environs) had a slightly larger decrease of 9%. Nevertheless, the rental volumes reached were still among the highest in the history of the German office market. New construction picked up significantly in 2008 to reach about 890,000 square meters (+48% against 2007).

The vacancy rate for all six real estate metropolises combined, at 8.9%, was below the 2007 figure. Here the leader was Frankfurt am Main – still basically strong, but volatile because of its dependence on the financial service sector – with a rate of 12.5% (2007: 13.7%). However, we estimate that vacancy rates for high-quality properties in prime locations are significantly lower.

Rents reached a peak at the end of 2008. While top rents remained stable in Düsseldorf and Frankfurt am Main, there were slight gains in the other metropolitan centers. The rent price index for all six principal real estate cities rose to 87.5 points at the end of December 2008 (+1.9% against the same date a year earlier), but was still well below the maximum from the previous real estate cycle (2001).

Sources:
Jones Lang LaSalle, Office Market Overview, Q4 2008, January 12, 2009

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

1. General information

The consolidated financial statements of IFM Immobilien AG for 2008 have been prepared in conformity with International Financial Reporting Standards (IFRS) in the form applicable during the reporting period. The prior-year figures were also determined under IFRS.

2. The year overall

Within the overall economic environment, the IFM Immobilien Group had another successful business year in 2008, with very solid business performance. Group revenues increased 63.5%, to EUR 15.1 million, reflecting the Group's advances in the value-oriented development of its real estate portfolio. In spite of significant charges (noncash in fiscal 2008) affecting the net finance expense, the Group closed out 2008 with a profit. The pre-tax profit (operating profit) increased 11.5 percent, to EUR 4.8 million.

The acquisition of the well-known "Zeilgalerie" shopping gallery in downtown Frankfurt, rapid construction progress with the Romeo & Julia property in Frankfurt and the start of construction to revitalize Maxxon in Eschborn, and the company's move to the Prime Standard segment of the Frankfurt Stock Exchange were highlights of the year under review, and also represented important new steps in setting the strategic course for the further development of the IFM Group.

3. Revenue and earnings performance

In fiscal 2008, IFM earned consolidated revenues of EUR 15.1 million, primarily from rental income and advance payments on incidental costs. This was a 63.5% gain over the year before (2007: EUR 9.3 million). The increase derived particularly from full-year rental income from several properties acquired in 2007 – Maxxon in Eschborn, Kureck in Wiesbaden, and the Office Tower in Darmstadt – and from successes in the ongoing leasing process at GutenbergPark in Mainz, as well as from the "Zeilgalerie" in Frankfurt am Main, newly acquired in 2008.

Other operating income came to EUR 0.8 million, compared to 0.3 million for 2007. It consisted of additional tenant payments incidental to rent obligations.

The gain on the fair valuation of investment properties nearly trebled, to EUR 13.7 million (2007: EUR 5.2 million). This item represents properties held for leasing or for appreciation. The EUR 14.2 million appreciation largely reflects the increased value of the Office Tower property in Darmstadt and GutenbergPark in Mainz because of advancing occupancy, together with appreciation of the Romeo &s Julia property in Frankfurt am Main and Kureck in Wiesbaden. Write-downs totaling EUR 0.5 million were taken at the same time. These particularly affected the Carré property in Heidelberg. They reflect the shorter theoretical remaining term of these properties.

The cost of goods sold, which particularly includes costs for maintenance and management, increased to EUR 3.6 million because of the expansion of the property portfolio (previous year: EUR 1.9 million). Personnel expenses increased to EUR 2.8 million, compared to EUR 1.9 million, reflecting an expansion of the workforce to handle the Group's growth.

Other operating expenses rose 60.4%, from EUR 3.5 million to EUR 5.6 million. The increase particularly resulted from the cost of moving IFM Immobilien AG stock to the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange, effective April 30, 2008.

The net interest expense was EUR –11.8 million (2007: EUR –3.0 million). Interest expenses rose from EUR 4.3 million to EUR 7.9 million (+85.9%), particularly because of larger borrowings for the acquisition of the "Zeilgalerie". In contrast to the previous year, interest during the construction period for Romeo & Julia and a portion of Maxxon – both properties under development – was capitalized directly. Interest income came to EUR 1.4 million (2007: EUR 1.0 million).

The net interest expense includes a noncash loss on the fair valuation of derivatives that are used to hedge changes in interest rates, at EUR –5.3 million (2007: EUR 0.3 million). The reason for this change was the upheavals that the financial crisis has caused in the interest rate markets. No further risk discounts have been recognized to allow for potential counterparty risks from the various financing institutions, since interest rate hedges were taken out only with German banks, whose survival is highly probable given the current government guarantees.

The IFM Immobilien Group showed an operating profit (earnings before taxes) of EUR 4.8 million for 2008, compared to EUR 4.3 million the year before. This represents a gain of 11.5% over the prior year.

Income taxes came to EUR -4.6 million (2007: EUR +0.9 million). They came primarily from deferred taxes in both periods. While the effects of the German corporate tax reform caused a tax profit for 2007, the deferred tax charges for fiscal 2008 came from write-ups of real estate and from the decision not to apply the expanded property deduction for local business tax at the WestendFirst and GutenbergPark properties.

The consolidated profit before minority interests was EUR 0.3 million, compared to EUR 5.2 million for the year before. After minority interests the consolidated profit was EUR 0.3 million (2007: EUR 5.1 million). This is equivalent to basic earnings per share of EUR 0.03 (2007: EUR 0.60).

4. Net assets

The July 2008 acquisition of the "Zeilgalerie" caused a substantial change in the asset and capital structure of the IFM Immobilien Group as of December 31, 2008, compared to December 31, 2007. The Group's total assets came to EUR 355.4 million, up EUR 94.7 million, or 36.3%, against the figure a year earlier (EUR 260.7 million).

Consequently noncurrent assets as of December 31, 2008, at EUR 334.4 million, were up EUR 100.8 million or 43.2% from the comparable figure at the end of 2007 (EUR 233.6 million). The largest single item in the noncurrent category was investment properties, which generate rental income and appreciation. These increased EUR 135.6 million, to EUR 274.3 million (December 31, 2007: EUR 138.8 million). The primary reasons were the acquisition of the "Zeilgalerie", the reclassification of the Office Tower property in Darmstadt and the Romeo & Julia property in Frankfurt under this item, and the realized appreciation of the GutenbergPark property in Mainz and the Kureck property in Wiesbaden.

Property	**Location**	**Carrying amount (EUR m)**
„westendFirst"	Frankfurt am Main	55.0
„Feldbergstraße"	Frankfurt am Main	3.4
„Romeo & Julia"	Frankfurt am Main	66.0
„Zeilgalerie"	Frankfurt am Main	53.5
„GutenbergPark"	Mainz	20.7
„Kureck"	Wiesbaden	33.4
„Das Carré"	Heidelberg	29.5
„Office Tower"	Darmstadt	12.8
Total		**274.3**

Measured per IAS 40

The value of the properties under development decreased to EUR 45.2 million (December 31, 2007: EUR 80.6 million) which had been a reason of a rebalancing of the objects "Office Tower" Darmstadt and "Romeo & Julia", Frankfurt due to the completion of both properties. The development of the project "Maxxon", Eschborn had a positive impact.

Property	Location	Carrying amount (EUR m)
„Zimmerstraße"	Berlin (central)	15.0
„Maxxon"	Eschborn-Süd	30.2
Total		**45.2**

Bewertung gemäß IAS 16

Current assets as of December 31, 2008, were down 22.6%, to EUR 21.0 million (December 31, 2007: EUR 27.1 million). Cash and cash equivalents and securities decreased EUR 7.0 million, to EUR 15.6 million, because of the acquisition of the "Zeilgalerie" and the further development of the real estate portfolio.

Thanks to the profit of EUR 94.2 million for the year, the Group's equity increased to EUR 100.6 million (6.8%), in spite of the negative offset of noncash book losses on interest rate hedge derivatives (hedge accounting) against reserves. The equity ratio, at 28.3%, remained at a solid level as of the reporting date (December 31, 2007: 36%).

Long-term borrowings increased from EUR 157.3 million to EUR 180.3 million. Most of this figure is liabilities to banks. In the course of the expansion of the property portfolio and the investments made during the year, this item grew from EUR 153.8 million to EUR 166.0 million. The item for derivative financial instruments (cumulatively for both long-term and short-term) was EUR 7.5 million (December 31, 2007: EUR 0.4 million). Deferred tax liabilities came to EUR 9.7 million (December 31, 2007: EUR 3.5 million).

Short-term borrowings increased from EUR 9.2 million as of the previous year's reporting date to EUR 74.5 million. The largest share of these was liabilities to banks, which increased to EUR 55.0 million (December 31, 2007: EUR 1.2 million), particularly because of the refinancing of the Romeo & Julia property in Frankfurt, which is planned by the end of 2009 or the beginning of 2010. Trade accounts payable increased from EUR 3.5 million to EUR 5.8 million. Other short-term liabilities and deferred expenses increased from EUR 2.2 million as of December 31, 2007, to EUR 8.9 million. This figure includes the second tranche of the purchase price for the Zimmerstrasse property in Berlin, which will be due on March 31, 2009.

5. Financial position

5.1. Basic principles of financial management

The IFM Immobilien Group finances real estate projects using equity as well as borrowings. Most of its borrowings are liabilities to banks.

In general, real estate projects are held by separate project companies. As a rule, projects are financed with about 25% equity and about 75% 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 companies (see the Notes to the Financial Statements).

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 cash flow from operating activities for 2008 was EUR –1.3 million. Here the lower consolidated net profit showed its effects. Other noncash income and expenses netted out at EUR –3.7 million. This figure includes a positive contribution from the fair valuation of real estate and a negative component from derivative financial instruments. The increase in inventories, trade accounts receivable, and other assets was corrected by EUR –0.5 million.

Investing activities used cash of EUR 80.2 million. Investments in acquisitions of consolidated companies came to EUR 51.1 million. This is primarily associated with the acquisition of the "Zeilgalerie". Investments in properties under development came to EUR 28.0 million.

The cash flow from financing activities was EUR 75.1 million, and derived primarily from cash generated by the capital increase, as well as from borrowings from banks.

6. 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 know-how, experience and dedication are the foundation for sustained business success, and provide a competitive advantage in the real estate markets that are relevant to IFM.

Not including the two members of the Executive Board, the IFM Immobilien Group had 34 employees as of December 31, 2008 (end of 2007: 26). Of this group, 5 staff members were at IFM Immobilien AG (end of 2007: 5), and 25 were at IFM Asset Management GmbH and the project companies (end of 2007: 21). 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 their individual performance. High performers receive a voluntary bonus in addition to the fixed component of their compensation.

C. Events after the reporting date

Pål Berg has joined the Supervisory Board of IFM Immobilien AG as its newest member.
Mannheim Local Court appointed Mr. Berg to the board on January 14, 2009. He is an investment officer with the Norwegian company Havfonn AS. Havfonn is part of an investor group that holds a significant interest in IFM Immobilien AG.

At the beginning of the present year, Tobias Sauerbier was appointed as a third managing director of IFM Asset Management GmbH (press release of January 30, 2009).

D. Risk and opportunity report

1. Risk management

In compliance with the German Act on Oversight and Transparency in the Corporate Sector (KonTraG), IFM Immobilien AG has established an early risk detection 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.

In summary, company management believes that no risks are discernable that would endanger its existence – either from past or currently foreseeable developments. This conclusion was reached based on the conducted analysis and evaluation of all risks.

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 are difficult to predict with any certainty. These include current economic developments as a consequence of the international crisis in the financial markets. Adverse changes in economic conditions may 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. The crisis in the financial market has subjected interest rate markets to significant volatility above and beyond the usual market fluctuations. Consequently financing costs have risen significantly, especially for new acquisitions, because of lenders' substantially higher margins. Aside from higher financing costs, interest rate hedges may become more expensive or become unavailable. However, 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. The higher cost of credit may have repercussions for IFM in the event of new acquisitions or in follow-up financing.

Availability of financing: The financial crisis has been characterized by worldwide losses and insolvencies among companies in the financial sector. Banks' leeway for action has been significantly restricted, and lenders are considerably more risk-averse. In many cases, financing is possible only where the risks to the lender banks can be reduced to a minimum. The result is less ready availability of financing for real estate projects. Additionally, approved credit lines from lender banks may lapse or be cancelled or higher equity capitalization may be required because the banks change their business policies in response to the financial crisis. Under the Act to Stabilize the Financial Markets, adopted in 2008, the German government guarantees debt instruments and liabilities of banks, so as to keep the capital and finance industry functional.

2.2 Risks resulting from IFM's business operations

IFM's business activities focus on the acquisition of real estate (land with and without buildings) which IFM believes it can cause to appreciate through its own redevelopment, restructuring and repositioning efforts. If IFM bases its assessment of a property's value and potential for appreciation on incorrect information, if it makes mistakes in its assessments, or if circumstances arise afterwards that adversely affect the value of acquired properties, the result may be a need for substantial write-downs, and to losses as a consequence, because under IAS 40 changes in the value of property held in a portfolio must be recognized in profit or loss.

The following risks exist in addition:

<u>Limited management capacity:</u> IFM's success depends on its management and its experienced personnel in key positions. The Group continues to depend to a great degree on its current CEO's many years of experience and network of contacts. 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 an adverse effect on its competitiveness.

<u>Slow rentals:</u> 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. The impact of the financial crisis on the earnings of financial service providers, and increasingly also on companies in other sectors, might make the leasing business more difficult, or result in liquidity bottlenecks among existing tenants, with a consequent higher risk of defaults.

<u>Dependence on outside service providers:</u> 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.

2.3. Other risks

Environmental damage / Legacy contamination: When properties are purchased, it cannot be ruled out entirely that legacy contamination, such as pollution of the soil and groundwater, may be discovered afterwards. 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.

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. 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 C Notes 42 and 43).

3. Opportunities

Lower interest rates: Some of the interest rate hedges that IFM has entered into take the form of “collars.” These enable the Group to profit to a limited degree from falling interest rates. In addition, in the case of pending new financing or renewals of financing, because of significantly lower interest rates overall the Group expects to be able to reduce its future financing costs in some cases, even if margins have increased considerably.

Attractive acquisition opportunities: The Group expects that institutional investors who acquired large packages of real estate in past years will find it difficult or impossible to refinance them during the financial market crisis, and will thus be forced to sell properties. In this case, properties suitable for revitalization by IFM, and thus appropriate for an investment, might come on the market at attractive prices.

Geographical expansion: The Group foresees future opportunities in a geographical diversification of its activities to the regions of the major business conurbations of Munich, Cologne/Düsseldorf, and Hamburg. The Group believes these regional markets have further long-term growth potential. However, it must be borne in mind that IFM will expand its locations further only where it can be certain of achieving critical mass. Accordingly, for the short to medium term, the Rhine/Main, Rhine/Neckar and Berlin (central) regions that it has already entered will remain the primary focus.

Speed of implementation of portfolio projects: By applying its core competencies of redevelopment, restructuring and repositioning of properties, the Group can finish office space and have it ready to lease 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 as demand cycles become ever shorter.

Marketing skills: In its business activities, IFM will continue to make systematic use of its recognized skills, and considers itself to be a trend setter in the marketing of real estate. The Company has shown that it can achieve leasing successes faster this way. IFM expects this to remain a competitive advantage, even if the economic downswing makes leasing more difficult. IFM foresees another advantage in being able to make use of its own leasing capacities, thus reducing dependency on outside brokers and service providers.

E. Information under Sec. 315 (2), No. 4 and Sec. 315 (4) of the German Commercial Code (HGB)

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 471 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. In February 2008, the second tranche under this program was issued.

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, 2008, was EUR 9,349,999, divided into 9,349,999 shares of common stock with no par value. Each share confers one vote at the shareholders' meeting. Before the next 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 is not aware of restrictions of any kind concerning voting rights or transfers of the Company's stock.

Information about direct or indirect equity investments (Sec. 315 (4) No. 3, Commercial Code): According to the notices of voting rights the Company has received to date, at the time of the preparation of this Group Management Report the shareholder structure of IFM Immobilien AG was as follows: Sirus Investment GmbH 5.60%; IFM Immobilien Finanz Management GmbH 3.70%; LRI Invest S.A. 5.35%; Libra Europe Fund 6.86%. Some 30.22% of this amount is held by a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS and Furuholmen Eiendom AS.

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).

A portion of the authorized capital was used in 2008 for purposes of a capital increase in return for cash. An amount of EUR 3,400,001 remained unused at December 31, 2008.

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. As of December 31, 2008, 120,000 stock options had been 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. As of December 31, 2008, a total of 584,000 options had been issued in two tranches.

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

According to figures from the International Monetary Fund (IMF) from the end of January 2009, global GDP is expected to grow only 0.5% during the year. Both the United States and the countries of the Euro Zone are expected to fall into recession, and economic growth in emerging economies like Brazil, Russia, India and China is expected to slow down.

For 2009, the German government expects the German economy to see the most severe recession since the Federal Republic has been in existence. According to projections, gross domestic product will shrink 2.25%. One reason is the large share of exports in the German economy, and thus its vulnerability to lower demand in trading partners' countries during the global economic downswing. A significant decrease is also expected in imports. Domestic demand is expected to remain constant, and consumer spending is even expected to grow slightly. Because of economic conditions, unemployment is expected to increase appreciably.

Experts consider the German government's economic packages an appropriate response to the downswing. These focus on measures that will bring effects in the longer term, such as promoting capital spending and reducing taxes and social-security contributions. At the same time, the economic packages are of such a volume that they may achieve a positive economic effect. The worldwide government support measures, lower prices for raw materials, and the declining rate of inflation lead the Association of German Banks to expect the economy to stabilize by the middle or end of 2009. Nevertheless, risk factors are expected from such directions as lenders' continuing reluctance to lend to business, and consumers' or investors' lack of confidence in a reversal of the trend.

Sources:
Bundesverband deutscher Banken e.V.: Economic Report, January and February 2009
European Central Bank, Monthly Report, January 2009
International Monetary Fund, World Economic Outlook, January 2009
German government press release of January 21, 2009

2. Projected development of the commercial real estate market

The situation in the German commercial real estate market clouded over further at the beginning of 2009. Market experts expect a significant decline in demand in the wake of the economic downswing. At the same time, the increase in new construction in Germany's six major centers for real estate is expected to be about 1.2 million square meters. Consequently vacancy rates are likely to increase, reaching about 10% for all these main centers combined. However, limiting factors such as the relatively high cost of construction and the increasing difficulty of in finding financing for projects mean that there will probably not be a significant surplus of office properties.

In 2009, occupied office space is expected to decrease in the six urban centers, possibly by a double-digit percentage, depending on the severity of the economic downswing. A decrease is also expected in the rent price index, and landlords appear to be increasingly willing to offer incentives for tenants.

Because of its comparatively high dependency on the banking sector, which is being shaken by crises, the real estate market in the Frankfurt am Main location is also likely to be less positive. However, unlike other financial centers like New York and London, Frankfurt has a large number of traditional full-service banks, and does not depend so heavily on pure investment banks. Hence it will probably not be stricken to the same extent by job cutbacks resulting from the financial crisis.

The German market in retail real estate, especially in prime downtown locations, is still expected to have good prospects for development. Provided quality criteria are met in terms of location, concept and management, shopping malls in particular continue to provide stable appraisals and adequate cash flows. Thus retail real estate may prove to be a haven of stability in the crisis.

Sources:
Jones Lang LaSalle, Office Market Overview, Q4 2008, January 12, 2009
CD Richard Ellis, Market View Frankfurt/Main, Q4 2008
Property Magazine, February 19, 2009

3. Strategic focus of IFM Immobilien

IFM Immobilien AG will continue to operate as an investor and active project developer engaged in commercial real estate, with an emphasis on office and downtown retail uses. Business operations will focus both on conventional project development and on revitalization of portfolio properties, in connection with the Company's core competencies in redevelopment, restructuring and repositioning.

In the coming years, IFM Immobilien AG once again plans to concentrate on investing in properties that stand out for their attractive risk-opportunity profile, extensive potential for development and appreciation, and preferred locations. Appreciation of the real estate portfolio is expected primarily from revitalization.

The Group's real estate portfolio includes several projects under development or in the process of being leased out.

- The "Zeilgalerie" shopping gallery in Frankfurt am Main will undergo an all-inclusive revitalization in 2009 and 2010. In that connection, a new use concept has been developed for the property. It calls for structural alterations and extensive maintenance measures as well as a change in the tenant structure.

- The Romeo & Julia office towers in Frankfurt am Main have now been fully renovated. The property was repositioned as construction was going on. Once the leasing process began, it took very little time for the first leases to be signed with well-known firms.

- The full renovation and repositioning of the Maxxon commercial park in Eschborn was started and is to be completed by 2010.

- The Kureck project in Wiesbaden is advancing in close cooperation with local authorities. The paramount goal for 2009 is the completion of a master plan in conjunction with building rights.

The IFM Immobilien Group currently concentrates geographically on the Rhine-Neckar metropolitan area, the Rhine-Main region, and Berlin. The Company still plans in the medium term to acquire additional attractive properties in the regions of the major business centers of Munich, Cologne/Düsseldorf, and Hamburg, so as to diversify its property portfolio regionally. However, regional expansion is not a prerequisite for the further successful implementation of the Company's business strategy. Rather, it would represent a way of taking advantage of additional growth opportunities.

The Group intends to keep its real estate portfolio growing. IFM will invest in both office properties as well as urban retail properties, and thus diversify the risk posed by the factors specific to each of these fields. The acquisition of the "Zeilgalerie" strengthens the portfolio of retail properties in prime locations.

Moreover, management actively explores the market so as to realize appreciation in the portfolio through sales, provided the sales can be carried out on economically acceptable terms.

4. Financial outlook

For 2009, management assumes that Group revenues can be increased further against the prior year. Such an increase will be possible on the basis of rental income alone, because of the further development of the existing portfolio. This estimate takes no account of possible property sales or new acquisitions.

Because the fair valuation of property and derivatives has such a large influence on consolidated profits, and also because of the possible effects of the financial and economic crisis, we have forgone any specific earnings projection.

Nevertheless, even amid a more difficult market environment, and barring unforeseen adverse events that have a material impact on the Group, the Executive Board believes the Group is well equipped to maintain its previous growth.

Heidelberg, March 19th, 2009
The Executive Board

„Ulmenstraße 22" - Frankfurt am Main, West End

Consolidated Financial Statements (IFRS)

Group balance sheet of IFM Immobilien AG on December 31, 2008

Assets	Note	12/31/2008 EUR 000	12/31/2007 EUR 000
Non-current assets			
Investment properties	3000	274,309	138,752
Properties under development	3001	45,180	80,594
Land and buildings	3002	8,820	0
Advance payments made on property, plant and equipment	3002	0	8,666
Office and other equipment	3003	505	497
Goodwill	3004	389	389
Other intangible assets	3005	184	185
Other non-current assets	3006	1,248	0
Derivative financial instruments	3007	242	1,907
Deferred tax assets	3008	3,537	2,585
Total non-current assets		**334,414**	**233,575**
Current assets			
Trade accounts receivable	3010	2,095	1,457
Other current assets and expenses paid in advance	3011	506	512
Tax receivables	3012	2,812	2,538
Securities	3013	5,339	5,003
Cash and cash equivalents	3014	10,247	17,622
Total current assets		**20,999**	**27,132**
Total Assets		**355,413**	**260,707**

Group balance sheet of IFM Immobilien AG on December 31, 2008

Equity and Liabilities	Note	12/31/2008 EUR 000	12/31/2007 EUR 000
Equity			
Issued capital	3020	9,350	8,500
Additional paid-in capital	3020	78,484	69,439
Other reserves	3021	6,804	9,716
Distributable profit	3022	5,810	5,515
Equity attributable to Group shareholders		100,448	93,170
Minority interests	3023	134	1,016
Total equity		**100,582**	**94,186**
Long-term liabilities			
Liabilities to banks	3040	165,992	153,774
Trade accounts payable	3041	18	13
Derivative financial instruments	3042	4,617	0
Deferred tax liabilities	3043	9,672	3,489
Total long-term liabilities		**180,299**	**157,276**
Short-term liabilities			
Tax provisions	3050	496	239
Other provisions	3051	1,391	1,661
Liabilities to banks	3052	55,010	1,247
Trade accounts payable	3053	5,784	3,510
Derivative financial instruments	3054	2,895	379
Other short-term liabilities and deferred expenses	3055	8,956	2,209
Total short-term liabilities		**74,532**	**9,245**
Total equity and liabilities		**355,413**	**260,707**

Group profit and loss statement

Consolidated Income Statement	Notes		2008 EUR 000		2007 EUR 000
1. Revenues	310		15,139		9,261
2. Other operating income	311		803		313
3. Income on fair valuation of investment properties		14,196		5,232	
4. Expenses for fair valuation of investment properties		-500		0	
Gain or loss on fair valuation of investment properties	312		13,696		5,232
5. Cost of goods sold	313		-3,605		-1,924
6. Personnel expenses	314		-2,826		-1,866
7. Depreciation and amortization	315		-985		-202
8. Other operating expenses	316		-5,606		-3,494
Gross Operating profit			**16,616**		**7,320**
9. Other interest and similar income	317	1,436		976	
10. Interest and similar expenses	317	-7,895		-4,248	
11. Gain or loss on fair valuation of derivatives	317	-5,326		285	
Net interest expense			-11,785		-2,987
12. Operating profit			**4,831**		**4,333**
13. Income taxes	318		-4,559		904
(including: deferred taxes)			(-4,378)		(+976)
14. Consolidated profit (loss)			**272**		**5,237**
15. Minority interests	319		-23		161
16. Profit attributable to shareholders of the Group			**295**		**5,076**
17. Profit carried forward			5,515		439
18. Consolidated distributable profit			**5,810**		**5,515**
19. Basic earnings per share (in EUR)	32		0.03		0.60
20. Diluted earnings per share (in EUR)	32		0.03		0.60

Consolidated Cash Flow Statement	2008 EUR 000	2007 EUR 000
1. Consolidated profit (loss)	272	5,237
2. + Depreciation and amortization of non-current assets	985	202
3. -/+ Other noncash income / expenses	-3,690	-6,482
4. - Increase / + Decrease in inventories, trade accounts receivable, and other assets	-514	-2,276
5. - Decrease / + Increase in trade accounts payable and other liabilities	1,664	3,651
6. = Cash flow from operating activities (total of 1 through 5)	**-1,283**	**332**
7. - Cash paid for investments in investment properties	-427	-19,666
8. - Cash paid for investments in properties under development	-27,988	-42,203
9. - Cash paid for investments in intangible assets and property, plant and equipment	-639	-8,995
10. + Proceeds from disposals of property, plant and equipment	28	47
11. - Cash paid for the purchase of securities	0	-5,003
12. - Net cash paid for acquisitions of consolidated companies	-51,124	-31,541
13. = Cash flow from investing activities (total of 7 through 12)	**-80,150**	**-107,361**
14. + Cash received from the issuance of shares	9,350	0
15. - Cash paid to raise equity capital	-152	0
16. + Proceeds from bank loans	67,127	96,854
17. - Cash repayments of bank loans and other loans	-1,146	-1,010
18. + Other cash received from financing activities	0	436
19. - Other cash paid for financing activities	-121	-1,099
20. = Cash flow from financing activities (total of 14 through 19)	**75,058**	**95,181**
21. Cash changes in cash and cash equivalents (total of items 6, 13 and 20)	-6,375	-11,848
22. Other changes in cash and cash equivalents	-1,000	0
23. + Cash and cash equivalents at beginning of period	17,622	29,470
24. = Cash and cash equivalents at end of period (total of 21, 22 and 23)	**10,247**	**17,622**

Group changes in equity

	Issued capital	Reserves	
		Additional paid-in capital	Other reserves
	EUR 000	EUR 000	EUR 000
Status at Jan. 1, 2007	**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**
Status at Jan. 1, 2008	**8,500**	**69,439**	**9,716**
Capital increase in return for cash contributions	850	8,500	0
Expenses for raising equity capital	0	-105	0
Stock option plans	0	650	0
Cash flow hedges	0	0	-2,912
Reclassification of minority interests as borrowings	0	0	0
Change in net minority assets without impact on profit or loss	0	0	0
Profit (loss) for period	0	0	0
Status at Dec. 31, 2008	**9,350**	**78,484**	**6,804**

Distributable profit (loss)	Equity attributable to Group shareholders	Minority interests	Total equity
EUR 000	EUR 000	EUR 000	EUR 000
439	**88,220**	**673**	**88,893**
0	0	171	171
0	-450	0	-450
0	92	0	92
	232	11	243
5,076	5,076	161	5,237
5,515	**93,170**	**1,016**	**94,186**
5,515	**93,170**	**1,016**	**94,186**
0	9350	0	9,350
0	-105	0	-105
0	650	0	650
0	-2912	-81	-2,993
0	0	-900	-900
0	0	122	122
295	295	-23	272
5,810	**100,448**	**134**	**100,582**

A General Information

01 Consolidated financial statements of IFM Immobilien AG

IFM Immobilien AG (also "IFM AG" or the "parent company") has its registered office and principal place of business in Heidelberg. Fiscal 2008 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, 2008, was March 19, 2009, 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

IFM AG prepares its consolidated financial statements in conformity with the International Financial Reporting Standards (IFRSs) released by the International Accounting Standards Board (IASB) together with the associated interpretations, in the form applicable in the European Union, as well as the supplemental requirements of German commercial law under Section 315a (1) of the German Commercial Code (HGB).

The requirements of those IFRSs as adopted by the European Union whose application is mandatory for the fiscal year 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.

IFM AG applied the following interpretations by the IASB for the first time in the fiscal year under review here:

- IFRIC 11: "IFRS 2 – Group and treasury share transactions":

IFRIC 11, which applies for fiscal years beginning on or after March 1, 2007, specifies how IFRS 2 is to be applied to share-based payments in which an entity grants its own equity instruments or those of another company within the corporate group.

- Amendments to IAS 39 and IFRS 7: "Reclassification of financial assets":

The amendments to IAS 39 and IFRS 7, which are retroactive to July 1, 2008, permit individual financial instruments to be reclassified from one measurement category to another under certain conditions.

The first application of these interpretations had no impact on the consolidated financial statements of IFM AG.

Standards and interpretations, and their amendments, that have been published but whose application is not yet mandatory for the year under review have not been applied early on a voluntary basis. The ultimate effects on the consolidated financial statements of IFM AG have not been ascertained for interpretations that have already been published but whose application is not yet required.

Material effects on assets and liabilities, financial position and profit or loss may in particular result from the first application of the omnibus standard for amending various IFRSs resulting from the IASB's first Annual Improvement Process Project. This omnibus standard includes an amendment of IAS 40 that extends its scope to properties under construction or under development, for fiscal years beginning on or after January 1, 2009. IFM AG will apply this change for the first time in fiscal 2009, and in the future will also measure properties under development at fair value, so far as their fair value can be reliably determined. Up to now, IFM AG has measured properties under development using the cost model under IAS 16.

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 Consolidated Group

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, and can thus govern their financial and operating policies. The consolidated companies are listed below, together with their associated properties or functions:

Company	Property / Function
GP Properties GmbH, Heidelberg	„Das Carré", Heidelberg
IFM Property Project Frankfurt GmbH & Co. KG (until June 30, 2008: IFM Property Project Frankfurt GmbH), Heidelberg	„westendFirst", Frankfurt
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	General partner in IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg
IFM Property Project Ulmenstraße GmbH, Heidelberg	„Romeo & Julia", Frankfurt
IFM Property Project Mainz GmbH, Heidelberg	„GutenbergPark", Mainz
IFM Property Project Zimmerstraße GmbH, Heidelberg	„Zimmerstraße/Mauerstraße", Berlin
IFM Property Project Eschborn GmbH, Heidelberg	„Maxxon", Eschborn-Süd

Notes to the Annual Financial Statements at December 31, 2008

Company	Property / Function
IFM Property Project Feldbergstraße GmbH, Heidelberg	„Feldbergstraße", Frankfurt
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	Shareholder in IFM Property Project Darmstadt GmbH, Heidelberg
NEWCOM Property Verwaltungs GmbH, Heidelberg	General partner in NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
IFM Property Project Darmstadt GmbH, Heidelberg	"Office Tower", Darmstadt
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	Shareholder in the following special-purpose entities: IFM Property Project · Adolfsberg GmbH & Co. KG · Hochhaus GmbH & Co. KG · Sonnenberger Straße 2/2a GmbH & Co. KG · Sonnenberger Straße 2b GmbH & Co. KG · Taunusstraße 1 GmbH & Co. KG · Taunusstraße 3 GmbH & Co. KG
IFM Property Project IX GmbH, Heidelberg	General partner in IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG, Heidelberg	Shareholder in IFM Property Project Frankfurt–Zeil GmbH, Heidelberg
IFM Property Project VIII GmbH, Heidelberg	General partner in IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG, Heidelberg
IFM Property Project Frankfurt–Zeil GmbH, Heidelberg	„Zeilgalerie", Frankfurt
IFM Asset Management GmbH, Heidelberg	Asset Management

Because of contractual obligations to lenders, the subsidiaries as a rule have only a limited ability to pay dividends or repay capital to the parent company.

Business combinations in 2007 and 2008 and the required information under IFRS 3 are presented in Note 45.

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.

Subsidiaries are fully consolidated into the consolidated financial statements as of the date when the Group acquires control. They are deconsolidated when control is lost.

Acquired subsidiaries are recognized using the acquisition method under IFRS 3. Capital is consolidated by netting the carrying amounts of the ownership interest against the share held in the equity of a given subsidiary remeasured as of the date of its acquisition or first consolidation. Any positive differences arising from 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 derecognized, as the case may be, over subsequent periods, depending on the evolution of the assets and liabilities in question. Derivative goodwill is allocated to the cash-generating unit in question. It is tested for impairment at each balance sheet date in subsequent periods, and if impairment is found 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.

There are no ownership interests to be included by the equity method in the consolidated financial statements.

130 Accounting policies

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, entailing the expectation that their settlement will result in a future outflow of resources from the Group whose value can be reliably determined.

The following accounting policies are applied uniformly in recognizing and measuring the individual items in the balance sheet and income statement.

1301 Investment properties

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

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 in active markets which are at the same place and in the same condition as well as in a comparable terrancy, 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 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 2008 were between 5.0% and 6.75% (prior year: between 5.0% and 6.5%).

1302 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 are 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 (qualifying assets) 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.

At completion, a property is reclassified as an investment property (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 as a gain or loss on fair valuation of property, in accordance with IAS 40.65.

1303 Land and buildings

Land and buildings comprises properties that are substantially owner-occupied and that cannot be recognized under IAS 40. They are measured at cost under IAS 16, less scheduled straight-line depreciation. Buildings are depreciated over a useful life of 33 years.

1304 Advance payments made on property, plant and equipment

In the prior year, advance payments made on property, plant and equipment comprised, at cost, advance payments on a property which the Company intended to be substantially owner-occupied.

1305 Office and other equipment

Office and other equipment comprise movable items of property, plant and equipment that are subject to wear and tear, serve for business operations, and are used for more than one year. They are measured at cost under IAS 16, less scheduled straight-line depreciation. They are depreciated over a useful life of 3 to 13 years.

1306 Goodwill

Goodwill acquired in the course of a business combination is allocated to the pertinent cash-generating unit. In subsequent periods it is tested for impairment as of the balance sheet date and also whenever there is an indication that the value of the cash-generating unit may be impaired. If an impairment is found, the goodwill is written down to the lower recoverable amount.

The recoverable amount of a cash-generating unit is determined on the basis of its fair value less costs to sell. The fair value less costs to sell is calculated using the discounted cash flow method based on projections approved by management.

1307 Other intangible assets

Other intangible assets are exclusively assets with determinable useful lives, which are measured at cost and amortized on a scheduled basis over their useful life. They are depreciated over a useful life of 3 to 8 years.

1308 Financial assets and liabilities

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are measured at fair value at initial recognition. For all financial assets that are not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to their acquisition are taken into account.

IFM AG classifies its financial assets in accordance with IAS 32, IAS 39 and IFRS 7 in the followin categories:

- After their initial recognition, loans and receivables are measured at amortized cost allowing for impairment, using the effective interest rate method. They include non-derivative financial instruments with fixed or determinable payments, for which there is no active market, such as cash and cash equivalents, trade accounts receivable, and other financial assets founded on a contractual right to receive cash or other financial assets from another entity.

- Financial assets at fair value through profit or loss that are held for trading, and whose gains or losses measured in subsequent periods are credited or charged to the income statement. These are primarily derivative financial instruments and securities. No use was made of the option to designate assets at fair value.

- Available-for-sale financial assets, which are measured at fair value. Subsequent gains and losses are recognized in equity, with no impact on profit or loss. The present consolidated financial statements do not include financial assets in this category.

Financial liabilities are measured at fair value at initial recognition. For all financial liabilities that are not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to their acquisition are taken into account.

IFM AG classifies its financial liabilities in accordance with IAS 32, IAS 39 and IFRS 7 in the following categories:

- Financial liabilities at fair value through profit or loss, whose gains or losses measured in subsequent periods are credited or charged to the income statement. These are primarily derivatives.

- Other financial liabilities at amortized cost, which are measured by the effective interest rate method. These include trade accounts payable, liabilities to banks, and other liabilities if based on contractual obligations to deliver cash or another financial asset to another entity.

The IFM Group uses derivative financial instruments such as interest rate swaps, caps and floors as part of its interest rate management. These are measured at fair value, which may be either positive (in which case they constitute a financial asset) or negative (in which case they constitute a financial liability). 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 a yield curve as of the reporting date.

The critical factor in recognizing changes in fair value – whether through profit or loss in the income statement, or directly in equity with no impact on profit or loss – is whether the derivative financial instrument is part of an effective hedge relationship under IAS 39 (Hedge Accounting). If there is no effective hedge relationship under IAS 39, the changes in fair value are recognized through profit or loss, in the income statement.

IFM AG applies hedge accounting to hedge future cash flows from variable-interest bank loans (cash flow hedges), provided all the criteria of IAS 39 are met. These criteria particularly include requirements for documentation and effectiveness. The effectiveness of derivative financial instruments recognized under hedge accounting is tested prospectively using the critical terms method, and retrospectively using the cumulative dollar offset method. Furthermore, here the clean values were applied using the benchmark interest method based on a hypothetical derivative. Existing hedges are continuously monitored for effectiveness.

Where there is a cash flow hedge, the effective portion of the change in value of the hedging instrument is recognized in equity with no impact on profit or loss, until the results from the hedged item are recognized (reserves from cash flow hedges). The ineffective portion of the change in value of the hedging instrument is recognized in profit or loss.

1309 Equity

Equity is recognized in accordance with IAS 32. It particularly includes the issued capital, which was increased in 2008, and the reserves generated by the capital increase. Furthermore, 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.

If shareholders have a statutory right of termination that cannot be excluded (e.g., in the case of German partnerships), under IAS 32 this right of termination entails the requirement for the Group to recognize a liability for the minority interests in the entity concerned. This liability is recognized under other short-term liabilities, in the amount of the presumed settlement entitlement. It is recognized irrespective of the probability of termination. Changes in the value of this liability are recognized under other operating profit (or loss).

13010 Provisions

Provisions are recognized if legal or constructive obligations to third parties exist as a result of past transactions or events, and will probably result in deliveries of assets that can be estimated reliably. They are measured at the most likely amount allowing for all discernible risks.

13011 Realization of income

Revenues include all income that results from the Group's typical business activities. Income from use fees and royalties are recognized over time using the realization principle, in accordance with the underlying contracts.

Interest income is realized over the remaining term, taking the effective interest rate into account.

13012 Depreciation and amortization

This item includes scheduled amortization of intangible interests and scheduled depreciation of property, plant and equipment, as well as impairment losses under IAS 36.

Impairment losses on intangible assets and on property, plant and equipment are determined by comparing their carrying value with their recoverable amount. Assets are tested at each reporting date as to whether there are indications that they may be impaired. Where such indications exit, the recoverable amount of the asset is determined, and if applicable an impairment loss is charged to the income statement.

13013 Income taxes

Income taxes include both actual income taxes and deferred taxes. Tax receivables and tax provisions include entitlements and liabilities for German income taxes computed on the basis of the tax regulations applicable to the companies in question, taking all known circumstances into account.

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. Deferred items are recognized in the amount of the expected tax liability or credit for subsequent fiscal years, on the basis of the regulations in effect as of the reporting date.

Deferred tax assets for temporary differences and tax loss carry-forwards are recognized to the extent that it is probable that taxable profit will be available or that sufficient deferred tax liabilities are present.

Deferred tax liabilities are recognized for temporary differences between net assets in the consolidated balance sheet and the taxable carrying amounts of ownership interests in subsidiaries, unless the Group is able to control the timing of the reversal of the difference and it is probable that the temporary differences will not reverse in the foreseeable future.

13014 Leases

In accordance with IAS 17, beneficial ownership of leased property is attributed to the party who bears substantially all the risks and rewards under the lease. If the lessor bears substantially all the risks and rewards (operating lease) the lessor recognizes the leased property in its balance sheet. Measurement follows the rules that apply to the leased property. The lessee recognizes lease payments as an expense in the income statement.

If the lessee bears substantially all the risks and rewards under the lease, the lessee recognizes the leased property as an asset in its balance sheet, and at the same time recognizes a lease liability. Depreciation on the leased property is recognized in the income statement, and the lease liability is redeemed and amortized in subsequent periods using the effective interest rate method.

13015 Changes in accounting policies

For better communication of information, the present financial statements deviate from those of previous years in the cases described below. The equivalent items from the previous year have been reclassified accordingly in every case.

Tax receivables are shown separately in the balance sheet. The financial statements for the prior year included tax receivables of EUR 2,538 thousand under other short-term liabilities. Receivables on derivative financial instruments with negative fair values are shown separately in the balance sheet. The financial statements for the prior year included derivative financial instruments with a negative fair value of EUR 379 thousand under other short-term liabilities.

Other work on own account capitalized, which included only capitalized finance costs, were shown as income in the prior-year income statement for an amount of EUR 941 thousand, and the associated finance expenses were shown as an interest expense. In the present financial statements, these capitalized finance costs are not recognized as income, but instead the interest expense has been reduced accordingly.

Other than the above, there were no material changes in accounting policies for the year under report.

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.

The material assumptions and estimates refer in particular to:

- setting uniform values for expected useful life throughout the Group;
- the need for unscheduled write-downs or impairment charges for assets, particularly goodwill, receivables and deferred tax assets;
- the fair value of investment properties;
- the fair value of dericative finanical instruments
- the recognition and measurement of provisions;
- whether criteria are met for the expanded local business income tax deduction for land at special-purpose entities.

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 property-specific discount rates for 2008 were between 5.0% and 6.75% (prior year: between 5.0% and 6.5%). If the discount rates had increased or decreased by 0.25 percentage points, as of the balance sheet date the fair values would have been reduced by approximately EUR 13 million in the former case, or increased by approximately EUR 13 million in the latter case. The carrying amount of investment properties as of the reporting date was EUR 274,309 thousand (prior year: EUR 138,752 thousand).

To the extent that the management of IFM AG believes a special-purpose entity meets the requirements for the expanded property deduction for purposes of the local business income tax ("trade tax"), the actual and deferred taxes are calculated for these companies leaving local business income tax out of consideration.

C 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.

Carrying amounts for investment properties changed as shown below in 2008. The additions and reclassifications pertain to acquisitions through business combinations (EUR 53,300 thousand), reclassifications of properties under development (EUR 68,135 thousand), and retrospective costs of purchase or creation incurred up to the balance sheet date (EUR 426 thousand). These reclassifications pertain to the Romeo & Julia property in Frankfurt and the Office Tower in Darmstadt, which were completed in 2008.

	At Jan 1, 2008 EUR 000	Additions / Reclassifications EUR 000	Changes in Fair value EUR 000	At Dec 31, 2008 EUR 000
"Das Carré", Heidelberg	30,000		-500	29,500
"westendFirst", Frankfurt	55,000			55,000
"Feldbergstraße", Frankfurt	3,437		13	3,450
"GutenbergPark", Mainz	19,000	290	1,410	20,700
"Kureck", Wiesbaden	31,315		2,085	33,400
"OfficeTower", Darmstadt		11,227	1,573	12,800
„Romeo & Julia", Frankfurt		56,885	9,115	66,000
„Zeilgalerie" Frankfurt		53,459		53,459
Total	138,752	121,861	13,696	274,309

Carrying amounts for investment properties changed as shown below in 2007. The additions and reclassifications pertain to 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 Jan 1, 2008 EUR 000	Additions / Reclassifications EUR 000	Changes in Fair value EUR 000	At Dec 31, 2008 EUR 000
"Das Carré", Heidelberg	30,000			30,000
"westendFirst", Frankfurt	52,000	1,401	1,599	55,000
"Feldbergstraße", Frankfurt		3,437		3,437
"GutenbergPark", Mainz		15,367	3,633	19,000
"Kureck", Wiesbaden		31,315		31,315
Total	82,000	51,520	5,232	138,752

The Das Carré property in Heidelberg is encumbered with a 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 am Main 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 a 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 encumbered with a collective land charge held by a bank, with a nominal value of EUR 25,923 thousand plus 18% interest p.a.

The Romeo & Julia property in Frankfurt is encumbered with a land charge held by a bank, with a nominal value of EUR 58,000 thousand plus 16% interest p.a.

The Office Tower property in Darmstadt is encumbered with a land charge held by a bank, with a nominal value of EUR 9,512 thousand plus 18% interest p.a.

The Zeilgalerie property in Frankfurt is encumbered with a land charge held by a bank, with a nominal value of EUR 45,000 thousand plus 15% interest p.a.

Income and expenses directly attributable to investment properties (allowing for the reclassifications in 2008) are as follows:

	2008 EUR 000	2007 EUR 000
Rental income and income for incidental costs	13,182	7,934
Operating expenditures to generate rental income	-3,113	-1,624

The loan agreements with the financing banks impose restrictions on the use of possible proceeds from the disposal of properties. As a rule, possible proceeds from disposal are assigned to the banks as collateral for the associated loan liabilities.

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 are 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 (qualifying assets) 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. Borrowing costs totaling EUR 2,410 thousand were capitalized for fiscal 2008 (vs. EUR 941 thousand).

The carrying amounts of properties under development changed as shown below in 2008. Additions and reclassifications refer to acquisitions (EUR 10,530 thousand), retrospective costs of acquisition or creation (EUR 22,713 thousand), and reclassifications as investment properties (EUR - 68,053 thousand). The Zimmerstrasse property in Berlin was acquired in 2008 at a purchase price of EUR 10,530 thousand.

	At Jan 1, 2008 EUR 000	Additions / Reclassifications EUR 000	Impairment EUR 000	At Dec 31, 2008 EUR 000
„Romeo & Julia“, Frankfurt	38,624	-38,624		0
"Office Tower", Darmstadt	10,788	-10,788		0
„Zimmer- / Mauerstraße“, Berlin	4,629	10,975	-604	15,000
„Maxxon“, Eschborn-Süd	26,553	3,627		30,180
	80,594	-34,810	-604	45,180

An impairment loss of EUR 604 thousand under IAS 36 (Impairment) was recognized under depreciation and amortization in the income statement for the Zimmerstrasse / Mauerstrasse real estate project in Berlin for 2008. According to an appraisal by a public, sworn expert appraiser, the properties had a fair value of EUR 15,100 thousand. Allowing for costs to sell of EUR 100 thousand, the recoverable amount is EUR 15,000 thousand.

The carrying amounts of properties under development changed as shown below in 2007. The additions and reclassifications pertain to acquisitions through business combinations (EUR 10,383 thousand), other acquisitions (EUR 30,039 thousand), retrospective costs of acquisition or creation (EUR 11,193 thousand), and reclassifications as investment properties (EUR - 15,039 thousand).

	At Jan 1, 2007 EUR 000	Additions / Reclassifications EUR 000	At Dec 31, 2007 EUR 000
„Romeo & Julia“, Frankfurt	28,576	10,048	38,624
„GutenbergPark“, Mainz	15,039	-15,039	0
"Office Tower", Darmstadt		10,788	10,788
„Zimmerstraße“, Berlin	403	157	560
„Mauerstraße“, Berlin		4,069	4,069
„Maxxon“, Eschborn-Süd		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
„Mauerstraße 82“ and „Zimmerstraße 92-93“, Berlin	3,910 10,600	15% interest plus 5% one-time incidental costs
„Maxxon“, Eschborn-Süd	37,300	18% interest

3002 Land and buildings

The Ulmenstrasse 22 property in Frankfurt was acquired by IFM AG as of January 1, 2008. This is a property that is owner-occupied to a substantial extent, and is therefore not recognized under IAS 40. As of the balance sheet date, the property was recognized at EUR 8,820 thousand (for 2007 it was recognized under "Advance payments made on property, plant and equipment," for an amount of EUR 8,666 thousand).

A land charge of EUR 6,770 thousand was registered in favor of the financing bank.

3003 Office and other equipment

The changes in this line item are shown in the Consolidated Statement of Changes in Assets (Appendix 1).

3004 Goodwill

Goodwill at December 31, 2008, 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.

An impairment test of goodwill was performed as of December 31, 2008, 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 2009 through 2010. Cash flow for the periods thereafter was projected as a perpetual annuity.

3005 Other intangible assets

The other intangible assets include software and licenses, which are amortized over 3 years. In the takeover of most of the business operations of IFM Immobilien-Finanz-Management GmbH an advantageous lease was acquired, which is written down over its remaining term.

The changes in this line item are shown in the Consolidated Statement of Changes in Assets (Appendix 1).

3006 Other non-current assets

These are term deposits invested by Group companies, in the amount of EUR 1,000 thousand, and security deposits of EUR 248 thousand. Because of restrictions on availability, these do not constitute cash and cash equivalents.

3007 Derivative financial instruments

Within the scope of application of IAS 39, the figure reported here is for interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements that apply variable rates based on the EURIBOR rate, which have a remaining maturity of more than 12 months and a positive fair value. These are financial assets at fair value, as shown below.

Type	Group company	Fair Value in EUR 000	Average purchase amount in EUR 000
Cap	IFM Property Project Eschborn GmbH	102	25,000
Cap	IFM Property Project Eschborn GmbH	30	12,000
Cap	IFM Immobilien AG	6	2,578
Cap	IFM Immobilien AG	15	4,139
Cap	IFM Property Project Darmstadt GmbH	24	9,500
Cap	IFM Property Project Wiesbaden GmbH & Co. KG	65	25,923
Total		242	

The values at December 31, 2007, were as follows:

Type	Group company	Fair Value in EUR 000	Average purchase amount in EUR 000
Cap	IFM Property Project Eschborn GmbH	417	25,000
Cap	IFM Property Project Eschborn GmbH	187	12,000
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 Wiesbaden GmbH & Co. KG	403	25,923
Cap	IFM Property Project Frankfurt GmbH	6	2,500
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
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:

		12/31/2008 EUR 000	12/31/2007 EUR 000
Deferred tax assets			
	Resulting from tax loss carry-forwards	4,098	2,758
	Derivative financial instruments	949	
	Investment properties	145	
	Other	85	258
		5,277	3,016
Netted against deferred tax liabilities		-1,740	-431
Total deferred tax assets		**3,537**	**2,585**
Deferred tax liabilities			
	Investment properties	-11,155	-3,687
	Derivative financial instruments		-107
	Other	-257	-126
		-11,412	-3,920
Netted against deferred tax assets		1740	431
Total deferred tax liabilities		**-9,672**	**-3,489**
Deferred taxes, net		**-6,135**	**-904**

Deferred taxes for the year under review and the prior year were 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% (prior year: 15.8%) was assumed for corporate income tax and the reunification surtax ("solidarity" surtax), provided that the extended deduction for property could be assumed for the local business income tax ("trade tax"). If that extended deduction for property could not be assumed, local business income tax was calculated on the basis of the assessment multipliers normally applied for the company's location. 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 31.0%, taking corporate income tax, the reunification surtax, and the local business income tax into account (previous year: 32.8%).

A total of EUR 1,757 thousand (vs. EUR 2,053 thousand) in recognized deferred taxes resulted from circumstances which 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 in the consolidated balance sheet and the carrying amount of their proportional equity for tax purposes, since the Group can control the timing of reversals and it is not probable that the temporary differences will be reversed in the foreseeable future.

If the available projections and tax structuring options make it possible to assume that tax losses carried forward can be used in future years, deferred tax items are recognized for these, even if no taxable temporary differences are present and the company has had sustained losses in the current and/or previous period. This is particularly the case for deferred tax assets of EUR 3,176 thousand on loss carry-forwards at IFM AG (previous year: EUR 2,222 thousand).

No deferred tax assets have been recognized for unused tax loss carry-forwards amounting to EUR 680 thousand (prior year: EUR 322 thousand) for local business income tax, and EUR 1,822 thousand (prior year: EUR 1,023 thousand) for corporate income tax. Under current law, the loss carry-forwards will not expire over time. Additionally, no deferred tax assets were recognized for deductible temporary differences of EUR 604 thousand.

301 Current assets

3010 Trade accounts receivable

Trade accounts receivable, at EUR 2,095 thousand (vs. EUR 1,457 thousand), are primarily receivables under leases and receivables from invoices for incidental expenses. As a rule, receivables have been assigned to the applicable banks under the loan agreements.

3011 Other current assets and expenses paid in advance

	12/31/2008 EUR 000	12/31/2007 EUR 000
Other current assets	366	373
Expenses paid in advance	140	139
	506	512

The other current assets of EUR 366 thousand (prior year: EUR 373 thousand) are primarily advance payments and security deposits.

3012 Tax receivables

Current tax receivables come to EUR 2,812 thousand (vs. EUR 2,538 thousand). These include value-added tax receivables of EUR 2,025 thousand (prior year: EUR 1,675 thousand), receivables for local business income tax of EUR 231 thousand (prior year: EUR 136 thousand), and receivables of EUR 556 thousand (vs. EUR 727 thousand) for corporate income tax, interest income tax, and the reunification surtax.

3013 Securities

The Group invests its free cash in investment funds. The fair value of these securities as of the balance sheet date was EUR 5,339 thousand (vs. EUR 5,003 thousand).

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 10,247 thousand (vs. EUR 17,622 thousand). These are highly liquid financial assets that the Group can use at short notice. They include EUR 750 thousand of a cash balance held by a subsidiary at a bank; this amount is subject to a restriction on availability in that it cannot be used for dividend distributions to IFM AG, but only for investments in construction and interest payments by the subsidiary.

Cash and cash equivalents will be required to some extent for financins of running project developments.

302 Equity

Changes in the consolidated equity of IFM AG are shown in the statement of changes in 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, 2008	8,500	69,439
Capital increase in return for cash contributions	850	8,500
Expenses for raising equity capital		-105
Stock option plans		650
At December 31, 2008	9,350	78,484

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. On April 30, 2008, IFM AG stock began trading on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange (change of segment).

At the beginning of the fiscal year the Company's share capital was divided into 8,500,000 no-par shares of common stock, and came to EUR 8.5 million. On June 20, 2008, the share capital was increased in return for cash contributions. A total of 849,999 no-par shares were placed with institutional investors from Germany and other European countries, excluding shareholders' preemptive rights. The share capital was increased from EUR 8.5 million to EUR 9.35 million. The price, set by way of an accelerated book-building method, came to EUR 11.00 per share. The capital increase generated EUR 9.35 million for the Company before transaction costs; of this figure EUR 0.85 was an increase in share capital, and EUR 8.5 million was an increase in additional paid-in capital.

The transaction costs were EUR 152 thousand, and in accordance with IAS 32.35 were recognized as a deduction of EUR 105 thousand from equity, after being reduced by the associated income tax advantages (EUR 47 thousand).

The stock option plans caused an expense of EUR 650 thousand for the year (prior year: EUR 92 thousand), which was recognized as an increase in additional paid-in capital.

b) Authorized capital

The former authorized capital (2006 Authorized Capital) under 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.

A portion of the authorized capital was used in 2008 for purposes of a capital increase in return for cash. An amount of EUR 3,400 thousand remained unused at December 31, 2008.

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 was therefore 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 in 2007. In 2008, the Supervisory Board of IFM Immobilien AG decided to issue another tranche under the 2007 stock option plan. In this tranche, the following stock options were issued to members of the Executive Board of IFM Immobilien AG:

Board member	Stock options
Herr Georg Glatzel	232,000
Herr Marcus Schmitz	60,000

The still unexercised tranches of the stock options issued to the members of the Executive Board are shown below.

Nature of agreement	Stock-based compensation for Executive Board			
Tranche	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	10/6/2006	10/6/2006	9/13/2007	2/19//2008
Options granted	60,000	60,000	292,000	292,000
Maximum term (years)	5.00	5.00	5.00	5.00
Strike price (EUR)	5.00	5.00	10.94	9.28
Options outstanding at start of 2008 reporting period (Jan. 1, 2007)	60,000	60,000	292,000	0
Options granted during the 2008 reporting period	0	0	0	292,000
Options forfeited during the 2008 reporting period	0	0	0	0
Options exercised during the 2008 reporting period	0	0	0	0
Options expired during the 2008 reporting period	0	0	0	0
Options outstanding at end of 2008 reporting period (Dec. 31, 2008)	60,000	60,000	292,000	292,000
Options eligible for exercise at end of 2008 reporting period (Dec. 31, 2007)	0	0	0	0

The stock options as of December 31, 2008, had the following maximum remaining contract terms:

	Issue date	Expiration	Remaining term (in years)
Tranche 1	10/6/2006	10/6/2011	2.8
Tranche 2	10/6/2006	10/6/2011	2.8
Tranche 3	9/13/2007	9/13/2012	3.7
Tranche 4	2/19/2008	2/19/2013	4

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 Xetra trading 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 and Tranche 4

- 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 without notice 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 4 stock options are shown below.

	Issue date	Option value in EUR (rounded)
Tranche 1	10/6/2006	4.57
Tranche 2	10/6/2006	4.57
Tranche 3	9/13/2007	2.11
Tranche 4	2/19/2008	2.70

The total value of issued stock options, as measured under IFRS, was EUR 1,953 thousand as of December 31, 2008 (vs. EUR 1,164 thousand).

Tranches 1 through 3 were calculated using a modified Black-Scholes-Merton model. A binomial model was used to measure Tranche 4, as this permits a better portrayal of the option terms defined for this tranche. The following modeling parameters were used in measuring the individual tranches:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Trading price of stock on measurement date (EUR)	9.20	9.20	11.40	9.72
Maximum term at issue date (years)	5.00	5.00	5.00	5.00
Expected term of options (years)	2.10	2.10	2.30	2,00 – 5,00
Strike price (EUR)	5.00	5.00	10.94	9.28
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate for term	3.59%	3.59%	3.94%	3.53%
Expected volatility for term	19.10%	19.10%	19.93%	20.94%
Expected turnover of option holders as of Dec. 31, 2007	0.00%	0.00%	0.00%	0.00%

In the absence of historically relevant data, the expected terms of Tranches 1 through 3 are based on management's expectation 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 tax regulations in effect in Germany as of the applicable reporting dates 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. In measuring Tranche 4, the total term of the options was reflected using a binominal model and possible early exercises were taken into account in calculating the value of the option.

The measurement of Tranches 1 through 3 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 must 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. In measuring Tranche 4, the binomial model took account of the performance target for calculating the fair value of the option.

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 Immobilien AG is terminated, the calculations were based on an expected turnover of 0.00%. The expense was already recognized in full in fiscal 2006. Tranches 3 and 4 were 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 yield curve for listed German federal government securities issued by the Deutsche Bundesbank, calculated using the Svensson method.

IFM Immobilien AG incurred the following expenses from the stock option program as of December 31, 2008:

	12/31/2008	12/31/2007
Total expense for equity-based compensation transactions	EUR 1,290 thousand	EUR 640 thousand
including: stock-based compensation transactions settled with equity instruments	EUR 1,290 thousand	EUR 640 thousand
Expense for equity-based compensation transactions for the period	EUR 650 thousand	EUR 92 thousand

3021 Other reserves

The other reserves of EUR 6,804 thousand (vs. EUR 9,716 thousand) derive primarily from contributions of ownership i nterests in IFM Property Project Frankfurt GmbH and GP Properties GmbH to IFM AG in 2006, and the changes in the fair value of derivative financial instruments covered by hedge accounting, which are recognized in equity with no effect on profit or loss.

3022 Distributable profit

The distributable profit was calculated as follows:

	EUR 000
Distributable profit at Jan. 1, 2008	5,515
Consolidated profit for 2008 not including minority interests	295
Distributable profit at Dec. 31, 2008	5,810

3023 Minority interests

Minority shareholders hold 5.2% the Company's subsidiary GP Properties GmbH. The reported minority interests pertain to these shareholders' holdings in the Company's equity.

There are also minority interests of 5.2% in IFM Property Project Frankfurt GmbH & Co. KG, which changed its corporate form (from a GmbH to a GmbH & Co. KG) in 2008, and of 10.0% in NEWCOM Property GmbH & Co. Joint Venture KG. The minority interests in these entities are recognized as a liability under IAS 32, as part of "other current liabilities and deferred expenses."

There is furthermore a minority interest of 5.2% in IFM Property Project Frankfurt-Zeil GmbH, acquired in 2008. Because of a contractual preemptive tender right, these minority interests are also recognized as a liability.

The change in the Group's minority interests is shown in the statement of changes in equity. As of the balance sheet date, minority interests came to EUR 134 thousand (prior year: EUR 1,016 thousand).

303 Liabilities

The liabilities shown in the consolidated balance sheet at December 31, 2008, 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
Derivative financial instruments		379
Other short-term liabilities and deferred expenses		2,209
Other provisions		1,661
Tax provisions		239
Deferred tax liabilities	3,489	
	157,276	9,245

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

Liabilities are considered long-term if they are not to be categorized as short-term under the criteria of IAS 1.60. Deferred tax liabilities are categorized as long-term irrespective of their expected use date.

304 Long-term liabilities

3040 Liabilities to banks

Maturities of the liabilities to banks as of December 31, 2008, were as follows:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	153,774	1,247
Trade accounts payable	13	3,510
Derivative financial instruments		379
Other short-term liabilities and deferred expenses		2,209
Other provisions		1,661
Tax provisions		239
Deferred tax liabilities	3,489	
	157,276	9,245

In 2012 as well as in 2013 the fixed-interest-period for loans persisting just in that point of time at an amount of EUR 15.9 Mio and EUR 39.0 Mio will expire. The repayment of the loans is only required if an agreement concerning the further parameters with the involved credit institutions is not possible. Nevertheless, the mentioned loans are shown as mature in 2012 and 2013 for terms of the financing structure purposes.

	Total EUR 000	Variable interest EUR 000	Fixed interest EUR 000
Less than 1 year	55,010	54,456	554
1 to 2 years	35,685	35,100	585
2 to 3 years	15,312	14,694	618
3 to 4 years	48,705	32,794	15,911
4 to 5 years	66,290	66,290	
More than 5 years			
	221,002	203,334	17,668

Maturities of the liabilities to banks as of December 31, 2007, were as follows:

	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	
	155,021	136,702	18,319

Liabilities to banks are largely real estate loans extended by various banks. As a rule, these loans are variable-rate. The weighted interest rate for all loans, allowing for circumstances at the reporting date, came to 3.89% (prior year: 5.38%). The weighted interest rate for fixed-interest loans as of the reporting date was 5.49% (prior year: 5.49%).

Interest on the variable-interest loans is charged on the basis of the 1-month or 3-month EURIBOR rate, plus a margin agreed on by contract in each case. As part of the loan agreement, as a rule interest rate hedges (swaps, collars, caps or floors) with various effectiveness are entered into.

The mortgages are described in Notes 3000–3002. As in the previous year, real estate loans are fully collateralized with mortgages. As a rule, receivables under lease agreements and claims under the interest rate hedges taken out as part of the loan approval process are also assigned as collateral for the loans.

3041 Trade accounts payable

This figure comprises the long-term portion of the liabilities from finance leases.

3042 Derivative financial instruments

Within the scope of IAS 39, the figure reported here 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, which have a negative fair value. These are financial liabilities at fair value, as shown below.

Type	Group company	Fair Value EUR 000	Average purchase amount EUR 000
Floor	IFM Immobilien AG	-226	4,139
Floor	IFM Immobilien AG	-1,816	50,000
Floor	IFM Property Project Eschborn GmbH	-523	12,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-2,076	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-202	4,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-960	20,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-512	12,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-118	2,500
Swap	IFM Property Project Mainz GmbH	-234	13,000
Swap	IFM Property Project Ulmenstraße GmbH	-406	24,442
Swap	IFM Property Project Ulmenstraße GmbH	-431	19,359
Swap	IFM Property Project Feldbergstraße GmbH	-8	2,100
		-7,512	

Derivative financial instruments, which are held for economic hedging not for speculation (even when they do not fulfill the requirements for hedge accounting), are categorized as long-term or short-term liabilities depending on the date of their expected settlement.

As of December 31, 2008, long-term liabilities from derivative financial instruments were recognized in an amount of EUR 4,617 (prior year: EUR 0) and short-term liabilities were recognized in the amount of EUR 2,895 thousand (prior year: EUR 379 thousand).

3043 Deferred tax liabilities

Most of the deferred tax liabilities result from the fair valuation of investment properties. For more information, see the explanations on deferred taxes in Note 3008.

305 Short-term liabilities

3050 Tax provisions

The tax provisions of EUR 496 thousand (prior year: EUR 239 thousand) related to local business income tax for EUR 310 thousand (prior year: EUR 239 thousand), and EUR 186 thousand (vs. EUR 0 thousand) for corporate income tax and the reunification surtax.

3051 Other provisions

The other provisions of EUR 1,391 thousand (vs. EUR 1,661 thousand) primarily relate to amounts set aside for construction work already performed, and are due for payment within 12 months. Income from the derecognition of other provisions recognized in the previous year came to EUR 175 thousand.

3052 Liabilities to banks

See Note 3040 for explanations.

3053 Trade accounts payable

Trade accounts payable, at EUR 5,784 thousand (vs. EUR 3,510 thousand) particularly concern billed and still unpaid amounts for construction work and services as part of property management.

3054 Derivative financial instruments

See Note 3042 for explanations.

3055 Other short-term liabilities and deferred expenses

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

	12/31/2008 EUR 000	12/31/2007 EUR 000
Remaining purchase price on Zimmerstrasse property	5,265	0
Remaining purchase price for IFM Property Project Frankfurt-Zeil GmbH	250	0
Land transfer tax	836	1,381
Security deposits received	577	205
Deferred expenses	453	359
Net assets of minority interests	767	0
Other	808	264
	8,956	2,209

The second installment of EUR 5,265 thousand for the purchase price for the Zimmerstrasse property is due for payment on March 31, 2009. The second installment of EUR 250 thousand for the acquisition of IFM Property Project Frankfurt-Zeil GmbH is due on June 30, 2009.

The item for net assets of minority interests comprises outside third parties' interests in partnerships, which are categorized as liabilities.

The other short-term liabilities include a preemptive tender right held by the minority shareholder in IFM Property Project Frankfurt-Zeil GmbH, in the amount of EUR 250 thousand.

306 Leases

3060 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 274,309 thousand (prior year: EUR 138,752 thousand) were leased out, 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. As a rule, the extension options include price adjustment agreements in the form of escalator clauses commonly used in the market.

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

	12/31/2008 EUR 000	12/31/2007 EUR 000
Less than 1 year	13,810	9,895
1 to 5 years	29,892	20,748
More than 5 years	8,151	1,136
	51,853	31,779

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.

31 Explanatory notes to the consolidated income statement

310 Revenues

Revenues pertain to income from the leasing of properties (net rents and incidental rental costs), and are distributed among the various properties as follows:

		2008 EUR 000	2007 EUR 000
"Das Carré"	Heidelberg	2,734	2,770
"westendFirst"	Frankfurt am Main	3,322	3,354
"GutenbergPark"	Mainz-Hechtsheim	1,197	621
"Maxxon"	Eschborn-Süd	1,856	957
"Office Tower"	Darmstadt	676	274
"Kureck"	Wiesbaden	2,500	1,042
"Feldbergstraße"	Frankfurt am Main	252	147
"Zeilgalerie"	Frankfurt am Main	1,891	0
"Ulmenstraße 22"	Frankfurt am Main	492	0
"Zimmerstraße"	Berlin	101	0
Other		118	96
		15,139	9,261

311 Other operating income

The other operating income of EUR 803 thousand (vs. EUR 313 thousand) particularly includes adjustment payments from tenants and income from the derecognition of provisions.

312 Gain or loss on fair valuation of investment properties

The fair valuation of investment properties in accordance with IAS 40 yielded a gain of EUR 13,696 thousand for 2008 (vs. EUR 5,232 thousand). See Note 3000 for details.

313 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:

314 Personnel expenses

Personnel expenses comprise the following:

	2008 EUR 000	2007 EUR 000
"Das Carré", Heidelberg	1,069	695
“Zeilgalerie“, Frankfurt am Main	709	0
"GutenbergPark", Mainz	564	477
"Maxxon", Eschborn-Süd	391	189
"OfficeTower", Darmstadt	211	105
"westendFirst", Frankfurt am Main	426	452
"Zimmerstraße", Berlin	101	0
"Ulmenstraße 22", Frankfurt am Main	122	0
Other	12	6
	3,605	1,924

	2008 EUR 000	2007 EUR 000
Wages and salaries	1,868	1,373
Severance pay	0	208
Social security	252	170
Stock-based compensation	650	92
Voluntary and other payments	56	23
	2,826	1,866

315 Depreciation and amortization

Depreciation and amortization totaled EUR 985 thousand (vs. EUR 202 thousand). The breakdown among the various items of the balance sheet is shown in the consolidated statement of changes in assets (Appendix 1). In addition to scheduled depreciation and amortization, this figure includes an impairment loss of EUR 604 thousand under IAS 36 (see Note 3001).

316 Other operating expenses

The other operating expenses comprise the following:

	2008 EUR 000	2007 EUR 000
Advertising and agency costs, commissions	906	1,182
Bank charges, incidental costs of money transactions	222	113
Legal counsel, consultants, accounting and annual financial statements	1,128	934
Third-party services and independent contractors	1,034	169
Supervisory Board	149	144
Insurance	176	143
Travel and entertainment	75	74
Annual report	60	65
Bad debts	72	50
Repairs, maintenance and upkeep	73	63
Vehicle costs	140	99
Designated sponsoring costs	97	84
Costs for change of segment	612	0
Non-deductible input tax	285	0
Other	577	374
	5,606	3,494

317 Net interest expense

The net finance expense calculates out as follows:

	2008 EUR 000	2007 EUR 000
Other interest and similar income	1,436	976
Interest and similar expenses	-7,895	-4,248
Gain or loss on fair valuation of derivatives	-5,326	285
	-11,785	-2,987

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 properties shown in the balance sheet as follows: Capitalized finance costs of EUR 2,410 thousand (vs. EUR 941 thousand) have already been taken into account as a reduction of the interest expense.

318 Income taxes

Tax expenses and refunds break down as follows:

	2008 EUR 000	2007 EUR 000
Current income taxes	-181	-72
Deferred tax assets and liabilities	-4,378	976
Total income taxes	-4,559	904

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

The deferred tax expense of EUR 4,378 thousand (vs. deferred tax income of EUR 976 thousand for the prior year) pertains to:

	2008 EUR 000	2007 EUR 000
Temporary differences from property appraisals	-6,088	1,020
Deferred taxes on loss carry-forwards	1,503	84
Deferred taxes on derivatives	171	0
Other temporary differences	36	-128
	-4,378	976

For fiscal 2008 and 2007, the tax expense reported using the applicable tax rate of 26.6% (prior year: 18.4%) differs from the actual values as explained below. The change in the applicable tax rate results from the fact that not all special-purpose entities are assumed to be able to claim an exemption from local business income tax as a consequence of the expanded deduction for property in assessing that tax.

	2008 EUR 000	2007 EUR 000
Profit (loss) for period before income taxes	4,831	4,333
Theoretical tax expense at applicable tax rate	-1,286	-797
Tax effect of nontaxable income	0	164
Nondeductible expenses	-221	-26
Changes because of tax rates	-2,587	1,754
Loss of tax credits for companies currently running a loss	-272	-96
Other	-193	-95
Income tax shown in income statement	-4,559	904

The changes because of tax rates in 2007 were the result of the German corporate tax reform. In 2008, these changes resulted from the impact of local business income tax on properties that could formerly be assumed to enjoy an expanded deduction for property.

319 Minority interests

The minority interests came to EUR –23 thousand (vs. EUR 161 thousand), and pertain to the share of profit or loss attributable to minority owners whose interests are to be classified as equity.

32 Earnings per share

	2008	2007
Consolidated net profit (loss) for period after minority interests (EUR 000)	295	5,076
Weighted average number of shares	8,954,109	8,500,000
Basic / diluted earnings per share (in EUR)	0.03	0.60

The stock options issued under the conditional capital increase (see Note 3020) 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 2008.

33 Noteworthy events after the reporting date

Pål Berg has joined the Supervisory Board of IFM Immobilien AG as its newest member. Mannheim Local Court appointed Mr. Berg to the board on January 14, 2009. He is an investment officer with the Norwegian company Havfonn AS. Havfonn is part of an investor group that holds a significant interest in IFM Immobilien AG.

Tobias Sauerbier was appointed as an additional managing director of IFM Asset Management GmbH at the beginning of January 2009.

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. Most of the increase in the Group's equity to EUR 100,582 thousand for the year (vs. EUR 94,186 thousand) derives from the June 2008 capital increase.

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 45 concerning investment activities relating to business combinations.

The cash flow from operating activities includes the following:

	2008 EUR 000	2007 EUR 000
Interest payments received	1,403	950
Interest payments made	9,626	5,217
Income tax payments made	247	444

The other noncash income of EUR 3,690 thousand (vs. EUR 6,482 thousand) particularly includes EUR 13,696 thousand (vs. EUR 5,232 thousand) in income from the fair valuation of properties, EUR 5,326 in expenses from the fair valuation of derivatives (vs. income of EUR 285 thousand) and EUR 4,378 in expenses for deferred taxes (vs. income of EUR 976 thousand).

The other changes of EUR 1,000 thousand in cash funds are for term deposits that are subject to restrictions on availability, and therefore are no longer recognized as cash funds.

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 2008 or the comparison period, since the Group companies operate in a single business segment and in only one geographical segment (Germany).

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, Germany

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, for the investment of its own corporate assets. Transactions that are subject to licensing by the authorities 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 preferred locations.

The properties are managed by IFM Asset Management GmbH, founded in 2006, which signs agreements for services 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 thorough due diligence. The Group has also chosen not to acquire large real estate portfolios, and invests only in single properties.

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. We complied with this principle to an especially rigorous degree in 2008. New acquisitions were made even more selectively. After a due diligence phase that lasted nearly a year, in summer 2008 we completed the acquisition of the Zeilgalerie in Frankfurt am Main. We also concentrated on advancing our development projects for the Romeo & Julia property, in Frankfurt am Main, and for Maxxon, in Eschborn, and invested successfully in increasing occupancy at the Office Tower in Darmstadt and GutenbergPark in Mainz.

In general, as already announced, the market was explored for a possible exit strategy for selected properties. In addition, the Group continuously explores potential new acquisitions in the Rhine-Main and Rhine-Neckar regions and Berlin (central), where it already operates, as well as in Cologne/Düsseldorf, Hamburg and Munich. The aim is to realize generated appreciation where attractive selling prices can be obtained; to further strengthen the regions where we are already present; and to advance the geographical diversification of the portfolio further within the medium term.

The Group’s business model does not involve acting as a buyer 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 high-quality landmark rental properties in a preferred location. For this purpose, before acquiring a property IFM conducts an individualized, thorough due diligence process – i.e., a review of the property’s legal, geographic, structural and economic situation. 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.

General development risks are reduced by the many years of experience and know-how of the Executive Board and members of second-level management. These give IFM a particular advantage in identifying suitable properties and assessing their individual potential for appreciation. A further critical factor here 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 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, the Group believes cooperating with outside service providers reduces risk, because involving specialists makes it possible to assess project risks accurately, and at the same time keeps internal structures lean and flexible.

IFM has grown vigorously over the past few years, and has set itself the goal of pursuing this growth further. Not least of all because of the changes in economic and financial conditions, this requires constant, ongoing evolution, especially in risk management, finance 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. The changing market environment lends even greater importance to completing the various project developments on time and on budget. This is the only way in which financial renewal provisions, leasing plans and loan extensions can be implemented as budgeted.

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 been consummated 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. IFM further minimizes the risk of lost rent by avoiding clumping risk through the consistent pursuit of a multi-tenant strategy at its various properties.

In the changing economic environment, there is a greater risk that it may be more difficult to lease out newly positioned properties. IFM counteracts this risk with its skills in conceiving customized leasing and marketing concepts. In addition, because it has its own leasing department, the Group expects that if necessary it can place existing rental space successfully in the market without the assistance of outside brokers and service providers, and can thus reduce occupancy risk.

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.

The Group believes that particularly in the current tight economic and financial market environment, a portfolio composed of high-quality properties will help smooth out sector-specific fluctuations, and thus mitigate potential risk in the medium term. 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.

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 any further expansion of the portfolio, it is an ongoing challenge for the Group to recruit and keep 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.

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

43 Information about financial instruments

Risk management and risks resulting from financial instruments

IFM is exposed to risks from financial instruments, particularly liquidity and credit risks, as well as risks resulting from changes in interest rates.

Currency risks

There are no currency risks within the Group, because all companies are domiciled in Germany and all purchases and sales of goods and services are billed and settled in euros. There are also no receivables or liabilities in foreign currencies.

Liquidity and credit risks

Detailed 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 below presentation of expected interest and principal payments for the coming years.

IFM has entered into loan agreements solely with German banks. The same applies for the associated interest rate hedges. Given the government's guarantees, the Group believes counterparty risk is low, and believes its loan lines under contract are secure.

However, loan renewals and new contracts will be subject to the new conditions in the market. While general interest rates have declined substantially from their previous highs, and thus interest costs have decreased appreciably, these effects have in part been countered by significant increases in the banks' margins.

In particular, during fiscal 2009 IFM must renew the loan agreement of IFM Property Project Ulmenstrasse GmbH, in Frankfurt (for the Romeo & Julia property) as of January 1, 2010. Since the property has been completed on budget and occupancy is growing, the Group is confident that it can renew the loan on acceptable terms.

At December 31, 2008, the Group had access to unused credit commitments of approximately EUR 39 million (December 31, 2007: EUR 60 million). These commitments had terms of up to 5 years. The ability to draw on these commitments depends in part on satisfying certain conditions such as the progress of construction and the attainment of certain occupancy levels.

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

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

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). As part of a capital increase excluding shareholders' preemptive rights, EUR 850 thousand of this amount was placed with institutional investors in June 2008, by issuing 849,999 new bearer shares of no-par common stock using an accelerated book-building method.

Issue of convertible bonds

The Executive Board has been 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 ten 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 was therefore 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.

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

The risk of lost rent is reduced by leasing to tenant companies with good credit. The possibility of payment arrears among tenants, and of defaults on receivables, is monitored regularly.

Risks from changes in interest rates

As a market risk for financial instruments, the risk of changes in interest rates is of particular concern for IFM. A small portion of bank liabilities are financed at a fixed interest rate, while most are at variable rates, for example on the basis of the 3-month EURIBOR rate plus a contractual margin. To keep changes in interest rates calculable, they are hedged through interest rate hedges with various effectiveness, such as swaps or collars (caps and floors). In this connection, the reader is referred to the notes on derivative financial instruments and hedge relationships.

If market interest rates at December 31, 2008, had been 25 basis points higher (or lower), the consolidated net profit would have been EUR 0.3 million higher (or lower). The hypothetical impact on earnings derives from the potential effects of interest rate derivatives and the underlying variable-rate financial debt. If market interest rates at December 31, 2008, had been 25 basis points higher (lower), the reserve from cash flow hedges shown in equity would have been EUR 0.4 million higher (lower).

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, 2008					
Assets	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 EUR 000	Measurement category per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Trade accounts receivable	2,095	2,095	LAR	2,095	---
Derivatives not included in hedge accounting	242	242	HFT	242	---
Other non-current assets	1,248	1,248	LAR	1,248	---
Other current assets	506	35	LAR	35	---
Securities	5,339	5,339	HFT	5,339	5,339
Cash and cash equivalents	10,247	10,247	LAR	10,247	---

* 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 (abbreviated AMC)

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 category per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Trade accounts 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	512	218	LAR	218	---
Securities	5,003	5,003	HFT	5,003	5,003
Cash and cash equivalents	17,622	17,622	LAR	17,622	---

Carrying amounts, fair values, and measurement categories by class within the scope of application of IFRS 7 at December 31, 2008					
Liabilities	Carrying amount EUR 000	Total carrying amount subject to IFRS 7 EUR 000	Measurement category per IAS 39 *	Fair value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	221,002	221,002	AMC	222,712	---
Trade accounts payable	5,802	5,802	AMC	5,802	---
Derivatives not included in hedge accounting	4,182	4,182	HFT	4,182	---
Derivatives included in hedge accounting	3,330	3,330	---	3,330	---
Other short-term liabilities	8,956	7,109	---	7,109	---

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 category 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	---

For cash and cash equivalents, and for trade accounts receivable and other assets, the 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 the reported 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 and other liabilities is measured at their carrying amount because of their normally short terms to maturity.

The carrying amount of financial assets serving as collateral for liabilities came to approximately EUR 3.1 million at December 31, 2008 (vs. approximately EUR 3.0 million). The financial assets are particularly trade accounts receivable, term deposits, and derivatives furnished as collateral as a part of loan approvals by banks or under interest rate hedging agreements.

The net gains and losses on financial instruments by measurement category under IAS 39 are as follows:

	2008 EUR 000	2007 EUR 000
Financial instruments held for trading (HFT)	-4,660	780
Loans and receivables (LAR)	538	611
Financial liabilities measured at amortized cost (AMC)	-8,338	-5,226
Total	-12,460	-3,835

The net figure for the HFT category reflects both changes in market value resulting from derivative financial instruments and securities, and income or expenses resulting from realization.

Apart from net interest income, the net figure in the LAR category essentially comprises write-downs on receivables.

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 688 thousand in 2008 (vs. EUR 660 thousand).

Total interest expenses for financial liabilities not measured at fair value through profit or loss came to EUR 8,424 thousand in 2008 (vs. EUR 5,168 thousand).

Derivative financial instruments and hedge relationships

The IFM Group uses derivative financial instruments such as interest rate swaps, caps and floors as part of its interest rate management. 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 derivatives 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 –7,270 thousand (vs. EUR 1,528 thousand). In the consolidated financial statements, derivatives yield an expense of EUR 5,326 thousand from fair valuation (vs. income of EUR 285 thousand). After allowing for deferred taxes, they yield an accumulated decrease in equity, with no impact on profit or loss, of EUR 2,680 thousand (vs. an increase of EUR 243 thousand).

The hedging transactions to which the Company applies hedge accounting under IAS 39 are known as cash flow hedges. Cash flow hedges serve to hedge risks from variable cash flows. To limit risks from changes in interest rates, the Company particularly uses interest rate swaps (payer swaps) and a collar, a mixture of two options (cap and floor). These instruments hedge cash flows from interest-bearing long-term financial liabilities through cash flow hedge accounting. As of December 31, 2008, existing hedging transactions have been included under cash flow hedges with terms of 5 years or less.

No cash flow hedges were found ineffective up to December 31, 2008. For the collar, because of the IASB's restriction on the hypothetical derivative method only the intrinsic value of an option is designated as a hedging instrument (not the fair value). Accordingly, the full fair value of the option is recognized in the income statement for an amount of EUR 0.6 million.

The fair value of derivative financial instruments depends on the evolution of the underlying market factors. Fair values are determined and monitored at regular intervals. The fair value calculated for all derivative financial instruments is the price at which one party would assume the rights and/or obligations of another party. The fair values of derivative financial instruments are determined using the usual measurement methods in the market (net present value models for swaps and modified Black-Scholes for caps and floors), taking account of the market data as of the measurement date.

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 12/31/2008	Cash flows 2009		Cash flows 2010		Cash flows 2011-2013		Cash flows 2014	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Underlying financial liabilities									
Liabilities to banks	(221,002)	(8,508)	(55,010)	(6,507)	(35,685)	(11,138)	(130,307)		
Other financial liabilities	(12,911)		(11,894)				(250)		
Derivative financial liabilities									
Interest rate derivatives without hedge relationships	(4,182)	(1,617)		(1,010)		(1,454)			
Interest rate derivatives as cash flow hedges	(3,330)	(1,143)		(889)		(1,524)			
Derivative financial assets									
Interest rate derivatives without hedge relationships	242								

The variable interest payments under financial instruments were calculated on the basis of the last interest rates set before December 31, 2008.

The former year's data has been the following:

	Carrying amount 12/31/2007	Cash flows 2008		Cash flows 2009		Cash flows 2010-2012		Cash flows 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			
Interest rate 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.

44 Capital management

IFM manages its capital with the objective of maximizing income for its investors by optimizing the ratio between equity and borrowings. It ensures at the same time that all Group companies can operate under conditions that permit them to continue in existence, and in particular that the Group and the individual project companies have adequate financial resources.

The Group's capital structure consists of debts – primarily liabilities to banks – cash and cash equivalents, and the equity attributable to equity holders of the parent company. The gearing (ratio of net debt to equity) calculated in this way came to approximately 210% at December 31, 2008 (vs. 160% the year before).

45 Description of business combinations

Acquisitions in fiscal 2008

By an agreement dated July 15, 2008, through IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, founded in 2008, IFM AG acquired 94.8% of Signature Property 101 GmbH (since then renamed IFM Property Project Frankfurt-Zeil GmbH), which owns the Zeilgalerie in Frankfurt am Main. The Zeilgalerie is one of Germany's best-known shopping galleries, with a total floor space of about 12,400 square meters. The seller retains a 5.2% minority interest. The date on which the Group obtained control of the company, and thus its acquisition date for initial consolidation, was August 15, 2008.

The acquisition was paid for in cash and by paying off liabilities, as follows:

	EUR 000
In cash	9,646
including: purchase price	(9,163)
including: incidental costs of acquisition	(483)
Purchase price still to be paid	500
Repayment of liabilities	42,299
Total acquisition cost	52,445

The purchase price still to be paid includes a second installment due in 2009 and the fair value of a preemptive tender right held by the seller. Liabilities of the acquired company to the seller and to a bank were repaid in the amount of EUR 42,299 thousand; a loan of EUR 40,890 thousand was taken out for this purpose. Allowing for the EUR 821 thousand in cash funds acquired, the net outflow of cash was EUR 51,124 thousand.

In detail, the following assets and liabilities, at fair value, were acquired:

	Fair value EUR 000	Carrying amount EUR 000	Purchase price allocation EUR 000
Investment properties	53,300	43,801	9,499
Other assets	593	557	36
Cash and cash equivalents	821	821	0
Total assets	**54,714**	**45,179**	**9,535**
Other liabilities	-766	-740	-26
Deferred tax liabilities	-1,503	0	-1,503
Total liabilities	**-2,269**	**-740**	**-1,529**
Acquisition cost	**52,445**		

The revenues of the acquired company since the acquisition date have been EUR 1,892 thousand; the loss since the acquisition date comes to EUR 1,009 thousand.

If the acquisition date for the business combination had been at the beginning of the reporting period, the Group's total revenues would have been EUR 18,150 thousand.

The consolidated profit would have been EUR 286 thousand if the acquisition date for the business combination had been at the beginning of the reporting period.

Acquisitions in fiscal 2007

By a contract dated May 14, 2007, IFM 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. The acquisition date for initial consolidation under IFRS was June 25, 2007. NEWCOM GmbH & Co. Joint Venture KG holds 100% 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 square meters.

The acquisition was paid for in cash and by assuming liabilities, as follows

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

The revenues of the acquired company since the acquisition date have been EUR 274 thousand; the loss since the acquisition date comes to EUR 287 thousand.

For purposes of the business combination for the acquisition of the Kureck area in Wiesbaden, as a first step IFM Property Project Wiesbaden GmbH & Co KG was founded on July 13, 2007, with fixed capital of EUR 50 thousand. Subsequently this company acquired 100% of the limited partner's capital in each of various project companies that held portions of the Kureck area. This is a fully occupied complex of properties on land with a total area of about 21,000 square meters. The acquisition date was August 1, 2007.

The acquisition was carried out as follows:

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

The revenues of the acquired companies since the acquisition date have been EUR 1,044 thousand; the profit since the acquisition date comes to EUR 521 thousand.

In detail, the following assets and liabilities, at fair value, were acquired through the two business combinations:

	Fair value	Carrying amount	Purchase price allocation
	EUR 000	EUR 000	EUR 000
Investment properties	31,315	24,509	6,806
Properties under development	10383	11089	-706
Other assets	545	545	0
Deferred tax assets	310	0	310
Cash and cash equivalents	47	47	0
Total assets	**42,600**	**36,190**	**6,410**
Liabilities to banks	-8,773	-8,773	0
Other liabilities	-341	-341	0
Minority interests	-171	0	-171
Total liabilities	**-9,285**	**-9,114**	**-171**
Acquisition cost	**33,315**		

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

46 Additional information in compliance with Sec. 315a (1) of the German Commercial Code

The list of interests held is attached as Appendix 2 to these Notes.

On average, Group companies had 31 employees (not including the Executive Board) for the year (prior year: 26).

See Note 47 for information about the members of the Executive Board and Supervisory Board.

The Declaration of Compliance with the German Corporate Governance Code was issued by the Executive Board and Supervisory Board of IFM Immobilien AG as required under Sec. 161 of the German Stock Corporations Act. The Declaration of Compliance is permanently available to shareholders, in form and content, at the Company's Web site (www.ifm.ag).

The Group's fully consolidated companies have expensed the following fees agreed with the independent auditor of the consolidated financial statements, FALK & Co GmbH, of Heidelberg:

	EUR 000
Fees for audit of financial statements	78
Other confirmation or appraisal services	121
Tax consulting services	12
Other services	54
Total	265

The other confirmation or appraisal services include EUR 60 thousand in passed-on insurance premiums for the preparation of a comfort letter for the move to the Prime Standard segment.

47 Supervisory Board and Executive Board

470 Supervisory Board

The Supervisory Board of IFM AG had the following members in 2007 and 2008:

Luca Pesarini (Chairman), graduate in business
Gordon Rapp (Vice-Chairman), attorney at law
Eberhard Hascher, tax consultant
Martin Lechner, graduate in business
Dr. Marcus Opitz, corporate consultant (until September 5, 2008)
Philipp Vogel, businessman

Mannheim Local Court appointed Pål Berg to the Supervisory Board of IFM Immobilien AG on January 14, 2009. He is an investment officer with the Norwegian company Havfonn AS. Havfonn is part of an investor group that holds a significant interest in IFM Immobilien AG.

The fixed and variable compensation paid to the Supervisory Board totaled EUR 149 thousand (vs. EUR 124 thousand).

Consistently with the recommendations of the German Corporate Governance Code, a variable component of compensation was agreed for members of the Supervisory Board. In addition to 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 compo nent is EUR 0.

The Chairman of the Supervisory Board receives twice this amount, and the Vice-Chairman receives 1.5 times this amount.

The performance-based compensation for 2008 was EUR 49 thousand (vs. EUR 20 thousand).

The following members of the Supervisory Board hold seats on other supervisory bodies:

Gordon Rapp is the Chairman of the Supervisory Board of IQ Videowall Deutschland AG.

Martin Lechner is the Chairman of the Board of Directors of Ferman AG and Proprietary Partners AG. Martin Lechner is a member of the Board of Directors of Vanguard Swiss AG, Vanguard HI AG, Pari Capital AG and IQ Capital AG.

471 Executive Board

The Executive Board of IFM AG had the following members in 2007 and 2008:

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 expensed compensation paid to members of the Executive Board is as follows:

	2008 EUR 000	2007 EUR 000
Executive Board salaries	510	490
Severance pay	0	208
Other compensation and salaries	31	17
Stock option plans	650	92
	1,191	807

The company makes use of the exemption provided for by Sect. 286 para. (5) of the German Commercial Code not to disclose the compensation of the members of the Management Board on an individual basis in accordance with the shareholders resolution adapted at the annual general meeting of 18 July 2008.

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 paid 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 was paid under these arrangements in 2007 and 2008.

The members of the Executive Board were granted 292,000 stock options in each of 2007 and 2008. The fair values as of the grant date were EUR 615 thousand for the options granted in 2007 and EUR 790 thousand for the options granted in 2008.

The members of the Executive Board do not hold seats on any other supervisory body.

48 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 exist for IFM AG:

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).

During fiscal 2008, transactions for a total of EUR 3 thousand (vs. EUR 1 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.

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

As of December 31, 2008, the Group had receivables of EUR 79 thousand from IFM Immobilien-Finanz-Management GmbH (prior year: EUR 140 thousand).

One member of the Executive Board (Georg Glatzel) had 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 thousand were paid out for this purpose during 2007. This guarantee was no longer in existence at December 31, 2007.

In 2008, one member of the Supervisory Board (Eberhard Hascher) provided consulting services for IFM AG and its subsidiaries for an amount of EUR 10 thousand (vs. EUR 12 thousand).

IFM AG invests some of its liquid funds in ETHNA Global Defensiv FCB (formerly ETHNA Bond Premium). The company that administers the fund 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 Supervisory Board of IFM AG, is the managing partner. As of December 31, 2008, IFM AG had invested EUR 5,339 thousand (vs. EUR 5,003 thousand) in the fund.

49 Other financial liabilities

Other financial liabilities under rental, lease, maintenance and upkeep agreements as of December 31, 2008, totaled EUR 911 thousand (vs. EUR 687 thousand); this figure also includes contractual liabilities under operating leases.

Commitments under current investment and ordering obligations came to EUR 13,333 thousand at December 31, 2008 (vs. EUR 8,481 thousand).

50 Information under Sec. 160 (1) No. 8 of the German Stock Corporations Act

The following shareholder groups issued notices under Sec. 21 (1) and (1a) of the German Securities Trading Act (WpHG):

1. Shareholders from Norway (Skips AS Tudor, Havfonn AS, Furuholmen Eiendom AS, Snefonn AS, Mr. Morten Sig. Bergesen, AS Cetus, Mr. Wilhelm Wilhelmsen and AS Kassiopeia)
2. The Executive Board and Supervisory Board of IFM AG
3. Libra Europe Fund und Libra Equity Limited
4. Mr. Kinsnorth and Mr. Pegge
5. LRI Invest S.A.

Concerning 1. Shareholders from Norway

On April 30, 2008, Skips AS Tudor, 1324 Lysaker, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Skips AS Tudor held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Skips AS Tudor before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,347 voting shares) out of this holding is to be attributed to Skips AS Tudor pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Skips AS Tudor:

- Havfonn AS
- Furuholmen Eiendom AS

The remaining voting rights (10.07%) are held directly by Skips AS Tudor."

On April 30, 2008, Havfonn AS, 0213 Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Havfonn AS held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Havfonn AS before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,346 voting shares) out of this holding is to be attributed to Havfonn AS pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Havfonn AS:

- Furuholmen Eiendom AS
- Skips AS Tudor

The remaining voting rights (10.07%) are held directly by Havfonn AS."

On May 5, 2008, Furuholmen Eiendom AS, PB 94, 0309 Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Furuholmen Eiendom AS held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Furuholmen Eiendom AS before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,347 voting shares) out of this holding is to be attributed to Furuholmen Eiendom AS pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Furuholmen Eiendom AS:

- Havfonn AS
- Skips AS Tudor.

The remaining voting rights (10.07%) are held directly by Furuholmen Eiendom AS."

On May 29, 2008, Snefonn AS, of Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 2008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 10.07% (856,174 voting rights) out of this holding are attributed to us under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, and 20.15% (1,712,346 voting rights) are attributed to us under Sec. 22 (2) of the Securities Trading Act.

Voting rights attributed under Sec. 22 (1) Sentence 1 of the Securities Trading Act are held through the following company, which we control and whose shares of voting rights in IFM AG amounts to 3% or more:

- Havfonn AS.

Voting rights attributed to us under Sec. 22 (2) of the Securities Trading Act are held through the following companies, which directly hold 3% or more of the voting rights:

- Furuholmen Eiendom AS
- Skips AS Tudor."

On May 29, 2008, Mr. Morten Sig. Bergesen, of Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, my share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 10.07% (856,174 voting rights) out of this holding are attributed to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, and 20.15% (1,712,346 voting rights) are attributed to me under Sec. 22 (2) of the Securities Trading Act.

Voting rights attributed under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act are held through the following company, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Havfonn AS
- Snefonn AS.

Voting rights attributed to us under Sec. 22 (2) of the Securities Trading Act are held through the following companies, which directly hold 3% or more of the voting rights:

- Furuholmen Eiendom AS
- Skips AS Tudor."

AS Cetus, of Lysaker, Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 2008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to AS Cetus under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,173 voting rights) is attributed to AS Cetus under Sec. 22 (1) Sentence 1 of the Securities Trading Act. Voting rights attributed to us are held through the following companies, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor
- AS Kassiopeia."

Mr. Wilhelm Wilhelmsen, of Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, my share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to me under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,173 voting rights) is attributed to me under Sec. 22 (1) No. 1 of the Securities Trading Act. Voting rights attributed to me are held through the following companies, which I control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor
- AS Kassiopeia
- AS Cetus."

AS Kassiopeia, of Lysaker, Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to AS Kassiopeia under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,153 voting rights) is attributed to AS Kassiopeia under Sec. 22 (1) Sentence 1 of the Securities Trading Act. Voting rights attributed to us are held through the following companies, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor."

Concerning 2. The Executive Board and Supervisory Board of IFM AG

On May 5, 2008, Luca Pesarini, of Switzerland, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that my share of voting rights in IFM AG came to 4.00% (340,092 voting rights) at April 29, 2008. A total of 2.80% (238,092 voting rights) out of this holding are attributable to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act.

Voting rights attributed to me are held through the following companies that I control, each of whose voting rights in IFM AG each is equal to or greater than 3%:

- Sirus Investment GmbH."

On May 5, 2008, Georg Glatzel, of Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that my share of voting rights in IFM AG came to 7.35% (624,953 voting rights) at April 29, 2008. A total of 6.50% (552,453 voting rights) out of this holding are attributable to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act.

Voting rights attributed to me are held through the following companies that I control, each of whose voting rights in IFM AG each is equal to or greater than 3%:

- Sirus Investment GmbH
- IFM Immobilien Finanz Management GmbH."

On May 5, 2008, Immobilien Finanz Management GmbH, of Heidelberg, Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that our share of voting rights in IFM AG came to 3.70% (314,361 voting rights) at April 29, 2008."

On May 5, 2008, Sirus Investment GmbH, of Frankfurt am Main, Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that our share of voting rights in IFM AG came to 5.60% (476,184 voting rights) at April 29, 2008."

Concerning 3. Libra Europe Fund and Libra Equity Limited

On May 16, 2008, Libra Europe Fund, of London, England, notified IFM AG as follows:

"As representatives of the Libra Europe Fund, in accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, Libra Europe Fund held 582,822 voting rights. This represents 6.86% of the voting rights in IFM AG."

On May 16, 2008, Libra Equity Limited, of London, England, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, Libra Equity Limited held 582,822 voting rights. This represents 6.86% of the voting rights in IFM AG.

In accordance with Sec. 22 (1) Sentence 1 No. 6 of the Securities Trading Act, the 582,822 voting rights (6.86% of the voting rights) are attributed to Libra Equity Limited.

Voting rights of the following shareholder, who holds 3% or more of the voting rights in IFM AG, are attributed to us:

- Libra Europe Fund."

Concerning 4. Mr. Kinsnorth and Mr. Pegge

On May 21, 2008, Colin Kingsnorth, of the Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that at April 29, 2008, I held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to me under Sec. 22 (1) Sentence 1 No. 6 Sentence 2 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 21, 2008, Andrew Pegge, of the Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that at April 29, 2008, I held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to me under Sec. 22 (1) Sentence 1 No. 6 Sentence 2 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 21, 2008, Laxey Partners Limited, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to us under Sec. 22 (1) Sentence 1 No. 6 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 6, 2008, LP Value Limited, of Tortola, British Virgin Islands, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 4.90% of the voting rights (416,235 voting rights) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97)."

On May 6, 2008, Sprugos Investments XII, L.L.C., of Wilmington, Delaware, U.S.A., notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 3.14% of the voting rights (267,290 voting rights) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97)."

On June 12, 2008, Sprugos Investments, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1) of the Securities Trading Act, we hereby notify you that on June 10, 2008, our share of voting rights in IFM AG, of Heidelberg, Germany, (DE000A0JDU97) fell below the 3% limit and as of that date came to 0.00% (0 voting rights).

On June 12, 2008, LP Value Limited, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1) of the Securities Trading Act, we hereby notify you that on June 10, 2008, our share of voting rights in IFM AG, of Heidelberg, Germany, (DE000A0JDU97) fell below the 3% limit and as of that date came to 0.00% (0 voting rights).

Concerning 5. LRI Invest S.A.
On July 22, 2008, LRI Invest S.A., of Munsbach, Luxembourg, notified us in accordance with Sec. 21 (1) of the Securities Trading Act that its share of voting rights in IFM AG, of Heidelberg, Germany (ISIN: DE 000A0JDU97), exceeded the 3% threshold on July 16, 2008, and as of that date came to 3.03% (283,700 voting rights).

On December 16, 2008, LRI Invest S.A., of Munsbach, Luxembourg, notified us in accordance with Sec. 21 (1) of the Securities Trading Act that its share of voting rights in IFM AG, of Heidelberg, Germany (ISIN: DE DE000A0JDU97), exceeded the 5% threshold on December 15, 2008, and as of that date came to 5.35% (500,000 voting rights).

Heidelberg, March 19, 2009

The Executive Board
Georg Glatzel Marcus Schmitz

„Maxxon“- Eschborn-Süd

„GutenbergPark“ - Mainz-Hechtsheim

Appendixes to the Notes of the Consolidated Financial Statements

Appendix 1

Changes in Consolidated Non Current Assets as of December 31, 2008

		Cost of acquisition or creation				
		At 1/1/2008 EUR 000	Additions EUR 000	Disposals EUR 000	Reclassifications EUR 000	At 12/31/2008 EUR 000
I.	Investment properties	131,899	53,726	0	68,135	253,760
II.	Properties under development	80,594	33,243	0	-68,053	45,784
III.	Land and buildings	0	360	0	8,679	9,039
IV.	Advance payments made on property, plant and equipment	8,666	13	0	-8,679	0
V.	Office and other equipment	721	242	54	-82	827
VI.	Goodwill	389	0	0	0	389
VII.	Other intangible assets	226	39	0	0	265
		222,495	87,623	54	0	310,064

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

		Cost of acquisition or creation				
		At 1/1/2007 EUR 000	Additions EUR 000	Disposals EUR 000	Reclassifications EUR 000	At 12/31/2007 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, 2008

Depreciation and amortization					Changes in fair value per IAS 40			Carrying amount	Carrying amount
At 1/1/2008 EUR 000	Additions (scheduled) EUR 000	Impairment loss per IAS 36 EUR 000	Disposals EUR 000	At 12/31/2008 EUR 000	At 1/1/2008 EUR 000	Disposals EUR 000	At 12/31/2008 EUR 000	At 12/31/2008 EUR 000	At 12/31/2007 EUR 000
0	0	0	0	0	6,853	13,696	20,549	274,309	138,752
0	0	604	0	604	0	0	0	45,180	80,594
0	219	0	0	219	0	0	0	8,820	0
0	0	0	0	0	0	0	0	0	8,666
224	122	0	24	322	0	0	0	505	497
0	0	0	0	0	0	0	0	389	389
41	40	0	0	81	0	0	0	184	185
265	381	604	24	1,226	6,853	13,696	20,549	329,387	229,083

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 1/1/2007 EUR 000	Additions (scheduled) EUR 000	Impairment loss per IAS 36 EUR 000	Disposals EUR 000	At 12/31/2007 EUR 000	At 1/1/2007 EUR 000	Disposals EUR 000	At 12/31/2007 EUR 000	At 12/31/2007 EUR 000	At 12/31/2006 EUR 000
0	0	0	0	0	1,621	5,232	6,853	138,752	82,000
0	0	0	0	0	0	0	0	80,594	44,018
0	0	0	0	0	0	0	0	8,666	0
62	170	0	8	224	0	0	0	497	410
0	0	0	0	0	0	0	0	389	389
9	32	0	0	41	0	0	0	185	193
71	202	0	8	265	1,621	5,232	6,853	229,083	127,010

Appendix 2

List of interests held as of December 31, 2008

1) Direct equity interests:

Company name and location	Share of equity held in %
IFM Asset Management GmbH, Heidelberg	100.00%
IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg	94.80%
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	100.00%
IFM Property Project Ulmenstraße GmbH, Heidelberg	100.00%
GP Properties GmbH, Heidelberg	94.80%
IFM Property Project Zimmerstraße GmbH, Heidelberg	100.00%
IFM Property Project Mainz GmbH, Heidelberg	100.00%
IFM Property Project Eschborn GmbH, Heidelberg	100.00%
IFM Property Project Feldbergstraße GmbH, Heidelberg	100.00%
IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project VIII GmbH, Heidelberg	100.00%
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	90.00%
NEWCOM Property Verwaltungs GmbH, Heidelberg	90.00%
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project IX GmbH, Heidelberg	100.00%

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	Share of equity held in %
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	100.00%
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	100.00%

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

Company name and location	Share of equity held in %
IFM Property Project Darmstadt GmbH, Heidelberg	90.00%

IFM Immobilien AG indirectly holds an interest in the following company through IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG:

Company name and location	Share of equity held in %
IFM Property Project Frankfurt–Zeil GmbH, Heidelberg	94.80%

Auditor's Report to the Consolidated Financial Statements (IFRS)

„Ulmenstraße 22"- Frankfurt am Main, West End

Audit Opinion

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, 2008. 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) 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, 2008 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 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 19, 2009

FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Spieß)
Wirtschaftsprüfer	Wirtschaftsprüfer

IFM Immobilien AG Management Report

„GutenbergPark“ - Mainz-Hechtsheim

Management Report for the business year 2008

A. The Business Environment

1. Strategy and business activities

IFM Immobilien AG (below: IFM AG or IFM) is an investor and project developer particularly engaged in commercial real estate, with an emphasis on office and downtown retail uses. Its business activities include producing high-quality new buildings in prime locations, mainly for commercial use, and revitalizing commercial properties. Revitalization includes

- redevelopment (e.g., structural alterations, structural restoration)
- restructuring (e.g., revisions in tenancy structure), and
- repositioning (e.g., with innovative marketing and leasing concepts).

Geographically, IFM's operations particularly focus on the Rhine-Main region, the Rhine-Neckar metropolitan area, and Berlin (central). The Company constantly reviews options for expanding its geographical presence into the Cologne/Düsseldorf, Hamburg and Munich areas.

IFM generates revenues from the leasing of properties, from interest income on loans to its subsidiaries, and from contracts for services. IFM also expects in the future to generate gains on the sale of interests in project companies (share deals). If the properties are sold in the form of an asset deal at the level of the special-purpose entities, IFM expects to receive dividend distributions accordingly.

2. Structure and organization

As the ultimate parent company of its corporate group, IFM Immobilien AG is responsible 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. It also currently owns a property where its Frankfurt office is located, and part of which is leased out to third-party tenants. The Executive Board manages IFM by guiding its business and financial policies.

Properties in the portfolio are held as a rule 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 contributions provided by IFM Immobilien AG. This is known as non-recourse financing.

3. Managing bodies

3.1. Executive Board and Supervisory Board

The Company's Executive Board consists of two members, Georg Glatzel (CEO) and Marcus Schmitz (CFO).

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 can also appoint the CEO, as Chairman of the Executive Board, as well as a Vice-Chairman.

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 co-determination requirements under the German labor laws, which would require it 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 complies with the requirements of law. In all material respects it also conforms to the recommendations and suggestions of the German Corporate Governance Code.

The Supervisory Board decides the compensation of the Executive Board. It also regularly reviews whether the structure of the compensation system is appropriate. The compensation of the Executive Board consists of an annual base salary plus a variable component. 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.

The variable component paid to the Executive Board is derived from the gains on the disposal of real estate projects, and also includes noncash perquisites in the form of the use of a company car. The compensation of Executive Board members additionally includes a stock-based component. Stock options were issued in 2006, 2007 and 2008, under two stock option plans (see the discussion under section E of the Management Report, as well as the comments on equity in the Notes).

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 IFM Immobilien AG 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, either directly or indirectly through its subsidiaries, 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, possible changes in the tax treatment of real estate financing, and structural developments in the credit industry.

The crisis in the international financial markets, which intensified significantly over the course of 2008, led to sometimes significant increases in refinancing expenses throughout the real estate sector, because banks were passing on their higher investment costs to clients, and also increased their risk premiums. The higher cost of credit may have repercussions for IFM in the event of new acquisitions or in follow-up 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 revitalization 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.

Another critical influencing factor for business operations is the performance of the economy as a whole. This may have an impact on new tenancies and lease renewals, on demand, and directly or indirectly on realizable prices. Amid this setting, innovative real estate marketing becomes even more important for the Group – further confirmation of the Company's corporate strategy to date.

5. Corporate management and performance indicators

5.1. Financial performance indicators

The long-term business success of IFM Immobilien AG is measured on the basis of value-oriented parameters.

One particular financial performance indicator is the return on equity of the individual special-purpose entities relative to their equity employed. The actual return on equity is compared to the theoretically required return of between 15% and 25% per year, before taxes, on the basis of equity employed (not including leverage). Consequently a great deal of importance attaches to the comparison of planned figures against the actual figures.

5.2. Non-financial performance indicators

In addition to financial parameters, certain non-financial performance indicators are very important in achieving business success. These are provided by the Company's particular business model, and by the know-how of its management and employees.

The principal non-financial performance indicators include:

A knowledge of the real estate market: IFM's economic success depends significantly on the experience and expertise of its management and employees in identifying suitable properties in prime locations with great potential for appreciation, and in estimating development options as accurately as possible. In this regard, a detailed knowledge of regional markets is a necessity. The CEO of IFM Immobilien AG has more than 20 years of experience in project development for commercial properties, as well as a thorough knowledge of the real estate sector. Other employees also have many years of experience in property development, as well as knowledge and connections in the real estate industry.

Skills in real estate marketing: IFM Immobilien AG, in part by way of its subsidiary IFM Asset Management GmbH, has special skills in real estate marketing that set it apart from the competition. Among its specific strengths are preparing customized leasing and marketing concepts, positioning a new or revitalized property accurately for its intended public, and effectively reaching potential tenants. These enable IFM to speed up the leasing process compared to its competitors, and to achieve marketing successes earlier.

In designing and implementing such marketing concepts, IFM works closely with such partners as advertising agencies and brokers.

Know-how in project development: In revitalization, IFM concentrates on its core competencies in the 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 will be carried out properly and on time.

6. Research and development

The Company operates as an investor and project developer, especially in commercial real estate. Thus its research and development activities are limited to developing projects for properties in its portfolio, preparing innovative marketing concepts, and analyzing and monitoring the market within the real estate sector. Otherwise it conducts no research and development activities.

7. The economic environment in 2008

The German economy slackened significantly in 2008. This was especially the case in the fourth quarter, when the international financial crisis became considerably more intense. According to preliminary calculations, the growth of the German gross domestic product (GDP) decreased to 1.3% in 2008, compared to 2.5% the year before. GDP declined in the fourth quarter. Capital spending and higher government demand provided some momentum, although with a declining trend as the year went on. Deteriorating conditions in the export sector had a contrary, slowing effect.

At the end of 2008, the economies of other major industrialized nations were also either on the verge of a recession, or in a recession already. In expectation of a substantial economic downswing, companies and private consumers' propensity to spend declined. The growing intensity of the financial crisis caused state institutions to approve extensive guarantee and support measures for the financial system and for certain other sectors, such as the automotive industry in the United States. These measures are intended in part to counteract banks' reluctance to lend as a consequence of a general loss of confidence in the banking sector. Global GDP growth was estimated at only 3.4 percent for 2008, compared to an increase of 5.2 percent the year before.

Sources:
European Central Bank, Monthly Report, January 2009
Press Release, Federal Statistical Office, January 14, 2009
International Monetary Fund, World Economic Outlook, January 2009

8. Development of the commercial real estate market in 2008

The crisis in the international financial markets, and the substantial economic downswing in broad parts of the world, also affected the markets for commercial real estate in many countries during 2008. Yet Germany was still one of the most robust investment locations in Europe. The office market in the six German real-estate citadels of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart proved relatively crisis-resistant for much of the year, although it did not match the dynamic performance of the year before. Not until the fourth quarter of 2008 did important indicators for the commercial rental market, such as exports or employment figures, begin to decline significantly.

Cumulatively for all six of the above German metropolitan areas, about 2.9 million square meters of office space were leased or sold to owner-occupants in 2008 –a decrease of barely 8% against the year before. Here Frankfurt am Main (including its environs) had a slightly larger decrease of 9%. Nevertheless, the rental volumes reached were still among the highest in the history of the German office market. New construction picked up significantly in 2008 to reach about 890,000 square meters (+48% against 2007).

The vacancy rate for all six real estate metropolises combined, at 8.9%, was below the 2007 figure. Here the leader was Frankfurt am Main – still basically strong, but volatile because of its dependence on the financial service sector – with a rate of 12.5% (2007: 13.7%). However, we estimate that vacancy rates for high-quality properties in prime locations are significantly lower.

Rents reached a peak at the end of 2008. While top rents remained stable in Düsseldorf and Frankfurt am Main, there were slight gains in the other metropolitan centers. The rent price index for all six principal real estate cities rose to 87.5 points at the end of December 2008 (+1.9% against the same date a year earlier), but was still well below the maximum from the previous real estate cycle (2001).

Sources:
Jones Lang LaSalle, Office Market Overview, Q4 2008, January 12, 2009

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

1. General information

The financial statements of IFM Immobilien AG for 2008 were prepared in accordance with the requirements of the German Commercial Code (HGB), as applicable for the reporting period. The prior-year figures were also determined under the HGB.

2. Revenue and earnings performance

IFM Immobilien AG had another successful business year in 2008, with very solid business performance, especially considering the general economic environment.

Revenues increased 41.0%, to EUR 0.8 million. In spite of lower revenues from internal agreements for services, the main reason here was the full-year leasing of the property at Ulmenstrasse 22 in Frankfurt am Main.

The cost of goods sold, which includes the cost of maintenance and management for the property at Ulmenstrasse 22, was EUR 0.1 million for fiscal 2008 (prior year: EUR 0). Personnel expenses, at EUR 0.9 million, remained unchanged in absolute terms against the prior year.

Other operating expenses increased from EUR 1.7 million to EUR 4.6 million. The increase particularly resulted from expenses of EUR 1.8 million on the valuation of derivatives, especially the fair valuation of floors entered into to hedge interest rates.

A further cause for the increase was the costs occasioned by moving IFM Immobilien AG stock to the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange, effective April 30, 2008 (EUR 0.6 million), and by a capital increase in June (EUR 0.2 million).

The net interest income was EUR 1.4 million (2008: EUR 2.6 million). Interest income decreased from EUR 2.3 million to EUR 1.7 million. The reason was the increased allocation of equity capital to subsidiaries. Interest expenses of EUR 0.4 million were incurred for the first time, because of the financing of the property at Ulmenstrasse 22.

The net loss for the year was EUR 3.6 million, compared to a net profit of EUR 0.7 million the year before.

3. Net assets

The asset and capital ratios of IFM Immobilien AG at December 31, 2008, were significantly affected by the capital increase of June 2008, in comparison to the figures as of December 31, 2007. The Company's total assets rose 10.8%, from EUR 85.9 million to EUR 95.2 million.

Noncurrent assets as of December 31, 2008, at EUR 51.6 million, were up EUR 26.3 million from the comparable figure at the end of 2007. The largest single item among noncurrent assets was interests in affiliated companies, which came to EUR 42.5 million, compared to EUR 16.4 million for the prior year. The EUR 26.1 million increase results from taking account of the increase in capital reserves at three single-purpose entities in 2008, as well as the acquisition costs of EUR 11.4 million associated with acquiring stakes in IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG.

Details of the changes in current assets were as follows:

- Amounts receivable from affiliated companies: EUR 32.5 million (vs. EUR 43.9 million). The reason for the significant decrease in receivables from affiliates was the increase in capital reserves at three special-purpose entities, which were endowed through contributions to those reserves.
- Other assets: EUR 1.9 million (vs. EUR 2.2 million)
- Securities: unchanged from previous year at EUR 5.0 million
- Cash funds: EUR 4.1 million (vs. EUR 9.7 million in 2007). The decrease in cash particularly resulted from payments associated with the acquisition of subsidiaries.

In spite of the EUR 3.6 million loss for the year, the Company's equity increased from EUR 76.3 million to 81.9 million. This figure includes the increase in share capital carried out on June 20, 2008, in which a total of 849,999 no-par shares, each notionally representing EUR 1.00 of the share capital, were placed with institutional investors from Germany and other European countries, excluding shareholders' preemptive rights. Thus the share capital increased from EUR 8.5 million to EUR 9.3 million.

The price, set by way of an accelerated book-building method, came to EUR 11.00 per share. The capital increase generated proceeds of EUR 9.3 million for the Company, before transaction costs, so that in accordance with Sec. 272 (2) No. 1 of the German Commercial Code, the additional paid-in capital increased by EUR 8.5 million to EUR 81.5 million.

Nevertheless, the equity ratio as of the balance sheet date was down slightly, from 88.8% to 86.1%.

The increase in other provisions from EUR 0.3 million to EUR 2.4 million particularly pertains to contingent losses on pending transactions from the fair valuation of floors.

The liabilities consisted of the following:

- Liabilities to banks remained almost unchanged at EUR 6.8 million.
- Trade accounts payable: EUR 0.2 million (vs. EUR 0.5 million in 2007).
- Liabilities to affiliated companies increased from EUR 1.7 million in 2007 to EUR 3.7 million.
- Other liabilities decreased to EUR 0.1 million, compared to EUR 0.3 million in 2007.

4. Financial position

4.1. Basic principles of financial management

IFM Immobilien AG finances its subsidiaries' real estate projects in part out of equity and in part through long-term borrowings that are particularly provided by banks.

In general, real estate projects are held by separate project companies. As a rule, project companies are financed with about 25% equity and about 75% 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 companies.

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. In this connection, at the beginning of 2007 IFM entered into reserve hedges in the form of caps and floors for a total of EUR 50 million. Most of the caps were subsequently spread out among various project companies, so that as of the balance sheet date only the floors from the reserve hedges were still held by IFM. In addition, there are other interest rate hedges in the form of caps, with a nominal value of EUR 6.8 million, and floors, with a nominal value of EUR 4.2 million. The negative market value of the floors as of the reporting date was EUR 2.0 million, and is shown under other provisions.

4.2. Financial position

In the past fiscal year, IFM AG particularly derived its financing from its successful capital increase. The cash generated, before transaction costs, was EUR 9.3 million. This generated cash was used to acquire interests in subsidiaries, and for the associated incidental acquisition costs. In addition, other cash was used for this purpose, so that cash and cash equivalents decreased from EUR 9.7 million at the beginning of the year to EUR 4.1 million at year's end.

5. 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 know-how, experience and dedication are the foundation for sustained business success, and provide a competitive advantage in the real estate markets that are relevant to IFM.

Not including the two members of the Executive Board, IFM Immobilien AG had 5 employees as of December 31, 2008 (end of 2007: 5).

The Company's compensation system for all employees is based on their individual performance. High performers receive a voluntary bonus in addition to the fixed component of their compensation.

C. Events after the reporting date

Pål Berg has joined the Supervisory Board of IFM Immobilien AG as its newest member. Mannheim Local Court appointed Mr. Berg to the board on January 14, 2009. He is an investment officer with the Norwegian company Havfonn AS. Havfonn is part of an investor group that holds a significant interest in IFM Immobilien AG.

D. Risk and opportunity report

1. Risk management

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

As a summation, management believes that there are no discernible risks to the Company's continuing existence, either from past developments or from any other developments foreseeable at present. It bases this opinion on its analysis and assessment of all risks.

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 IFM's primary focus by way of its subsidiaries, is commonly subject to cycles. This market is also affected by various additional factors over which IFM has no control, and that are difficult to predict with any certainty. These include the current economic changes as a consequence of the international crisis in the financial markets. Adverse changes in economic conditions may reduce demand for commercial space and adversely affect the business performance of IFM Immobilien AG.

Changes in interest rates: IFM finances its subsidiaries' acquisitions of real estate primarily through borrowings. The crisis in the financial market has subjected interest rate markets to significant volatility above and beyond the usual market fluctuations. Consequently financing costs have risen significantly, especially for new acquisitions, because of lenders' substantially higher margins. Aside from higher financing costs, interest rate hedges may become more expensive or become unavailable. However, 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. The higher cost of credit may have repercussions for IFM in the event of new acquisitions or in follow-up financing.

Availability of financing: The financial crisis has been characterized by worldwide losses and insolvencies among companies in the financial sector. Banks have been significantly hampered in their latitude for action. They are significantly more risk-averse in lending: in many cases, financing is possible only where the risks to the lender banks can be reduced to a minimum. The result is less ready availability of financing for real estate projects. Additionally, approved credit lines from lender banks may lapse or be cancelled, or larger amounts of equity may be required, because the banks change their business policies in response to the financial crisis. Under the Act to Stabilize the Financial Markets, adopted in 2008, the German government guarantees debt instruments and liabilities of banks, so as to keep the capital and finance industry functional.

2.2. Risks resulting from IFM's business operations

Since IFM operates primarily as a holding company, it is subject in particular to the risk that the ownership interests it holds may perform negatively. This might in particular result if the properties that subsidiaries cannot appreciate, or turn out to be unable to retain their value. This risk is taken into account with close controlling of ownership interests.

The following risks exist in addition:

Limited management capacity: IFM's success depends on its management and its experienced personnel in key positions. The Company continues to depend to a great degree on its current CEO's many years of experience and network of contacts. 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 Company were to lose managers or experienced personnel or were unable to recruit qualified employees, this might have a material adverse effect on its competitiveness.

Slow rentals: IFM's business success depends significantly, though indirectly, 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 Company's competitiveness. Additionally, tenants might terminate their leases or default on their rent. The impact of the financial crisis on the earnings of financial service providers, and increasingly also on companies in other sectors, might make the leasing business more difficult, or result in liquidity bottlenecks among existing tenants, with a consequent higher risk of defaults.

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, and thus also affect IFM Immobilien AG in its capacity as the Group's ultimate parent company. 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.

2.3. Financial risks

IFM's business activities expose it to a variety of financial risks. These particularly include liquidity risks and interest rate risks.

In general, IFM and its subsidiaries enter into loan agreements solely with German banks. The same applies for the associated interest rate hedges. Given the government's guarantees, IFM believes counterparty risk is low, and believes its loan lines under contract are secure.

Liquidity risk

Detailed financial planning is maintained at the Group level over multiple planning periods, in order to coordinate investment and financing flows. At December 31, 2008, the Group had access to total unused credit commitments of approximately EUR 39 million. These commitments had terms of up to 5 years.

Market risks

As a market risk from financial instruments, the risk of changes in interest rates is of particular concern for IFM and its subsidiaries. A small portion of the Group's bank liabilities are financed at a fixed interest rate, while most are at variable rates, for example on the basis of the 3-month EURIBOR rate. To keep changes in interest rates calculable, they are hedged through interest rate swaps or collars (caps and floors). These open up the possibility for the Group to profit to a small degree from decreasing interest rates, in the case of collar hedges.

3. Opportunities

Lower interest rates: Some of the interest rate hedges that IFM has entered into take the form of "collars." These enable the Company to profit to a limited degree from falling interest rates. In addition, in the case of pending new financing or renewals of financing, because of lower interest rates overall the Company expects to be able to reduce its future financing costs in some cases, even if margins have increased considerably.

Attractive acquisition opportunities: The Company expects that institutional investors who acquired large packages of real estate in past years will find it difficult or impossible to refinance them during the financial market crisis, and will thus be forced to sell properties. In this case, properties suitable for revitalization by IFM, and thus appropriate for an investment, might come on the market at attractive prices.

Geographical expansion: IFM Immobilien AG foresees future opportunities in a geographical diversification of its activities to the regions of the major business conurbations of Munich, Cologne/Düsseldorf, and Hamburg. Management believes these regional markets have further long-term growth potential. However, it must be borne in mind that IFM will expand its locations further only where it can be certain of achieving critical mass. Accordingly, for the short to medium term, the Rhine/Main, Rhine/Neckar and Berlin (central) regions that it has already entered will remain the primary focus.

Speed of implementation of portfolio projects: By applying its core competencies of redevelopment, restructuring and repositioning of properties, the Company can invest in existing properties, finish office space, and have it ready to lease 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.

Marketing skills: In its business activities, IFM will continue to make systematic use of its recognized skills; it considers itself a trend setter in real estate marketing. The Company has shown that it can achieve leasing successes faster this way. IFM expects this to remain a competitive advantage, even if the economic downswing makes leasing more difficult. IFM foresees another advantage in being able to make use of its own leasing capacities, thus reducing dependency on outside brokers and service providers.

E. Information under Sec. 289 (2) No. 5 and Sec. 289 (4) of the German Commercial Code

Information about the structure of Executive Board compensation (Sec. 289 (2) No. 5, 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.
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. The second tranche under this program was issued in February 2008.

Information about the structure of Supervisory Board compensation (Sec. 289 (2) No. 5, 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. 289 (4) No. 1, Commercial Code): The share capital of IFM Immobilien AG as of December 31, 2008, was EUR 9,349,999, divided into 9,349,999 shares of common stock with no par value. Each share confers one vote at the shareholders' meeting. Before the next 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. 289 (4) No. 2, Commercial Code): The Executive Board is not aware of restrictions of any kind concerning voting rights or transfers of the Company's stock.

Information about direct or indirect equity investments (Sec. 289 (4) No. 3, Commercial Code): According to the notices of voting rights the Company has received to date, at the time of the preparation of this Management Report the shareholder structure of IFM Immobilien AG was as follows: Sirus Investment GmbH 5.60%, IFM Immobilien Finanz Management GmbH 3.70%, LRI Invest S.A. 5.35%, Libra Europe Fund 6.86%. A further 30.22% is held by a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS and Furuholmen Eiendom AS.

Information about holders of shares with special rights (Sec. 289 (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. 289 (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. 289 (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. 289 (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).

A portion of the authorized capital was used in 2008 for purposes of a capital increase in return for cash. An amount of EUR 3,400,001 remained unused at December 31, 2008.

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 five 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. As of December 31, 2008, 120,000 stock options had been 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. As of December 31, 2008, a total of 584,000 options had been issued in two tranches.

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. 289 (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. 289 (4) No. 9 Commercial Code):
There are no applicable indemnification agreements.

F. Report of anticipated developments

1. Economic environment

According to figures from the International Monetary Fund (IMF) from the end of January 2009, global GDP is expected to grow only 0.5% during the year. Both the United States and the countries of the Euro Zone are expected to fall into recession, and economic growth in emerging economies like Brazil, Russia, India and China is expected to slow down.

For 2009, the German government expects the German economy to see the most severe recession since the Federal Republic has been in existence. According to projections, gross domestic product will shrink 2.25%. One reason is the large share of exports in the German economy, and thus its vulnerability to lower demand in trading partners' countries during the global economic downswing. A significant decrease is also expected in imports. Domestic demand is expected to remain constant, and consumer spending is even expected to grow slightly. Because of economic conditions, unemployment is expected to increase appreciably.

Experts consider the German government's economic packages an appropriate response to the downswing. These focus on measures that will bring effects in the longer term, such as promoting capital spending and reducing taxes and social-security contributions. At the same time, the economic packages are of such a volume that they may achieve a positive economic effect. The worldwide government support measures, lower prices for raw materials, and the declining rate of inflation lead the Association of German Banks to expect the economy to stabilize by the middle or end of 2009. Nevertheless, risk factors are expected from such directions as lenders' continuing reluctance to lend to business, and consumers' or investors' lack of confidence in a reversal of the trend.

Sources:
Bundesverband deutscher Banken e.V.: Economic Report, January and February 2009
European Central Bank, Monthly Report, January 2009
International Monetary Fund, World Economic Outlook, January 2009
German government press release of January 21, 2009

2. Projected development of the commercial real estate market

The situation in the German commercial real estate market clouded over further at the beginning of 2009. Market experts expect a significant decline in demand in the wake of the economic downswing. At the same time, the increase in new construction in Germany's six major centers for real estate is expected to be about 1.2 million square meters. Consequently vacancy rates are likely to increase, reaching about 10% for all these main centers combined. However, limiting factors such as the relatively high cost of construction and the increasing difficulty of in finding financing for projects mean that there will probably not be a significant surplus of office properties.

In 2009, occupied office space is expected to decrease in the six urban centers, possibly by a double-digit percentage, depending on the severity of the economic downswing. A decrease is also expected in the rent price index, and landlords appear to be increasingly willing to offer incentives for tenants.

Because of its comparatively high dependency on the banking sector, which is being shaken by crises, the real estate market in the Frankfurt am Main location is also likely to be less positive. However, unlike other financial centers like New York and London, Frankfurt has a large number of traditional full-service banks, and does not depend so heavily on pure investment banks. Hence it will probably not be stricken to the same extent by job cutbacks resulting from the financial crisis.

The German market in retail real estate, especially in prime downtown locations, is still expected to have good prospects for development. Provided quality criteria are met in terms of location, concept and management, shopping malls in particular continue to provide stable appraisals and adequate cash flows. Thus retail real estate may prove to be a haven of stability in the crisis.

Sources:
Jones Lang LaSalle, Office Market Overview, Q4 2008, January 12, 2009
CD Richard Ellis, Market View Frankfurt/Main, Q4 2008
Property Magazine, February 19, 2009

3. Strategic focus of IFM Immobilien AG

IFM Immobilien AG will continue to operate as an investor and active project developer engaged in commercial real estate, with an emphasis on office and downtown retail uses. Business operations will focus both on conventional project development and on revitalization of portfolio properties, in connection with the Company's core competencies in redevelopment, restructuring and repositioning.

In the coming years, IFM Immobilien AG once again plans to concentrate on investing in properties that stand out for their attractive risk-opportunity profile, extensive potential for development and appreciation, and preferred locations. Appreciation of the real estate portfolio is expected to be achieved primarily through revitalization.

The IFM Immobilien Group, and thus IFM Immobilien AG in its capacity as the Group's ultimate parent company, is geographically concentrated at present in the Rhine-Neckar metropolitan area, the Rhine-Main region, and Berlin. The Company still plans in the medium term to acquire additional attractive properties in the regions of the major business centers of Munich, Cologne/Düsseldorf, and Hamburg, so as to diversify its property portfolio regionally. However, regional expansion is not a prerequisite for the further successful implementation of the Company's business strategy. Rather, it would represent a way of taking advantage of additional growth opportunities. In this connection, for tax or other reasons, IFM Immobilien AG might also act as a purchaser of real estate.

Moreover, management actively explores the market so as to realize appreciation in the portfolio through sales, provided the sales can be carried out on economically acceptable terms.

4. Financial outlook

The crisis in the financial markets and its impact on other sectors have made the market environment more demanding. Consequently IFM will be unable to keep its distance from the difficult business and financial environment.

Nevertheless, barring unforeseen adverse events that have a material impact on IFM Immobilien AG, the Executive Board believes the Company is still well equipped to maintain its previous growth in fiscal 2009.

Heidelberg, March 19, 2009
The Executive Board

Financial Statements (German Commercial Code)

„westendFirst“ - Frankfurt am Main, West End

Balance Sheet for the business year 2008

Assets	EUR	12/31/2008 EUR	12/31/2007 EUR 000
A. Non-current assets			
I. Intangible assets			
1. Concessions, industrial property rights and similar rights and assets, and licenses thereto	13,190.00		6
2. Advance payments made	8,000.00		0
		21,190.00	6
II. Property, plant and equipment			
1. Land and buildings	8,820,197.95		0
2. Other equipment, office equipment	287,100.00		201
3. Advance payments on property, plant and equipment and facilities under construction	0.00		8,666
		9,107,297.95	8,867
III. Financial assets			
Interests in affiliated companies		42,471,719.59	16,403
		51,600,207.54	25,276
B. Current assets			
I. Accounts receivable and other assets			
1. Trade accounts receivable including EUR 0.00 with a remaining term of more than one year	48,020.94		0 (0)
2. Amounts receivable from affiliated companies including EUR 9.310.000.00 with a remaining term of more than one year	32,543,271.64		43,851 (15,860)
3. Other assets including EUR 0.00 with a remaining term of more than one year	1,874,536.63		1,955 (89)
		34,465,829.21	45,806
II. Securities			
Miscellaneous securities		**5,003,025.00**	5,003
III. Cash on hand, cash on deposit with the Bundesbank and other banks, checks		4,053,562.49	9,730
		43,522,416.70	60,539
C. Expenses paid in advance		46,451.56	50
Total Assets		**95,169,075.80**	**85,865**

Balance Sheet for the business year 2008

Equity and Liabilities		EUR	12/31/2008 EUR	12/31/2007 EUR 000
A. Equity				
I.	Issued capital		9,349,999.00	8,500
II.	Additional paid-in capital		81,499,990.00	73,000
III.	Distributable loss		-8,897,301.41	-5,248
			81,952,687.59	76,252
B. Provisions				
	Other provisions		2,396,365.13	358
C. Liabilities				
1.	Liabilities to banks	6,806,844.13		6,791
	including EUR 36.844.13 with a remaining term of one year or less			(21)
	including EUR 0.00 with a remaining term of more than five years			(6,770)
2.	Trade accounts payable	203,438.65		469
	including EUR 203,438.65 with a remaining term of one year or less			(469)
3.	Liabilities to affiliated companies	3,713,325.17		1,651
	including EUR 3,713,325.17 with a remaining term of one year or less			(1,651)
4.	Other liabilities	96,415.13		344
	including EUR 38,730.29 for taxes			(13)
	including EUR 0.00 for social security			(0)
	including EUR 96,415.13 with a remaining term of one year or less			(13)
			10,820,023.08	9,255
Total Equity and Liabilities			**95,169,075.80**	**85,865**

Profit and loss statement for the business year 2008

Income Statement from Jan. 1 through Dec. 31, 2008	EUR	12/31/2008 EUR	12/31/2007 EUR 000
1. Revenues	756,162.86		536
2. Other operating income	141,216.02		212
		897,378.88	748
3. Cost of goods sold			
Raw materials, supplies, finished goods		-140,843.04	0
4. Personnel expenses			
a) Wages and salaries	-865,098.00		-879
b) Social security and expenses for pensions			
and assistance benefits	-41,256.25		-28
including EUR 0.00 for pensions			(0)
		-906,354.25	-907
5. Depreciation and amortization			
including intangible assets, property, plant and			
equipment		-283,240.07	-46
6. Other operating expenses		-4,567,005.70	-1,677
		-5,000,064.18	-1,882
7. Income from equity investments	0.00		260
8. ther interest and similar income	1,722,795.01		2,321
including EUR 1,410,132.62			(1,834)
to affiliated companies			
9. Interest and similar expenses	-369,126.23		-11
including EUR 0.00			
to affiliated companies			(0)
		1,353,668.78	2,570
10. Operating profit (loss)		**-3,646,395.40**	**688**
11. Other taxes		-2,436.48	-1
12. Net profit / loss for year		**-3,648,831.88**	**687**
13. Loss carried forward from prior year		-5,248,469.53	-5,935
14. Distributable loss		**-8,897,301.41**	**-5,248**

Notes to the Annual Financial Statements of IFM Immobilien AG (HGB) at December 31, 2008

1. General Information about the annual financial statements

The Notes to the financial statements of IFM AG have been prepared in compliance with the terms of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). To improve the clarity of presentation, certain items in the balance sheet and income statement are combined in the annual financial statements, and subsequently explained in the Notes.

The stock of IFM AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange on April 30, 2008. Following the revision of the classification of businesses by size under Sec. 267 (3) Sentence 2 in conjunction with Sec. 2 (5) of the German Securities Trading Act (WpHG), the Company is therefore to be considered a large capital corporation, and as of that date its financial statements must apply the presentational and reporting requirements for such corporations.

However, the presentation of the balance sheet and income statement in the previous periods already voluntarily adopted the same format as for large capital corporations.

The income statement is presented using the “nature of expense” method.

Except as indicated otherwise, all amounts are shown in thousand euros (EUR 000).

2. Accounting policies

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

The intangible assets and property, plant and equipment to be attributed to IFM AG are measured at their cost of acquisition or creation, less scheduled depreciation or amortization to the extent that they are subject to wear and tear.

A depreciation rate of 3% is applied for buildings.

A useful life of three to five years is assumed for office and other equipment.

In compliance with the change in tax regulations as of January 1, 2008, minor-value goods with acquisition costs of between EUR 150 and EUR 1,000 are combined into a collective item, irrespective of their usual useful life, and are uniformly depreciated over five years.

Financial assets are valued at cost; no write-downs were necessary. The value of the individual companies derives from the value of the property they own, which has been documented by expert appraisals as of the balance sheet date.

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

Provisions take account of all risks and doubtful debts as of the reporting date that were evident at the time of preparation, on the basis of a reasonable commercial assessment.

Liabilities are measured at their repayment value.

3. Notes to the balance sheet

Noncurrent assets (1):
The composition and evolution of noncurrent assets is shown in the attached statement of changes in assets.

Property, plant and equipment (2):
Property, plant and equipment includes land for a value of EUR 1,724 thousand, and buildings for a value of EUR 7,097 thousand, after depreciation of EUR 219 thousand. The remaining property, plant and equipment comprises vehicles, office furnishings and office and other equipment. After deduction of depreciation, the carrying amount is EUR 287 thousand.

Financial assets (3):
The financial assets pertain to ownership interests in affiliated companies.
The list of interests held is provided as Appendix 2.

Amounts receivable from affiliated companies (4):
These comprise the following:

	EUR 000
Loan receivables	30,715
Other trade receivables from affiliated companies	1,828
Total	32,543

Other assets (5):
The other assets largely comprise income-tax and value-added tax receivables.

Miscellaneous securities (6):
IFM AG invests free cash in funds on a short-term basis. As in the previous year, the amounts are recognized at cost. The fund’s investment goal is to generate above-average returns through active portfolio management, allowing for risk diversification, in euros.

Cash on hand and cash on deposit with banks (7):

The cash funds of EUR 4,054 thousand include term deposits of EUR 3,500 thousand and checking accounts and cash on hand of EUR 454 thousand. Cash and the deposits at banks are measured at their nominal amount.

Issued capital and additional paid-in capital (8):

The issued capital and additional paid-in capital changed as follows during the year:

	Issued capital EUR 000	Additional paid-in capital EUR 000
At January 1, 2008	8,500	73,000
Capital increase	850	8,500
At December 31, 2008	9,350	81,500

The issued capital of IFM AG recorded in the Commercial Register (share capital) was EUR 8,500,000 at the beginning of the fiscal year and was divided into 8,500,000 no-par bearer shares of common stock, each notionally representing EUR 1.00 of the share capital. On June 20, 2008, the share capital was increased in return for cash contributions. A total of 849,999 no-par shares, each notionally representing EUR 1.00 of the share capital, were placed with institutional investors from Germany and other European countries, excluding shareholders' preemptive rights. Thus the share capital increased from EUR 8,500,000 to EUR 9,349,999.

The price, set by way of an accelerated book-building method, came to EUR 11.00 per share. The capital increase generated proceeds of EUR 9,349,989 million for the Company, before transaction costs, so that in accordance with Sec. 272 (2) No. 1 of the German Commercial Code, the additional paid-in capital increased by EUR 8,499,999 to EUR 81,499,990.

Authorized Capital

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 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).

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. This conditional capital increase served solely to accord subscription rights to members of the Executive Board.

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 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 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

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. This 2007 Conditional Capital II is intended to cover subscription rights deriving from stock options. Under the 2007 stock option plan, 292,000 stock options were granted in September 2007 (Tranche 3 in the table below).

Additionally, a further tranche (Tranche 4) was issued under the 2007 stock option plan in February 2008.

As of the balance sheet date, the following share-based payments had been given out under the Company's stock option plan:

Nature of agreement	Stock-based compensation for Executive Board			
Tranche	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Grant date	6/10/2006	6/10/2006	9/13/2007	2/19/2008
Options granted	60,000	60,000	292,000	292,000
Maximum term (years)	5	5	5	5
Strike price (€)	5.00	5.00	10.94	9.28
Options outstanding at start of 2008 reporting period (Jan. 1, 2007)	60,000	60,000	292,000	0
Options granted during the 2008 reporting period	0	0	0	292,000
Options outstanding at end of 2008 reporting period (Dec. 31, 2008)	60,000	60,000	292,000	292,000
Options eligible for exercise at end of 2008 reporting period (Dec. 31, 2007)	0	0	0	0
Fair Value up to the time of permission	274	274	615	790

Provisions (9):

The provisions are particularly set aside for possible losses on pending transactions, in the amount of EUR 2,043 thousand, resulting from negative market values of existing interest rate hedging agreements (floors). Further provisions were set aside for the preparation and auditing of the annual financial statements (EUR 181 thousand), for publication costs (EUR 60 thousand), for compensation for the Supervisory Board (EUR 55 thousand), and for other expenses attributable to the fiscal year (EUR 57 thousand).

Liabilities to banks (10):

Liabilities to banks pertain primarily to financing for the Ulmenstrasse property.

Liabilities to affiliated companies (11):

Liabilities to affiliated companies include current accounts that primarily pertain to liabilities under the parent-subsidiary relationship with these companies for purposes of the value-added tax.For greater clarity and comprehensibility, this information is summarized in statement of liabilities, in thousand euros.

	At December 31, 2008	Remaining term 1 year or less	Remaining term between 1 and 5 years	Remaining term more than 5 years
Liabilities to banks	6,807	37	6,770	0
Trade accounts payable	203	203	0	0
Liabilities to affiliated companies	3,713	3,713	0	0
Other liabilities	96	96	0	0
Total	10,819	4,049	6,770	0

A total of EUR 6,770 thousand in liabilities to banks are secured with mortgages. Additionally, all current and future rent receivables have also been assigned, and term deposits of EUR 500 thousand have been pledged.

4. Income Statement

The income statement was prepared using the “nature of expense” method and in compliance with the regulations for large capital corporations.

All revenues, income and expenses were generated in Germany.

Revenues (12)

Revenues particularly include income from affiliated companies (EUR 320 thousand) and rental income (EUR 436 thousand).

Other operating income (13)

Other operating income includes income of EUR 115 thousand from write-backs of provisions.

Expenses for outside services (14)

The expenses for outside services reflect the property costs associated with rental income.

Wages and salaries (15)

Personnel expenses comprise the following:

	2008 in EUR 000
Wages and salaries	865
Social security and expenses for assistance benefits	41
Total	906

An average of 4 employees (not including the Executive Board) were employed during the year.

Depreciation and amortization (16)

Depreciation and amortization of noncurrent assets are shown in the statement of changes in assets. There was no reason for unscheduled write-downs.

Other operating expenses (17)

	2008 in EUR 000
Measurement of derivatives	1,778
Changes of segment and capital increase	779
Promotional and travel expenses	539
Legal and consulting expenses	354
Costs of financial statements and audits	250
Vehicle costs	119
Miscellaneous costs under EUR 100 each	748
Total	4,567

Income from equity investments (18)

The prior year's income from equity investments pertains to shares in the profits from interests in trading partnerships.

Other interest and similar income (19)

The other interest and similar income derives primarily from loan receivables from affiliated companies (EUR 1,410 thousand) and term deposits with banks (EUR 304 thousand).

Interest and similar expenses (20)

Interest and similar expenses derive almost entirely from bank loans.

5. Other information

5.1. Contingent liabilities

As of the balance sheet date, the following contingent liabilities in favor of affiliated companies existed within the meaning of Sec. 251 of the German Commercial Code:

- Annuity guarantee of EUR 45,000 thousand (prior year: EUR 0)
- Directly enforceable guarantee of EUR 11,000 thousand (prior year: EUR 0)
- Cost overrun guarantee of EUR 1,900 thousand (prior year: EUR 0).

5.2. Other financial liabilities

As of December 31, 2008, liabilities from contracts entered into and not yet performed (order commitments) came to EUR 82 thousand.

The accumulated obligations under permanent debt obligations (rental and lease agreements) as of the balance sheet date came to EUR 388 thousand.

5.3. Derivatives

The figure recognized here 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 and liabilities at fair value, as shown below.

Instrument	Group company	Fair value EUR 000
Cap	IFM AG	6
Cap	IFM AG	15
Total		21

Instrument	Group company	Fair value EUR 000
Floor	IFM AG	-1,817
Floor	IFM AG	-226
Total		-2,043

The fair value of caps and floors is determined using a modified Black-Scholes model.

Positive market values from caps are recognized in the amount of their fair value under other assets, since as of the balance sheet date their value was less than the paid premiums. Negative fair values of floors are recognized as a liability, under other provisions, as possible losses from pending transactions.

5.4. The Company's managing bodies and their compensation

5.4.1 Supervisory Board

Luca Pesarini (Chairman), graduate in business
Gordon Rapp (Vice-Chairman), attorney at law
Eberhard Hascher, tax consultant
Martin Lechner, graduate in business
Dr. Marcus Opitz, corporate consultant (until September 5, 2008)
Philipp Vogel, businessman

A new member of the Supervisory Board of IFM AG, as of January 14, 2008, is Pål Berg, of Norway.

The variable and fixed compensation of the Supervisory Board totaled EUR 149 thousand in 2008.

The following members of the Supervisory Board hold seats on other supervisory bodies:

Gordon Rapp is the Chairman of the Supervisory Board of IQ Videowall Deutschland AG.

Martin Lechner is the Chairman of the Board of Directors of Ferman AG and Proprietary Partners AG. Martin Lechner is a member of the Board of Directors of Vanguard Swiss AG, Vanguard HI AG, Pari Capital AG and IQ Capital AG.

5.4.2. 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), graduate in business administration (Fachhochschule), Frankfurt

The variable and fixed compensation of the Executive Board totaled EUR 541 thousand in 2008.

The Compensation Report is an integral part of the management report for fiscal 2008.

The members of the Executive Board do not hold seats on any other supervisory body.

6. Information under Sec. 160 No. 8 of the German Stock Corporations Act

The following shareholder groups issued notices under Sec. 21 (1a) of the German Securities Trading Act (WpHG):

1. Shareholders from Norway (Skips AS Tudor, Havfonn AS, Furuholmen Eiendom AS, Snefonn AS, Mr. Morten Sig. Bergesen, AS Cetus, Mr. Wilhelm Wilhelmsen and AS Kassiopeia)
2. The Executive Board and Supervisory Board of IFM AG Libra Europe Fund und Libra Equity Limited
3. Libra Europe Fund und Libra Equity Limited
4. LRI Invest S.A.

Concerning 1. Shareholders from Norway

On April 30, 2008, Skips AS Tudor, 1324 Lysaker, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Skips AS Tudor held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Skips AS Tudor before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,347 voting shares) out of this holding is to be attributed to Skips AS Tudor pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Skips AS Tudor:

- Havfonn AS
- Furuholmen Eiendom AS.

The remaining voting rights (10.07%) are held directly by Skips AS Tudor."

On April 30, 2008, Havfonn AS, 0213 Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Havfonn AS held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Havfonn AS before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,346 voting shares) out of this holding is to be attributed to Havfonn AS pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Havfonn AS:

- Furuholmen Eiendom AS
- Skips AS Tudor.

The remaining voting rights (10.07%) are held directly by Havfonn AS."

On May 5, 2008, Furuholmen Eiendom AS, PB 94, 0309 Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, Furuholmen Eiendom AS held 30.22% of the voting rights (i.e., 2,568,520 voting shares) of IFM AG. This percentage of voting rights was held by Furuholmen Eiendom AS before IFM AG applied for admission to the regulated market. The percentage has not changed since then. A total of 20.15% (i.e., 1,712,347 voting shares) out of this holding is to be attributed to Furuholmen Eiendom AS pursuant to Sec. 22 (2) of the German Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to the voting rights of Furuholmen Eiendom AS:

- Havfonn AS
- Skips AS Tudor.

The remaining voting rights (10.07%) are held directly by Furuholmen Eiendom AS."

On May 29, 2008, Snefonn AS, of Oslo, Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 2008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 10.07% (856,174 voting rights) out of this holding are attributed to us under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, and 20.15% (1,712,346 voting rights) are attributed to us under Sec. 22 (2) of the Securities Trading Act.

Voting rights attributed under Sec. 22 (1) Sentence 1 of the Securities Trading Act are held through the following company, which we control and whose share of voting rights in IFM AG amounts to 3% or more:

Havfonn AS

Voting rights attributed to us under Sec. 22 (2) of the Securities Trading Act are held through the following companies, which directly hold 3% or more of the voting rights:

- Furuholmen Eiendom AS
- Skips AS Tudor."

On May 29, 2008, Mr. Morten Sig. Bergesen, of Norway, notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, my share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 10.07% (856,174 voting rights) out of this holding are attributed to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act, and 20.15% (1,712,346 voting rights) are attributed to me under Sec. 22 (2) of the Securities Trading Act.

Voting rights attributed under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act are held through the following companies, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Havfonn AS
- Snefonn AS.

Voting rights attributed to us under Sec. 22 (2) of the Securities Trading Act are held through the following companies, which directly hold 3% or more of the voting rights:

- Furuholmen Eiendom AS
- Skips AS Tudor."

AS Cetus, of Lysaker, Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 2008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to AS Cetus under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,173 voting rights) is attributed to AS Cetus under Sec. 22 (1) Sentence 1 of the Securities Trading Act. Voting rights attributed to us are held through the following companies, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor
- AS Kassiopeia."

Mr. Wilhelm Wilhelmsen, of Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, I hereby notify you that at April 29, 2008, my share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to me under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,173 voting rights) is attributed to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act. Voting rights attributed to me are held through the following companies, which I control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor
- AS Kassiopeia
- AS Cetus."

AS Kassiopeia, of Lysaker, Norway, has notified IFM AG as follows:

"Pursuant to Sec. 21 (1a) of the German Securities Trading Act, we hereby notify you that at April 29, 2008, our share of the voting rights in IFM AG reached a value of 30.22% (2,568,520 voting rights).

A total of 20.15% (1,712,347 voting rights) is attributed to AS Kassiopeia under Sec. 22 (2) of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of IFM AG, are attributed to us:

- Havfonn AS
- Furuholmen Eiendom AS.

A total of 10.07% (856,173 voting rights) is attributed to AS Kassiopeia under Sec. 22 (1) Sentence 1 of the Securities Trading Act. Voting rights attributed to us are held through the following companies, which we control and whose shares of voting rights in IFM AG each amount to 3% or more:

- Skips AS Tudor."

Concerning 2. The Executive Board and Supervisory Board of IFM AG

On May 5, 2008, Luca Pesarini, of Switzerland, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that my share of voting rights in IFM AG came to 4.00% (340,092 voting rights) at April 29, 2008. A total of 2.80% (238,092 voting rights) out of this holding are attributable to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act.

Voting rights attributed to me are held through the following companies that I control, each of whose voting rights in IFM AG is equal to or greater than 3%:

- Sirus Investment GmbH."

On May 5, 2008, Georg Glatzel, of Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that my share of voting rights in IFM AG came to 7.35% (624,953 voting rights) at April 29, 2008. A total of 6.50% (552,453 voting rights) out of this holding are attributable to me under Sec. 22 (1) Sentence 1 No. 1 of the Securities Trading Act.

Voting rights attributed to me are held through the following companies that I control, each of whose voting rights in IFM AG is equal to or greater than 3%:

- Sirus Investment GmbH
- IFM Immobilien Finanz Management GmbH."

On May 5, 2008, Immobilien Finanz Management GmbH, of Heidelberg, Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that our share of voting rights in IFM AG came to 3.70% (314,361 voting rights) at April 29, 2008."

On May 5, 2008, Sirus Investment GmbH, of Frankfurt am Main, Germany, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that our share of voting rights in IFM AG came to 5.60% (476,184 voting rights) at April 29, 2008."

Concerning 3. Libra Europe Fund und Libra Equity Limited

On May 16, 2008, Libra Europe Fund, of London, England, notified IFM AG as follows:

"As representatives of the Libra Europe Fund, in accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, Libra Europe Fund held 582,822 voting rights. This represents 6.86% of the voting rights in IFM AG."

On May 16, 2008, Libra Equity Limited, of London, England, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, Libra Equity Limited held 582,822 voting rights. This represents 6.86% of the voting rights in IFM AG.

In accordance with Sec. 22 (1) Sentence 1 No. 6 of the Securities Trading Act, the 582,822 voting rights (6.86% of the voting rights) are attributed to Libra Equity Limited.

Voting rights of the following shareholder, who holds 3% or more of the voting rights, are attributed to us:

- Libra Europe Fund."

Concerning 4. Mr. Kinsnorth and Mr. Pegge

On May 21, 2008, Colin Kingsnorth, of the Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that at April 29, 2008, I held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to me under Sec. 22 (1) Sentence 1 No. 6 Sentence 2 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 21, 2008, Andrew Pegge, of the Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, I hereby notify you that at April 29, 2008, I held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to me under Sec. 22 (1) Sentence 1 No. 6 Sentence 2 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 21, 2008, Laxey Partners Limited, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 21.07% of the voting rights (1,790,545 votes) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97).

A total of 21.07% (1,790,545 votes) out of these is attributed to us under Sec. 22 (1) Sentence 1 No. 6 of the Securities Trading Act.

Voting rights of the following shareholders, each of whom holds 3% or more of the voting rights in IFM AG, are attributed to me:

- LP Value Limited
- Sprugos Investments XII."

On May 6, 2008, LP Value Limited, of Tortola, British Virgin Islands, notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 4.90% of the voting rights (416,235 voting rights) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97)."

On May 6, 2008, Sprugos Investments XII, L.L.C., of Wilmington, Delaware, U.S.A., notified IFM AG as follows:

"In accordance with Sec. 21 (1a) of the Securities Trading Act, we hereby notify you that at April 29, 2008, we held 3.14% of the voting rights (267,290 voting rights) in IFM AG, of Heidelberg, Germany (DE 000A0JDU97)."

On June 12, 2008, Sprugos Investments, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1) of the Securities Trading Act, we hereby notify you that on June 10, 2008, our share of voting rights in IFM AG, of Heidelberg, Germany, (DE000A0JDU97) fell below the 3% limit and as of that date came to 0.00% (0 voting rights).

On June 12, 2008, LP Value Limited, of Onchan, Isle of Man, notified IFM AG as follows:

"In accordance with Sec. 21 (1) of the Securities Trading Act, we hereby notify you that on June 10, 2008, our share of voting rights in IFM AG, of Heidelberg, Germany, (DE000A0JDU97) fell below the 3% limit and as of that date came to 0.00% (0 voting rights).
Concerning 5. LRI Invest S.A.

Concerning 5. LRI Invest S.A.
On July 22, 2008, LRI Invest S.A., of Munsbach, Luxembourg, notified us in accordance with Sec. 21 (1) of the Securities Trading Act that its share of voting rights in IFM AG, of Heidelberg, Germany (ISIN: DE 000A0JDU97), exceeded the 3% threshold on July 16, 2008, and as of that date came to 3.03% (283,700 voting rights).

On December 16, 2008, LRI Invest S.A., of Munsbach, Luxembourg, notified us in accordance with Sec. 21 (1) of the Securities Trading Act that its share of voting rights in IFM AG, of Heidelberg, Germany (ISIN: DE 000A0JDU97), exceeded the 5% threshold on December 15, 2008, and as of that date came to 5.35% (500,000 voting rights).

7. Declaration of Compliance with the Corporate Governance Code, per Sec. 161 of the Stock Corporations Act

The Declaration of Compliance with the German Corporate Governance Code was issued by the Executive Board and Supervisory Board as required under Sec. 161 of the German Stock Corporations Act and made accessible to shareholders at the companies website (www.ifm.ag) permanently.

8. Auditors' fees per Sec. 319 (1) of the Commercial Code

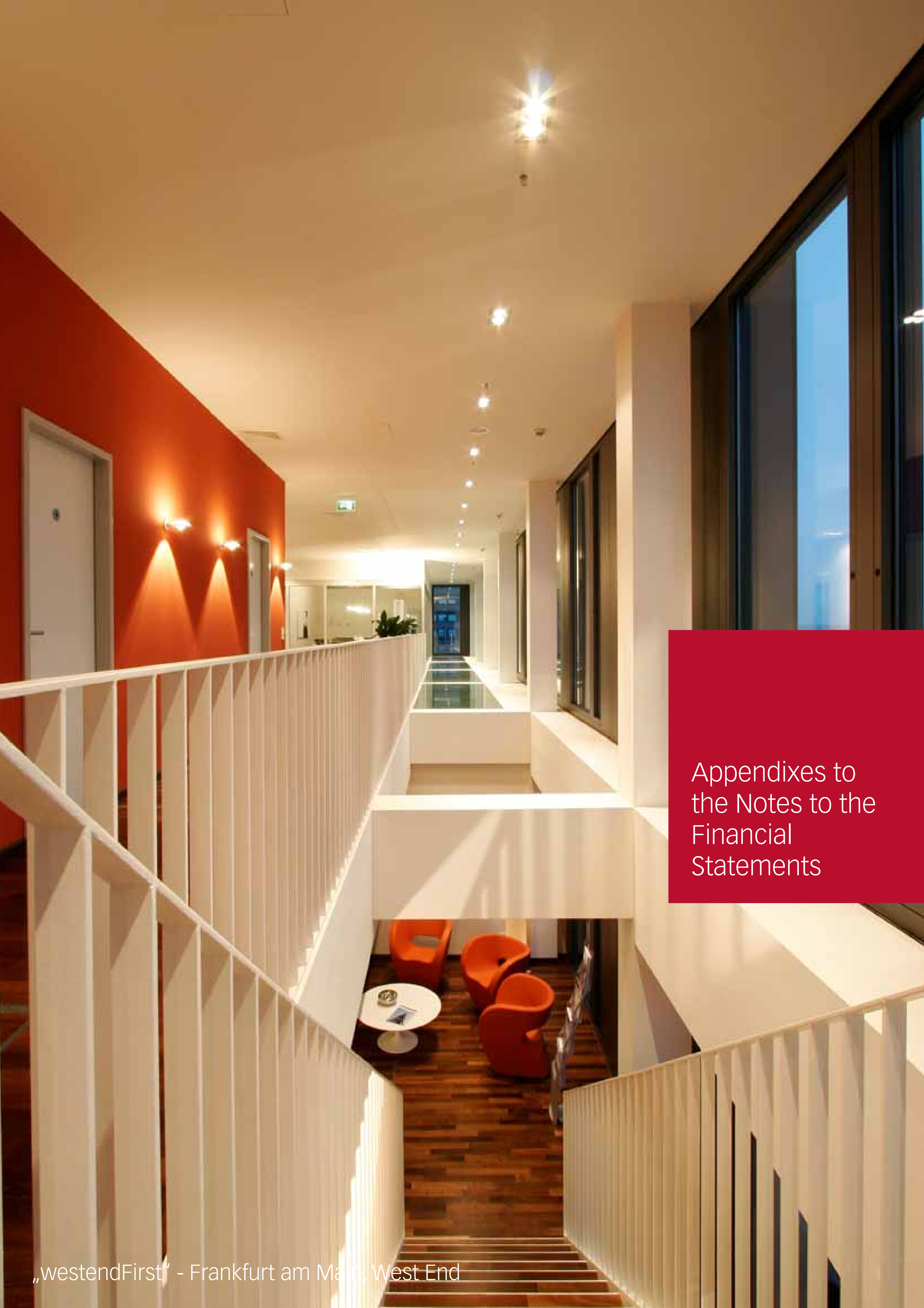
The fees expensed in Germany for the services of the auditor of the financial statements, Falk & Co., of Heidelberg, were as follows in fiscal 2008:

	2008 in EUR 000
Fees for audit of financial statements	78
Other confirmation or appraisal services	121
Tax consulting services	12
Other services	54
Total	265

The other confirmation or appraisal services include EUR 60 thousand in passed-on insurance premiums for the preparation of a comfort letter for the move to the Prime Standard segment.

Heidelberg, 19th March 2009

The Executive Board



Appendixes to the Notes to the Financial Statements

„westendFirst“ - Frankfurt am Main, West End

Appendix 1

Changes in Gross Non-Current Assets as of December 31, 2008

		Cost of acquisition or creation at 01.01.2008 Euro	Additions Euro	Disposals Euro	Reclassifications Euro	Cost of acquisition or creation at 31.12.2008 Euro
A.	**Non-current assets**					
I.	**Intangible assets**					
1.	Concessions, industrial property rights and similar rights and assets, and licenses thereto	13,768.59	12,223.60		0.00	25,992.19
2.	Advance payments made		8,000.00			8,000.00
	Intangible assets	**13,768.59**	**20,223.60**	**0.00**	**0.00**	**33,992.19**
1.	Land and buildings		373,117.86		8,666,564.00	9,039,681.86
2.	Other equipment, office equipment	256,437.95	174,631.56	53,865.55	0.00	377,203.96
3.	Advance payments on property, plant and equipment and facilities under construction	8,666,564.00	0.00		-8,666,564.00	0.00
	Property, plant and equipment	**8,923,001.95**	**547,749.42**	**53,865.55**	**0.00**	**9,416,885.82**
1.	Interests in affiliated companies	16,403,172.50	26,068,547.09			42,471,719.59
	Financial assets	**16,403,172.50**	**26,068,547.09**	**0.00**	**0.00**	**42,471,719.59**
		25,339,943.04	**26,636,520.11**	**53,865.55**	**0.00**	**51,922,597.60**

Changes in Gross Non-Current Assets as of December 31, 2008

Accumulated depreciation and amortization at 1/1/2008	Depreciation and amortization for 2008	Disposals	Reclassifications	Accumulated depreciation and amortization 12/31/2008	Carrying amount at 31.12.2008	Carrying amount at 31.12.2007
Euro	Euro	Euro	Euro	Euro	Euro	Euro
7,608.59	5,193.60			12,802.19	13,190.00	6,160.00
				0.00	8,000.00	0.00
7,608.59	**5,193.60**	**0.00**	**0.00**	**12,802.19**	**21,190.00**	**6,160.00**
	219,483.91			219,483.91	8,820,197.95	0.00
55,650.95	58,562.56	24,109.55		90,103.96	287,100.00	200,787.00
					0.00	8,666,564.00
55,650.95	**278,046.47**	**24,109.55**	**0.00**	**309,587.87**	**9,107,297.95**	**8,867,351.00**
					42,471,719.59	16,403,172.50
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**42,471,719.59**	**16,403,172.50**
63,259.54	**283,240.07**	**24,109.55**	**0.00**	**322,390.06**	**51,600,207.54**	**25,276,683.50**

List of interests held as of December 31, 2008

The following list presents the interests we hold in other companies, in compliance with Sec. 285 No. 11 of the German Commercial Code, as of December 31, 2008.

1) Direct equity interests

Company	Interest held in %	Equity EUR 000	Prior-year profit or loss EUR 000
IFM Asset Management GmbH, Heidelberg	100%	151	11
IFM Property Project Frankfurt GmbH & Co. KG (in GmbH form until June 30, 2008), Heidelberg (property: WestendFirst, Frankfurt)	94.80%	5,931	-143
IFM Property Project Frankfurt GmbH, Heidelberg (GmbH as general partner in IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg)	94.80%	24	-1
IFM Property Project Ulmenstrasse GmbH, Heidelberg (property: Romeo & Julia, Frankfurt)	100.00%	4,651	-247
GP Properties, Heidelberg (property: Das Carré, Heidelberg)	94.80%	6,083	-192
IFM Property Project Zimmerstrasse GmbH, Heidelberg (property: Zimmerstrasse / Mauerstrasse, Berlin)	100.00%	-523	-370
IFM Property Project Mainz GmbH, Heidelberg (property: Gutenberg Park, Mainz)	100.00%	-1,860	-620
IFM Property Project Eschborn GmbH, Heidelberg (property: Maxxon, Eschborn – Süd)	100.00%	9,461	-553
IFM Property Project Feldbergstrasse GmbH, Heidelberg; (property: Feldbergstrasse, Frankfurt)	100.00%	52	24
IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG Heidelberg (shareholder in IFM Property Project Frankfurt – Zeil GmbH, Heidelberg)	100.00%	10,983	-17
IFM Property Project VIII GmbH, Heidelberg (GmbH as general partner in IFM Property Project Frankfurt – Zeil Holding GmbH & Co. KG, Heidelberg, with no capital contribution)	100.00%	21	-1
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg (shareholder in IFM Property Project Darmstadt GmbH, Heidelberg)	90.00%	-999	2
NEWCOM Property Verwaltungs GmbH, Heidelberg (GmbH as general partner in NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg, without capital contribution)	90.00%	28	1
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg (shareholder in multiple special-purpose limited partnerships)	100.00%	-46	-96
IFM Property Project IX GmbH, Heidelberg (GmbH as general partner in IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg, with no capital contribution	100.00%	28	3

IFM Property Project Frankfurt – Zeil GmbH, of Heidelberg, had a truncated fiscal year from July 15 to December 31, 2008.

2) Indirect equity interests:

Company	Interest held in %	Equity EUR 000	Prior-year profit or loss EUR 000
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	3,058	101
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	3,972	295
IFM Property Project Sonnenberger Strasse 2/2a GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	6,560	499
IFM Property Project Sonnenberger Strasse 2b GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	1,235	79
IFM Property Project Taunusstrasse 1 GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	6,471	567
IFM Property Project Taunusstrasse 3 GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100.00%	3,811	296

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

Company	Interest held in %	Equity EUR 000	Prior-year profit or loss EUR 000
IFM Property Project Darmstadt GmbH, Heidelberg; (property: Office Tower, Darmstadt)	90.00%	-408	-431

Appendix 2

List of interests held as of December 31, 2008

IFM Immobilien AG indirectly holds an interest in the following company through IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG:

Company	Interest held in %	Equity EUR 000	Prior-year profit or loss EUR 000
IFM Property Project Frankfurt – Zeil GmbH, Heidelberg; (property: Zeilgalerie, Frankfurt)	94.80%	1,291	-1,329

Auditor's Report to the Financial statements (German Commercial Code)

„Zeilgalerie"- Frankfurt am Main, city centre

Auditor's Report

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, and the management report of IFM Immobilien AG, Heidelberg, for the business year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law 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, and the management report 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 and in the management report 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, the annual financial statements and the management report 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 and 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 annual financial statements of IFM Immobilien AG, Heidelberg, as of December 31, 2008 comply with the legal requirements 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. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Heidelberg, March 19, 2009

FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Spieß)
Wirtschaftsprüfer	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.

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Financial Calendar 2009

Release Q1 Report	May 2009
Annual Meeting	June 2009
Release Mid-Term Report	August 2009
Release Q3 Report	November 2009
Analyst Conference	November 2009

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