IFM IMMOBILIEN AG

Transforming properties
into vital brands

2010
Annual Report

IFM Immobilien AG

Locations invested in	6
Total space in portfolio	154,075 m²
Annual net rent in EUR million (at December 2010)	14.4
Value as per IFRS (EUR million)	314.9

IFM Locations

Highlights 2010

Financial

- Operating profit increases to EUR 8.9 million
- Profit after taxes almost doubled EUR 5.3 million
- Net asset value per share: EUR 13.37

Strategy and operations

- 02/2010 Romeo & Julia office towers, Frankfurt am Main, nominated for the MIPIM Award
- 04/2010 Completion of project development on Maxxon, Eschborn
- 06/2010 Benetton opens flagship store in the Zeilgalerie, Frankfurt am Main
- 08/2010 Occupancy rate for Romeo & Julia, Frankfurt am Main, reaches 80%
- 11/2010 Completion of the new LED facade at the Zeilgalerie, Frankfurt am Main
- 12/2010 Agreement signed with Manpower for 3,650 m² in the Maxxon business park in Eschborn

Headlines 2010

- Telekom leases in GutenbergPark (Immobilienzeitung 01/2010)
- IFM starts the year with excellent news (SRC Research 01/2010)
- IFM Immobilien – On target for further growth (Euro am Sonntag, 04/2010)
- Zeilgalerie goes horizontal (Frankfurter Allgemeine Zeitung 09/2010)
- Two new tenants for Romeo & Julia (Immobilienzeitung 09/2010)
- Zeilgalerie – a sea of lights (Frankfurter Neue Presse, 11/2010)

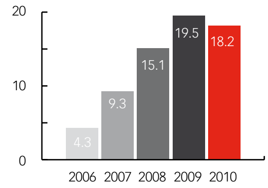
2010 in Numbers

Key performance figure (EUR m)	2010	2009	Change in %
Revenue	18.2	19.5	-7%
Gain or loss on fair valuation of investment properties	12.6	10.2	24%
Operating profit	8.9	3.6	144%
Profit after taxes and minority interests	5.3	1.8	194%
Earnings per share (undiluted in EUR)	0.6	0.2	200%

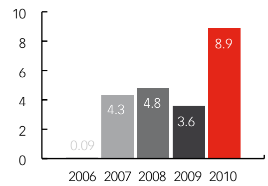
Balance sheet key figures (EUR million)	December 31, 2010	December 31, 2009	Change in %
Total assets	344.4	372.6	-8%
Non-current assets	326.2	294.0	11%
including investment properties	314.9	287.0	10%
Equity	109.4	102.2	7%
including issued capital	9.4	9.4	0%
Equity ratio (in %)	31.8	27.4	16%
Liabilities	235.0	270.3	-13%
including financial liabilities	203.5	239.6	-15%

Other key figures	2010	2009	Change in %
Cash flow from operating activities (EUR million)	-8.4	-5.2	n/a
Staff	46	45	2%
NAV	13.37	12.91	4%

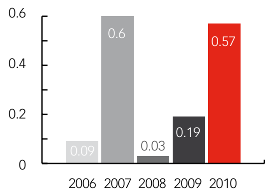
Performance 2006 (IPO) – 2010



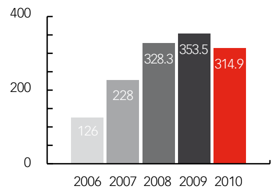
Revenues
in EUR million



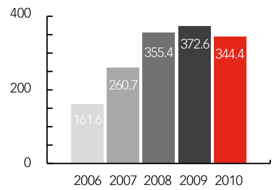
Operating profit
in EUR million



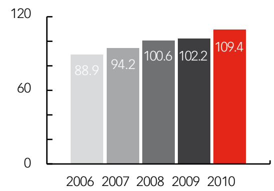
Earnings per share
in EUR



Property portfolio
in EUR million



Total assets
in EUR million



Equity
in EUR million

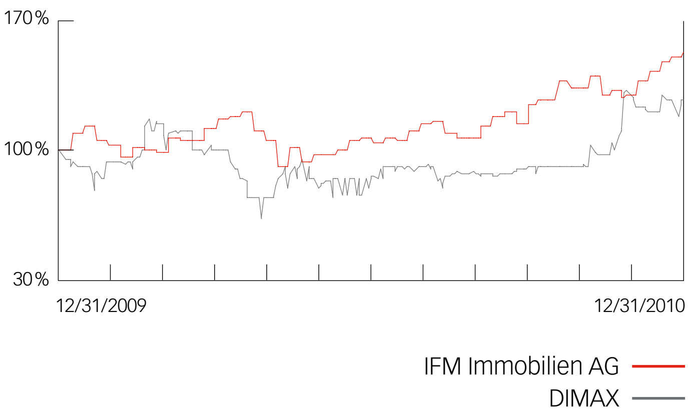
IFM Common Stock

Key Figures

Sector	Real estate
Security identification number (WKN)	A0JDU9
ISIN	DE000A0JDU97
Stock symbol	IFM
Bloomberg	IFM GR
Reuters	IFM.DE
Market segment	Prime Standard
Designated sponsor	Close Brothers Seydler Bank AG BHF Bank AG
Stock exchange listings	Frankfurt, Stuttgart, Hamburg, Duesseldorf, Berlin/Bremen, Xetra
Initial public offering	May 19, 2006
Number of shares granted	9,349.999
Share price at December 31, 2010	9.30
Market capitalization at December 31, 2010	86.95
Annual high (December 23, 2010)	9.45
Annual low (March 13, 2010)	7.35
Shareholder structure	38 % in free float, 45 % held by Norwegian consortium of shareholders, 17 % held by Executive and Supervisory Board

Stock Performance 2010

IFM Immobilien AG vs DIMAX



IFM IMMOBILIEN AG

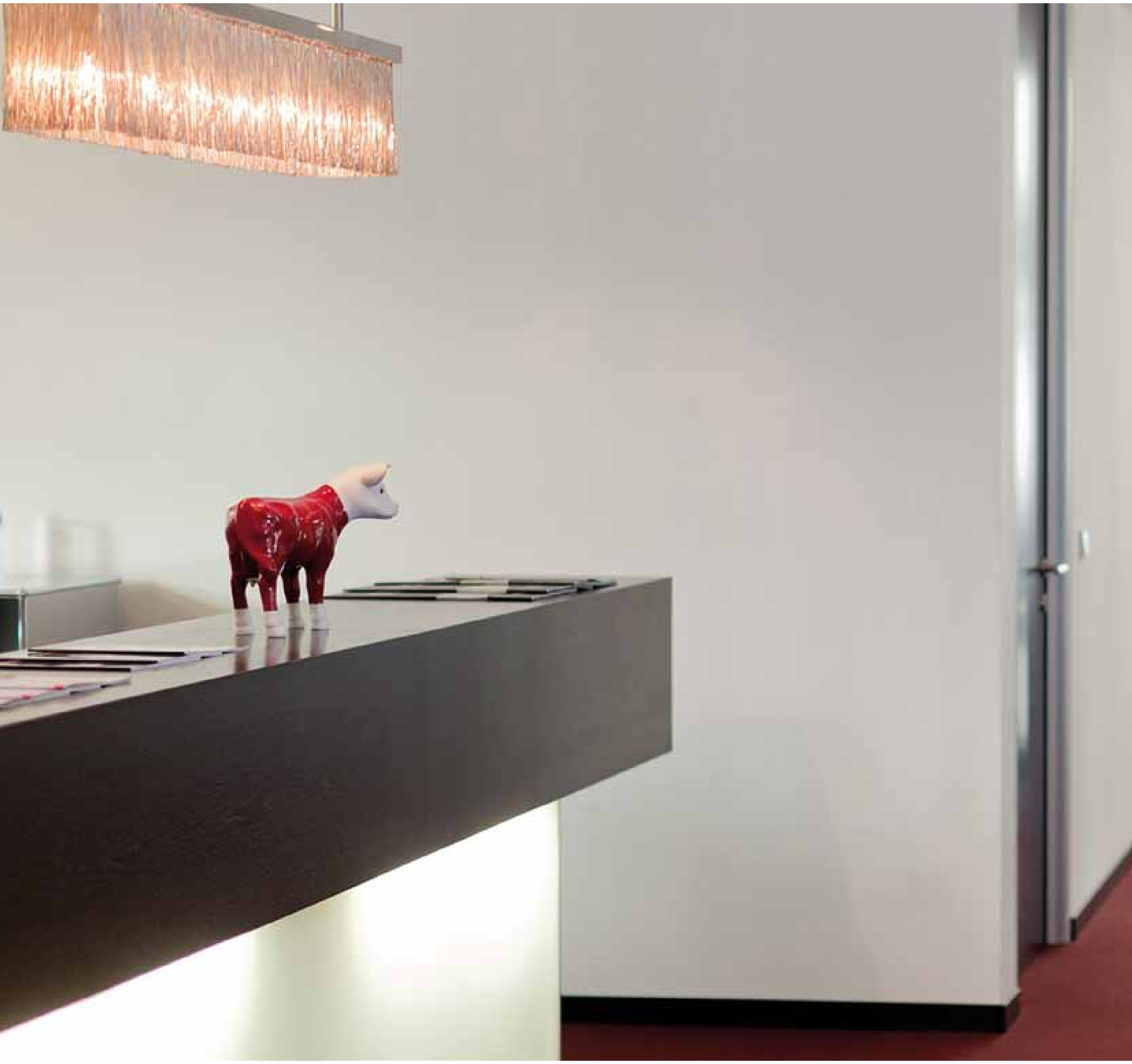
Annual Report 2010

The English version of the annual report 2010 and the individual statement of the IFM Immobilien AG is a one-to-one translation of the audited German annual report and the individual financial statements of the IFM Immobilien AG. The English version is not audited.

Romeo & Julia, Frankfurt am Main

“IFM stands for solidity. We seize opportunities, but always remain conservative.”

Georg Glatzel, CEO of IFM Immobilien AG



Foreword
from the CEO

Foreword from the CEO

Dear Shareholders,

2010 presented IFM with a host of challenges, because although the economic indicators are generally signaling an end to the crisis, significant uncertainty continues to dominate the markets. After all, in the property markets, recovery trends only become perceptible after a noticeable delay.

The environment therefore remains challenging – although 2010 was a successful year for IFM. Our revenue was slightly below that of the previous year, which is mainly due to the deconsolidation of sold properties and planned vacancies in connection with revitalization measures we have carried out. In our performance figures, however, we have achieved significant improvement, proving the economic strength of IFM and the solidity of our business model.

Looking back at the figures for the previous fiscal year, we can now say that a kind of IFM brand is emerging. IFM stands for solidity. Remaining conservative in good times, not becoming careless, but still consistently exploiting opportunities that arise – this is a crucial component of our business policy and one which has helped us significantly in difficult circumstances. In particular, our focus on premium locations has prevented us from committing to locations where leasing remains significantly more difficult than in IFM properties.

In this, one thing in particular is the most important to me. Even though the economic environment today is much kinder than one or even two years ago, the leasing business in commercial property markets by no means runs itself. A good portion of hard work has gone into IFM's leasing successes. We have certainly been helped in this in particular by our strong focus on the comprehensive use of innovative marketing tools. In particular, developing and marketing exciting brands gives us an invaluable advantage when repositioning our properties. At this point, the Executive Board would like to extend warm thanks to all IFM staff, whose hard work and extraordinary commitment over the past year have made the pleasingly positive performance of the company possible.

The solidity of the business model and the great dedication of all our staff will not allow us to change the economic reality, but at least we have been able to and will continue to immunize ourselves against some of the dangers. This has had a big effect, not least on our positive business figures. We are convinced that specialist expertise in real estate questions and dedicated day-to-day work on the asset – the property – give us a significant competitive advantage, putting us in a good position, especially when the market is characterized by high vacancy rates.

The market data from the most recent quarters in Frankfurt, for example, show that this is currently undoubtedly the case. The latest market reports, however, clearly show something else, too. Although vacancy rates in the Frankfurt area remain very high, movement in rental rates is already beginning to be seen in the premium segment and prices are beginning to rise slightly. This may appear paradoxical at first glance, but is ultimately nothing more than the logical consequence of the fact that premium locations clearly profit from above-average demand compared to the market as a whole in every market phase.

I began by speaking of recovery trends on the one hand and significant continued uncertainty on the other – this requires a brief explanation. I am a long way from ignoring the positive and indeed very pleasing developments. The economies in the large industrial nations really have left the crisis behind them much more quickly than experts had believed possible. Germany has become the economic engine of Europe. Employment in this country reached a new peak, and the level of unemployment, so high for so long, has been falling ever faster in recent years. Given this background, growing confidence among consumers and an increasing optimistic assessment of business perspectives by companies are no wonder.

However, this is only one side of the coin. It is important to remember that the high growth rates in the gross domestic product registered in 2010 are in relation to a comparatively low starting level, and that Germany had only just come through the worst recession since the Second World War. Furthermore, the seemingly rapid upturn following the crisis is in large part due to a comprehensive state economic stimulus package, which has driven the national debt of many developed countries upwards. The upturn therefore remains fragile and prone to problems. Events such as the problems in Greece and last year’s Euro crisis, as well as the latest developments in Northern Africa, show that the markets remain easy to throw off course and that there remains significant potential for further setbacks. The effect of all this for us is that, as long as no greater negative influences arise, the economic recovery should be more noticeable than before on the property markets too. At the same time, we should remain careful and be equipped for the possibility that further slumps or at least a slow-down in growth could arise.

For IFM, this means consistently adhering to the current strategy. We do not see ourselves first and foremost as project developers, since our planning horizons stretch far beyond simply project development. We see ourselves primarily as an investor who focuses on sustainable success with a premium property portfolio, and who also carries out project development. For us, this has the advantage that we never view our project developments only from the point of view of a project developer, but always from that of a long-term property owner, and can thus design them accordingly.

In this context, it also seems important to me that we continue to concentrate the core areas of expertise, the key to our business success, within our own company. Development measures, repositioning our properties and leasing – we see potential in these areas of the value chain which we want to and are able to tap. This is our core business and we do not want to lose sight of it. In addition, concentrating core areas of expertise within our own company allows short decision-making processes and quick reactions to current developments in the market. If we continue to observe ever shorter market cycles and higher volatility on the property markets, these benefits will gain especially strong significance. Even today, practice has shown that we can react more quickly than classic project developers when repositioning properties on the market.

We are looking optimistically towards the future, because we still see great potential for IFM on the market. There is a large number of office buildings from the last 30 years which do not meet today's standards for sustainable properties, but which are in premium locations. IFM can now point to a track record which gives us a tailwind when acquiring new projects, even though we have not yet achieved the level of market penetration we would wish for. One of our tasks for the future will be to increase and expand this.

As shareholders, I would like to sincerely thank you for your faith in and loyalty to our company. You can be sure that we will continue to use all our strength to ensure that IFM proves to be not only a solid and successful company on the market, but also a solid investment for your shareholders.

Heidelberg, March 2011

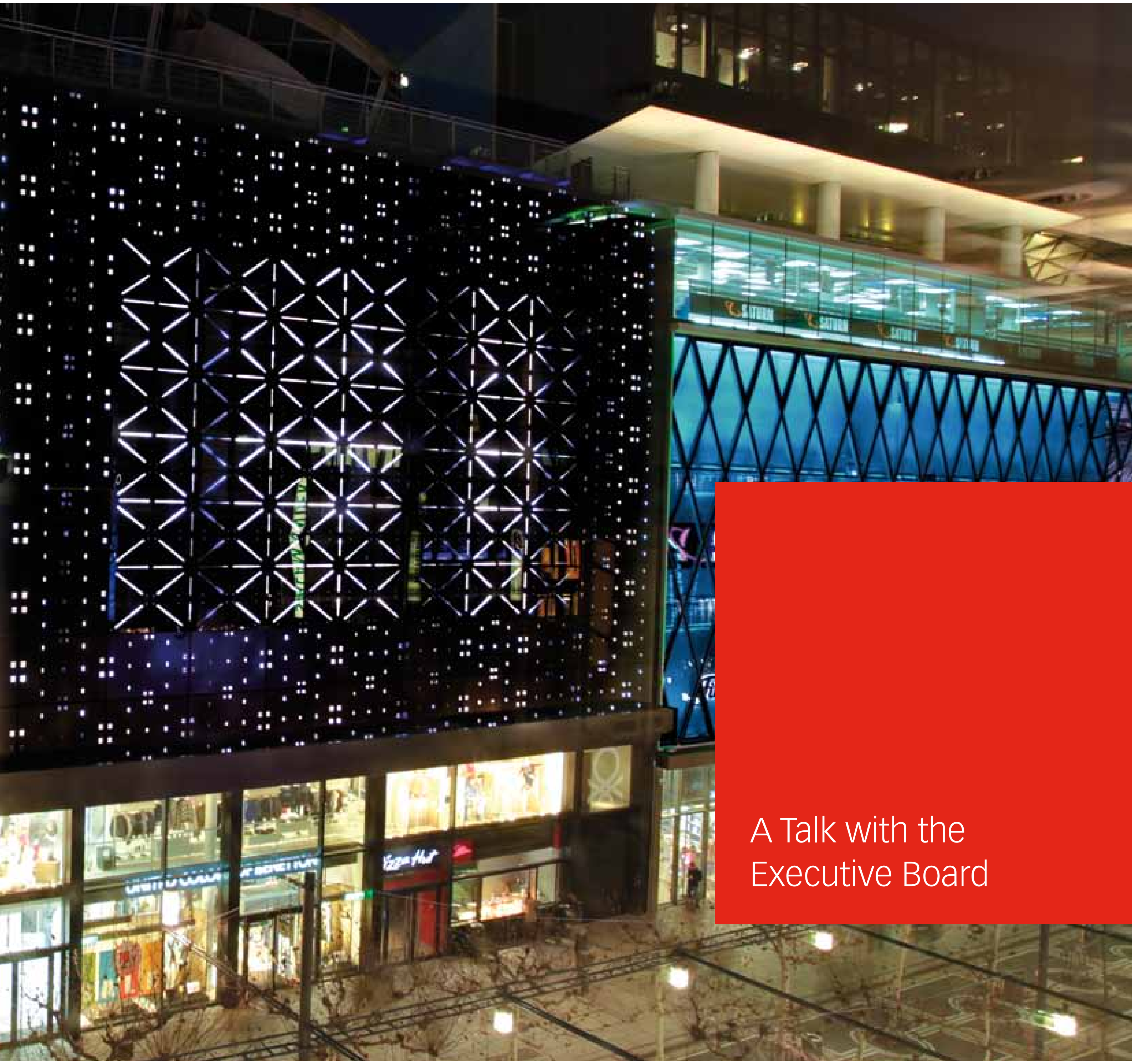
Georg Glatzel
CEO

Romeo & Julia, Frankfurt am Main

"The unveiling of the media facade was a highlight in the truest sense of the word: thousands of LEDs now light up the facade."

Georg Glatzel, CEO of IFM Immobilien AG

Zeilgalerie, Frankfurt am Main



A Talk with the Executive Board

Looking back on the past fiscal year: What were the defining topics for IFM in 2010?

Glatzel: Following the successful sale of the properties westendFirst and Ulmenstrasse 22 at the end of 2009, our work on ongoing projects was a main focus for us in 2010. The leasing activities for Romeo & Julia in Frankfurt and Maxxon in Eschborn are some of the main aspects of this, as well as the ongoing development of our plans for the project Kureck in Wiesbaden. The occupancy rate of Romeo & Julia is currently over 80%, and we had leased about two thirds of the space in Maxxon by the end of 2010. In addition, we achieved a milestone with much public appeal in 2010, when we unveiled the new media facade of the Zeilgalerie in November. Without exaggerating, we are able to say that it has added to the image of downtown Frankfurt and made the property a real landmark. It is always important to us to reflect critically on our own strategy. We have made a conscious decision to focus on prime locations and both office and downtown retail properties. We made this decision because we are convinced that it is the right one. In the end, though, the market is the decisive factor, and we observe it closely. Luckily, the market performance has indicated that our strategy is the way to success. Although the market in Frankfurt as a whole has a relatively high office vacancy rate, the rental rates in the prime segment have begun to rise again. Prime locations have not only exhibited stronger performance during difficult phases, but can also disconnect themselves positively from the rest of the market during upwards trends.

Your revenue in 2010 is below the previous year's figure, but IFM's profit is up significantly. What were the reasons behind this?

Schmitz: Rental income is a key component of our revenues. This income decreased in 2010 for two reasons. First, rental income from the property westendFirst, which was sold, ceased following its deconsolidation, and second, rental income from the Zeilgalerie fell due to the scheduled termination of leases carried out in order to be able to execute construction and restructuring activities necessary for the revitalization. These two effects more than compensated for the increase in rental income in other projects. The rise in profit is mainly due to value appreciation of properties in our portfolio as a result of the development activities we completed, and particularly from the further leasing success of Romeo & Julia, proceeds from the sale of the property Ulmenstrasse 22, as well as due to reduced interest expense after the expiry of interest rate hedge agreements.

There are currently discussions in the real estate sector regarding how larger portfolios can be sold, because investors are experiencing refinancing problems or need open property funds to solve their liquidity problems, for example. In this context, do you see opportunities for new projects for IFM?

Glatzel: It is quite possible that we will see more portfolio transactions happening on the property market in Germany in the coming months. However, we do not consider ourselves a potential investor in larger property portfolios. A key part of our value creation involves tapping into reserves for development. We generate value appreciation through the revitalization, development and repositioning of properties. Larger portfolios usually contain only a few individual properties that match our criteria, and in which we see appropriate potential for value appreciation. In this regard, investments in individual projects are sure to remain the general rule for us in the future.

What goals has IFM set for 2011?

Schmitz: Foremost, we have set further increases in profitability as a goal for 2011. We want to become significantly more efficient and plan to continue optimizing our cost structures for this reason.

Glatzel: Strategically, we will focus on defining our profile further, so that IFM will clearly be associated with premium offices and downtown retail on the market. Being active in two markets has proved useful for us with these types of use, whose development is not directly connected. In terms of perspectives, we are considering cooperation with third parties as a way to achieve new opportunities for growth. Over many years, we have established expertise in revitalization, more specifically structural restoration, as well as in restructuring the mix of tenants. This point is also interesting to other investors, which is why I generally see potential for cooperation projects in this field.

Maxxon, Eschborn

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

In spite of the challenging economic environment, which put many companies in a difficult situation, IFM Immobilien AG can again boast a successful and solid performance in the fiscal year 2010.

The year's main highlights included the successful leasing of the Frankfurt office towers Romeo & Julia in Frankfurt am Main, Maxxon in Eschborn and GutenbergPark in Mainz. In comparison to the previous year, the consolidated profit after taxes increased significantly by EUR 3,513 thousand to EUR 5,321 thousand. As well as operative improvements, this result is especially due to the sale of the Frankfurt office building Ulmenstrasse 22, as well as value appreciation in our properties Romeo & Julia and Maxxon.

Oversight and Advice in Dialogue with the Executive Board

During the year, the six members of the Supervisory Board conscientiously performed their duties prescribed by the law and the company's articles of incorporation. They regularly advised the Executive Board and vigilantly supervised the management of the company. A total of seven meetings were held for this purpose in 2010.

At its meetings, the Supervisory Board was informed regularly, promptly and fully about the company's situation, provided primarily in detailed reports by the Executive Board.

The Supervisory Board carefully reviewed and thoroughly discussed the Executive Board's reports and suggestions for resolutions. Between meetings, the chair of the Supervisory Board maintained regular contact with both members of the Executive Board.

The Supervisory Board monitored the company's strategic evolution and all significant measures undertaken, assisting 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, in particular current developments in its business, the assets and liabilities, financial position and profit or loss of both the parent company and the Group, as well as any major business events. The main focus of deliberations was the performance of the Group's real estate portfolio as well as decisions on the purchase or sale of properties in IFM Immobilien AG's portfolio.

The Executive Board presented oral and written reports on acquisitions under review and on preparatory discussions and negotiations, potential sales and the progress of individual property projects. After a thorough review, the Supervisory Board made recommendations on how to further proceed.

Committees and Rules of Procedure

The Supervisory Board has six members who are selected by the annual shareholders' meeting. At the start of the fiscal year, these were Mr. Luca Pesarini (Chair), Gordon Albert Rapp (Deputy Chair), Eberhard Hascher, John Skogen, Pål Berg and Philipp J. N. Vogel. After Mr. Martin Lechner resigned his position on the Supervisory Board in 2009, Mr. John Skogen was officially named a member of the Supervisory Board on October 28, 2009, at the request of the company. The articles of incorporation require that the Supervisory Board consist of six members. This requirement was thus fulfilled. At the 2010 shareholders' meeting, the shareholders duly elected Mr. Skogen as a member of the Supervisory Board. Mr. Skogen is the Chief Executive Officer of Furuholmen Eiendom AS of Oslo, Norway, which holds a significant share in IFM Immobilien AG.

In addition, Mr. Pål Berg also resigned from his position on the Supervisory Board at the end of the 2010 annual shareholders' meeting. At the 2010 shareholders' meeting, the shareholders duly elected Mr. Morten Bergesen as Mr. Berg's successor on the Supervisory Board. Mr. Bergesen is the CEO of Havfonn SA, Norway. The articles of incorporation require that the Supervisory Board consist of six members. This requirement was thus fulfilled.

In that fiscal year, there was a Ruling and Personnel Committee, an Acquisitions/Planning & Construction/Sales Committee, a Nominating Committee and a Compliance and Audit Committee.

The members of the Presiding and Personnel Committee are Luca Pesarini, Gordon Albert Rapp and Eberhard Hascher. They address matters such as the regular review of the compensation system for the Executive Board, including the material terms of contract, and also discuss human resource planning for members of management. As these matters were discussed in detail among all members, under consideration of Executive Board compensation too, only one seperate meeting was held in 2010.

The Acquisitions/Planning & Construction/Sales Committee consists of Mr. Gordon Albert Rapp, Mr. Philipp J.N. Vogel and, until his departure, Mr. Luca Pesarini. Mr. John Skogen accepted election as a member of the committee at a meeting of the Supervisory Board on May 20, 2010. This committee was primarily concerned with reviewing potential opportunities for acquisitions and sales in the year concerned. The committee met twice during the year.

Following Mr. Lechner's resignation, the Nominating Committee consisted of Luca Pesarini and Philipp J.N. Vogel. The vacant position has not been filled yet. This committee did not meet in the year under review. The Supervisory Board will decide whether to find a replacement with given cause.

The members of the Compliance and Audit Committee were Mr. Gordon Albert Rapp, Mr. Eberhard Hascher and, until his resignation, Mr. Pål Berg in the year under review. The committee worked on preparing the annual financial report for the fiscal year 2009 as well as the subsequent quarterly and semiannual reports in that year and dealt with matters of corporate governance and risk management, among others. Due to the strict modifications to the German Accounting Law Modernization Act („BilMoG"), the committee commissioned outside consultants to carry out a dedicated review of the internal control system and risk management system. It also assigned the audit to the auditor and defined the main points of focus of the audit. The committee met seven times during the year.

Members of the Executive and Supervisory Board

There were no changes to the members of the company's Executive Board in 2010. The contract with Mr. Schmitz, which expired in 2010, was extended for another three years.

The Supervisory Board of IFM Immobilien AG underwent the following changes during the year under review:
After Mannheim Local Court had officially named Mr. John Skogen as a new member of the advisory board with a decision of October 28, 2009, the company shareholders proposed Mr. Skogen for election to the Supervisory Board at the 2010 annual shareholders' meeting and duly elected him as thus. Mr. Skogen is the Chief Executive Officer of Furuholmen Eiendom AS of Oslo, Norway, which holds a significant share in IFM Immobilien AG. During the fiscal year, Mr. Pål Berg also resigned from his position on the Supervisory Board at the end of the 2010 annual shareholders' meeting. At the 2010 shareholders' meeting, Mr. Morten Bergesen was duly elected as Mr. Berg's successor on the Supervisory Board. Mr. Bergesen is the CEO of Havfonn SA, Norway, which also holds a significant share in IFM Immobilien AG. The articles of incorporation require that the Supervisory Board consist of six members. This requirement was thus fulfilled.

Annual and Consolidated Financial Statements

Based on the preliminary audit carried out by the Compliance and Audit Committee, the Supervisory Board of IFM Immobilien AG has audited the annual report for the fiscal year 2010 prepared by the Executive Board, the consolidated financial statements and the management report and consolidated management report for 2010 as well as the Executive Board's proposed allocation of distributable profit or loss. The annual report for the fiscal year 2010, the consolidated financial statements and the management and consolidated management reports for 2010 have been audited by FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft of Heidelberg, the independent auditor and Group auditor commissioned by Mannheim Local Court in accordance with a decision made on March 7, 2011. The auditor expressed an unqualified opinion on the statements and reports audited.

Furthermore, the auditor deemed the Executive Board to have properly carried out all required measures as per § 91 Para. (2) of the German Stock Corporation Act. In particular, the Executive Board has established a suitable information and monitoring system which meets the company's requirements. The Supervisory Board has deemed this system to be suitable in terms of its design and actual use for the purpose of identifying any events that might jeopardize the company's continued existence at an early stage.

The annual accounting documents to be audited and the auditor's audit report were sent in advance to all members of the Supervisory Board with sufficient time for preparation and review.

The auditor attended the financial review meeting of the Supervisory Board on March 15, 2011, where they reported on the material results of the audit and offered explanations on the audit reports. The Compliance and Audit Committee carried out a preliminary audit of the documents for the annual report and consolidated financial statements in a close co-operation with the Executive Board and the company auditor. The Supervisory Board approved the results of the auditor's report. The Supervisory Board concluded that no objections were to be raised to the management and the documents submitted. The results of the preliminary audit carried out by the Compliance and Audit Committee and of the Supervisory Board's own audit were consistent with the results of the audit of the financial statements. The Supervisory Board therefore approved the annual report prepared by the Executive Board, the consolidated financial statements and the management and consolidated management reports at the financial review meeting of March 15, 2011. The annual report was thus adopted. The Supervisory Board also approved the Executive Board's proposed allocation of distributable profit and loss (to be carried forward to the new period).

The company's shareholder structure includes the three Norwegian incorporated companies Havfonn AS, Oslo, Skips AS Tudor, Oslo and Furuholmen Eiendom AS, Oslo, who use their subscription rights at the company's annual shareholders' meeting together based on a consortium agreement. Although these three companies together do not have control over more than 50 % of all the subscription rights in the company, they still have a de facto majority at the annual shareholders' meeting. Taking this into account, the Executive Board has compiled a report on relationships with affiliated companies for the fiscal year 2010 in accordance with § 311 AktG (dependence report) and submitted it to the Supervisory Board, together with the audit report compiled on this issue by FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Heidelberg, as independent auditors in accordance with § 313 AktG. Based on the audit, which was completed without complaint, the auditor gave the following opinion:

"Following our obligatory audit and assessment, we confirm that

- the actual information in the report is correct,
- the input of the company was not unreasonably high in the legal transactions listed in the report."

The Supervisory Board checked and approved the report on relationships with affiliated companies and the audit report compiled on this issue. The Supervisory Board has no objections to the closing remarks made by the Executive Board in the report.

Expression of Gratitude

The Supervisory Board would like to sincerely thank the Executive Board and all IFM Immobilien AG staff for their work and great dedication during the fiscal year 2010.

Frankfurt am Main, March 15, 2011

The Supervisory Board
Luca Pesarini
Chairman

"We view ourselves primarily as an investor who focuses on value appreciation through project development and sustainable success with a premium property portfolio."

Georg Glatzel, CEO of IFM Immobilien AG

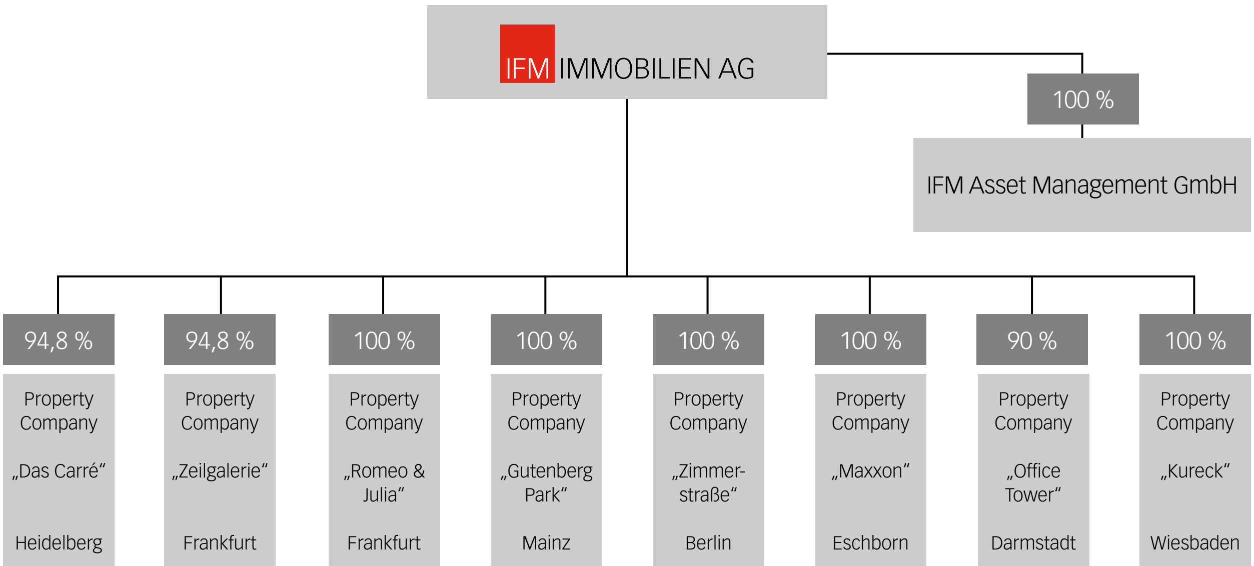
Business Model

IFM Immobilien AG – focused on premium locations with sustainable demand

Recent experience has shown that lots and buildings in premium locations are enjoying above-average demand among investors and prospective tenants – even or perhaps especially in difficult market conditions. This makes them especially valuable property investments. The activities of IFM Immobilien AG are focused on these properties and locations.

As a result of the significantly higher rental rates and purchase prices in premium locations, investors and tenants also demand much higher standards of building quality and facilities there than for properties in other locations. However, nowhere near all properties in premium locations meet these expectations. There is a large number of buildings which cannot keep up with the competition despite their good location. Imbalanced tenancy structures, high vacancy rates, a building's poor condition or technical facilities which are no longer up-to-date are typical features of such properties. Owners' insufficient expertise in asset management or their lack of intuition for any special aspects the micro-environment has to offer are also common reasons why the economic potential of premium locations is not fully exploited.

Group structure of IFM Immobilien AG



Identifying opportunities – tapping potential for value appreciation

An outstanding location but an unsatisfactory building condition – this combination signals an untapped economic opportunity. Properties for which this is the case often offer attractive potential for value appreciation. Tackling investment hold-ups and optimizing tenancy structures can create the ideal conditions for high, sustainable returns on investments in a property. However, this requires appropriate specialist expertise.

IFM Immobilien AG has based its business model on this philosophy. We have the necessary personnel resources, as well as specialist expertise and many years of experience. IFM is active as an investor and project developer in premium locations in metropolitan and urban regions in Germany. Projects undertaken by IFM include both revitalization of existing properties and new construction. The focus is on buildings for commercial use, especially office and downtown retail properties. By actively developing our own properties, IFM ensures sustainable value stability and generates value appreciation.

The development and implementation of innovative marketing concepts is particularly important to IFM. The group of companies is led by the recognition that the crucial conditions for the success of a revitalization project are created not only by appropriate construction measures, but especially by repositioning and professionally marketing the properties in question. For this reason, transforming properties in lively markets and positioning them appropriately on the market is always an integral part of IFM's revitalization concepts.

Practical experience has shown that establishing a property as a brand for prospective tenants creates significant added value. And after all, this also benefits the investor in the form of value appreciation. For this reason, the "soft facts" of a property are consciously included in the marketing alongside the "hard facts". These can represent crucial individual additional benefits for prospective tenants, so that tenants and potential buyers develop a strong, lasting identification with the property and their location.

Goal: Stable earnings and value appreciation

IFM investment properties include both existing properties with an attractive opportunity/risk profile and potential for value appreciation and new construction projects. However, all of the company's investments are oriented towards the fundamental strategic goal of building up a premium portfolio of 'landmark properties', which are to be held as assets in the medium term and achieve sustainable rental profits. In addition, the sale of properties is also planned as part of portfolio management, in order to realize value appreciation generated through our own development measures.

IFM's structure of earnings is thus based on two key components. Consistent cash flow from rental income form the foundation. At the same time, additional earning potential from sales revenue is utilized. IFM thus consciously distinguishes itself from business models which focus almost exclusively on sales revenue from project developments, which is often difficult to reconcile with the aim of achieving a certain continuity in income in practice. The strategy pursued by IFM ensures significantly greater income stability, but also guarantees a high level of flexibility and independence for the business with regard to the cyclical development of the property markets.

In order to identify suitable investment properties and to assist in making investment decisions, IFM uses specialist expertise gained from many years of experience and an established network on the property markets. The company's core competencies are focused in the following areas:

- Redevelopment IFM carries out structural alterations on buildings, and even complete structural restoration. Premium facilities and an attractive architectural design rank highly in these measures. The decisive measure for IFM's activities is to ensure that the property offers the same quality as a brand new building after its redevelopment.
- Restructuring IFM develops new concepts for use, improves tenant structures and reduces vacancy rates.
- Repositioning IFM positions properties on the market as living brands with an unmistakable corporate identity, which have an attractive image among target groups and arouse positive emotions. This allows IFM Immobilien to market properties efficiently and precisely to the target audience.

Romeo & Julia, Frankfurt am Main

“With the Maxxon project in Eschborn-Sued, we have succeeded once again in 2010 in transforming a property previously considered non commercially viable into a premium brand.”

Tobias Sauerbier, authorized signatory of IFM Immobilien AG

Maxxon, Eschborn

“Maxxon” – High-end offices in Eschborn

"Maxxon" – High-end offices in Eschborn

The "Maxxon" business park in Eschborn-Süd was one focus of IFM's activities in 2010. Three office buildings with a total of 26,000 square meters of rental space are located here on a triangular lot with the addresses Düsseldorfer Strasse 9, Düsseldorfer Strasse 13 and Frankfurter Strasse 10 – 14.

A piazza with tall trees offers a pleasant place to relax and acts as a connecting element between the three buildings. The design of the other outside areas also further underlines the high quality standards of the entire project.

Maxxon before revitalization

Maxxon during revitalization

Maxxon after revitalization

IFM undertook structural renovations on two of the buildings in 2009 and 2010. They received a new facade, composed of columns and beams and characterized by clear lines and striking charcoal-colored areas. Floor to ceiling window installations create a light atmosphere in the interior spaces, while the windows can also be opened to allow natural ventilation in the offices. The homogenous mirrored façade of the third building was kept, although its color scheme was adjusted to match the other two buildings.

As is the case for all IFM revitalization projects, once completed, the space in "Maxxon" offers high total energy efficiency in line with standards for new constructions.

A further mark of quality is the high level of flexibility in dividing and designing the space, which gives it great capacity to adapt to other uses and allows the space to be rented flexibly. The basement levels offer tenants storage space and 120 spaces in the building's own underground car park, while 439 spaces are also available outside.

Thanks to the revitalization measures carried out by IFM, office tenants will find the best quality office space currently available in Eschborn here. As well as the high quality of the construction and facilities, the good transport connections are an added benefit of this location. "Maxxon" is just 15 minutes from Frankfurt Airport and city center. It is just a few minutes' walk to the S-Bahn station Eschborn-Süd, and just 3 to 4 minutes by car to the A66 and A5 motorways.

The leasing successes already achieved prove the attractiveness of the building and location for sophisticated office tenants from various sectors. So far, an internationally renowned hotel group, a well-known tax accounting and auditing firm and the companies Verbatim, Polimeri Europa GmbH and DEHAG Hotel Services AG have settled in "Maxxon". In addition, IFM was able to gain the recruitment agency Manpower as a major tenant in late 2010. The company will set up its new national headquarters office at this location, using a total of 3,650 square meters. In future, a total of 200 Manpower employees are to work here.

You can find more information on the project at
www.maxxon-eschborn.de

Maxxon after revitalization

“The staff are at the heart of our company. Only with them can we be successful.”

Georg Glatzel, CEO of IFM Immobilien AG

Corporate Social Responsibility

Core pricibel with all stakeholders

Acting responsibly is a core principle for IFM – not just in a business sense, but also towards society and in the wide range of relationships the company has with individual stakeholders. This principle shapes IFM's business activities and is also expressed in other forms of corporate commitment.

Sustainable business model

IFM's business model is oriented towards sustainability. Its goal is to create and multiply stable values in the long term. In doing so, IFM not only creates the foundation for the successful development of the company, but also for responsible commitment in the public interest.

Maintaining long-term cooperative relationships to significant service providers and business partners is very important to IFM and is considered an important element of a sustainable business model.

Social responsibility

Through sponsoring, IFM is constantly supporting projects which serve the public interest, but which would not be possible, or at least only to a limited extent, without financial support from the private sector. The main focus is on projects in the arts, culture and sport. Examples include supporting an opera production in Berlin over New Year 2010 and the support of Sportjugend Hessen in late 2010, who set up a donation shop in the Zeilgalerie over the Christmas period.

Responsibility towards our own staff

How a company deals with its own staff is an especially important aspect of social responsibility. IFM pays a lot of attention to this issue and considers staff satisfaction a significant factor in the company's success.

In order to increase the staff's identification with their company and to involve them in this success, a virtual share option program has been introduced. Each member of IFM staff receives virtual share options for each year he has been at the company, which he can have paid out after three years, as long as he is still with the company. This promotes staff loyalty to the company, while also offering staff an additional option to build wealth and gain financial security.

To promote the health of our staff, IFM supports their sporting activities by offering gym memberships. In addition, the company offers all the staff the chance to undergo regular health checks at a doctor's practice linked to IFM.

The way the working environment is designed has a significant influence on the working atmosphere, and on the satisfaction and motivation of the staff. Providing outstanding facilities in the offices is very important to IFM, ensuring that the staff, who spend a large portion of their time there, can feel comfortable.

Responsibility for the environment

IFM's responsibility for the environment can be seen especially in the construction and revitalization measures carried out by the company. Sustainable construction, especially in terms of the high energy efficiency of a building, is the focus of every IFM project. In this, IFM is led by the conviction that sustainable construction is not only one of the most important issues in the real estate industry today, but that this will remain the case in the future.

Revitalizing existing properties is a major focus of IFM's activities. From an environmental point of view, revitalization often makes more sense than demolishing existing buildings and replacing them with new ones. Core renovation, as practiced by IFM as part of revitalization measures, results in lower emissions and reduces the use of resources. In addition, any hazardous substances are correctly disposed of and the construction materials used are selected according to standard environmental criteria. Existing properties revitalized by IFM need not shy away from comparison with new constructions in terms of their facilities – especially in environmental aspects. In addition, IFM is making efforts to exploit opportunities to rebuild ecosystems in developed areas during revitalization projects.

“We have consistently followed our investment strategy, namely of investing only in very good locations, for each individual property in our portfolio.”

Georg Glatzel, CEO of IFM Immobilien AG

Portfolio

Portfolio – Locations

In accordance with its strategy, IFM Immobilien AG has built up a profitable and sound portfolio of commercial properties within just a few years. In doing so, IFM has been able to generate value appreciation on a range of properties through appropriate development measures. The leasing success of properties held and developed by IFM, as well as the revenue generated from the sale of properties, have demonstrated the sustainability of IFM's strategy, even, and perhaps especially, under challenging market conditions.

IFM focuses exclusively on investing in properties in prime locations. In this, the micro-environment must be of above-average location quality compared to surrounding sub-segments and the location must be in a region demonstrating strong economic and demographic growth. The company focuses its activities on properties for office and downtown retail use. Geographically, IFM has focused its activities on the Rhine-Main area, the Rhine-Neckar metropolitan area and central Berlin up to now.

IFM is planning to continue to expand the portfolio. In this, each property purchase requires intensive and detailed auditing using the IFM investment criteria and based on well-founded market analyses. The crucial factor is the extent to which sustained demand from tenants and investors can be expected for the property, whether it is suitable for achieving sustainable income and to what extent value appreciation can be achieved using suitable development measures.

In the mid to long term, IFM is also prepared to consider investments in other growing urban areas in Germany.

Portfolio

- Romeo & Julia, Frankfurt am Main
- Zeilgalerie, Frankfurt am Main
- Maxxon, Eschborn-Süd
- Kureck, Wiesbaden
- Das Carré, Heidelberg
- Office Tower, Darmstadt
- GutenbergPark, Mainz
- Zimmerstraße, Berlin

IFM locations

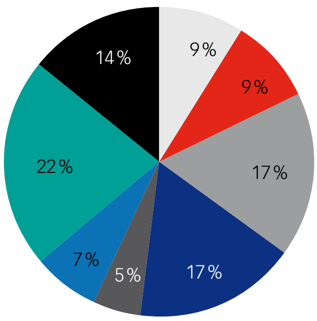
Portfolio overview

	Area (sqm)	Occupancy Rate	Annual net rent (Actual in (EUR million)	Annual net rent (Budget in EUR million)	Total investment (EUR million)	IFRS Value *(in EUR million)
Das Carré, Heidelberg	13,634	100 %	2.2	2.2	26.6	29.4
Romeo & Julia, Frankfurt	14,462	82 %	4.2	5.6	68.0	92.0
GutenbergPark, Mainz	25,289	86 %	2.1	2.4	23.7	25.6
Maxxon, Eschborn-Süd	26,015	68 %	2.4	3.8	45.0	46.0
OfficeTower, Darmstadt	8,195	**72 %	0.7	1.0	10.8	12.8
Project development						
Zeilgalerie, Frankfurt	11,220	71 %	2.8	> 4.8	67.4	59.5
Kureck, Wiesbaden	***34,260	–	–	–	33.4	34.6
Zimmerstraße, Berlin	***21,000	–	–	–	15.6	15.0
Total	**154,075**		**14.4**	**19.8**	**290.5**	**314.9**

* IFM expects a significant raise of the values after finishing the project developments
** Excl. storage areas
*** Area planned (Project development)

Area according to sqm in %

- Das Carré
- Romeo & Julia
- GutenbergPark
- Maxxon
- OfficeTower
- Zeilgalerie
- Kureck
- Zimmerstraße



Romeo & Julia
Frankfurt am Main

Romeo & Julia

Description

The Romeo & Julia twin towers in Frankfurt's West End offer exclusive office space across 19 and 17 storeys, respectively. IFM assumed ownership of the then vacant property in 2006 and undertook comprehensive revitalization and structural restoration activities on it from 2007 to 2009. Internationally renowned Swiss architect Max Dudler created an elegant, timeless suspended metal and glass façade for Romeo & Julia. Naturally, much attention was paid to environmental aspects during the revitalization. For example, the double façade, climate controlled ceilings with single room control, ventilation system with heat recovery, and energy saving LED lighting technology all contribute to energy efficiency. The windows on the facade, which can be opened, allow ventilation with fresh air, while offering a spectacular view of the Main metropolis' skyline.

To match the architecture – two towers which are connected via a shared core – IFM repositioned the property under the emotive name Romeo & Julia and has established it as a new Frankfurt property brand in the premium segment. The occupancy rate rose to over 80 percent over the course of 2010. The tenants include several law firms, an auditing and consulting network, a private equity company and an investment bank.

In early 2010, the building was nominated for the coveted MIPIM Award in the Modernized Office Buildings category.



General Information

Status quo	Project development finished, Leasing phase
Occupancy rate	82 %
Type of use	Office
Space	14,462 sqm
On the Internet	www.romeoundjulia.ag

Investment

Total investment	EUR 68.0 million
Net annual rent	EUR 4.2 million
Gearing	EUR 52.5 million
Value according to IFRS (at December 31, 2010)	EUR 92.0 million

Zeilgalerie
Frankfurt am Main

Zeilgalerie, Frankfurt am Main

ZEIL GALERIE
FRANKFURT MAIN

Description

IFM Immobilien AG purchased the Zeilgalerie in Frankfurt/Main in 2008 and is carrying out ongoing revitalization activities on the property, while maintaining normal operations. In the first stage of construction, the entire exterior of the property was given a completely new image planned by 3deluxe, a design agency located in Wiesbaden, with a spectacular LED facade.

The new facade, which comprises a media screen encompassing 260 square meters, was put into operation in November 2010. With over 14,000 individually controllable light emitting diodes, the media façade can display an infinite number of light shows. This has made it a new highlight on the Zeil.

In the second stage, the interior space in the Zeilgalerie is to be redesigned in 2011 and transformed into a contemporary lifestyle and shopping world. New lighting, acoustic and scent concepts in particular will set the Zeilgalerie apart from ordinary shopping centers. IFM is making changes in the tenancy mix and setting new priorities in cooperation with selected existing tenants. As part of this, long-time tenant Benetton opened a flagship store spanning 1,000 square meters in 2010. Innovative marketing concepts will also help to create a new image for the Zeilgalerie.

General Information

Status quo	Revitalization
Occupancy rate	71 %
Type of use	Downtown retail
Space	11,220 sqm
On the Internet	www.zeilgalerie.de

Investment

Total investment	EUR 67.4 million
Net annual rent	EUR 2.8 million
Gearing	EUR 41.5 million
Value according to IFRS (at December 31, 2010)	EUR 59.5 million

Maxxon
Eschborn-Süd

Maxxon, Eschborn-Süd

Description

The business park Maxxon is located in the easy-to-reach commercial hub of Eschborn-Sued and currently offers the most premium office space in Eschborn. Three office buildings with around 26,000 square meters of total space are located on a triangular shaped lot. Two of the buildings underwent a structural restoration in 2009/2010 and received a linear charcoal-colored facade composed of columns and beams with ceiling-to-floor window elements and a unique design character. The homogenous mirrored façade of the third building was kept and its color scheme was adjusted to match the other two buildings.

The three building structures are connected via a shared outside area, a piazza, which offers a pleasant place to enjoy the outdoors thanks to its premium design and tall trees.

The current tenants include an internationally renowned hotel group, a well-known tax accounting and auditing firm, as well as Verbatim, Polimeri GmbH and DEHAG Hotel Services AG. In late 2010, IFM was also able to gain Manpower as a major tenant for the Maxxon business park. The recruitment agency will occupy 3,650 square meters with a staff of around 200 and plans to open its new national headquarters at the Eschborn location.



General Information

Status quo	Project development finished, Leasing phase
Occupancy rate	68 %
Type of use	Office
Space	26,015 sqm
On the Internet	www.maxxon-eschborn.de

Investment

Total investment	EUR 45.0 million
Net annual rent	EUR 2.4 million
Gearing	EUR 33.2 million
Value according to IFRS (at December 31, 2010)	EUR 46.0 million

Kureck
Wiesbaden

Kureck, Wiesbaden

KURECK
wiesbaden

Description

The Kureck lot is located directly across from Wiesbaden's Kurpark, in a prime location right in the heart of the city. IFM Immobilien AG bought the lot in 2007 from the former owner, R+V Versicherung, as part of a sale and lease-back transaction. Until the beginning of 2011, the insurance company still used space at the property as a tenant.

The existing buildings will be revitalized and supplemented by new buildings in the coming years, according to plans by international renowned architect Max Dudler, who designed the master plan for the project. The result will be a new premium district that will add significant value to the entire city center. The mix of apartments, offices, commercial and retail space will breathe a lot of life into the space, which has been used merely for commercial purposes up to now.

A comprehensive revitalization of the former R+V tower, the Palais (Taunusstrasse 3) and the building at Sonnenberger Strasse 2 is planned. A large part of the project is devoted to renovating the heritage listed villas in the area at the back of the lot. As well, premium apartment buildings with the charm of a villa will be built, offering downtown living in a prime location and a priceless view of the capital of the state of Hesse.



General Information

Status quo	Project development
Type of use	Office, retail, restaurant, senior residence and premium residential
Space	34,260 sqm (area planned)
On the Internet	www.kureck-wiesbaden.de

Investment

Total investment	EUR 33.4 million
Gearing	EUR 25.9 million
Value according to IFRS (at December 31, 2010)	EUR 34.6 million

Das Carré
Heidelberg

Das Carré, Heidelberg

Description

Das Carré is a two storey commercial base connected to a 14 storey residential tower. Das Carré offers a customer-friendly mix of retail, cafés and restaurants, health and fitness and services under one roof, which is unique in Heidelberg. It includes specialty stores from a variety of segments, such as pharmacies, book stores, opticians, mobile phone shops and more. Between 2003 and 2005, IFM repositioned Das Carré and transformed the property into a landmark, right in the city center of Heidelberg.

IFM completely redesigned the shopping gallery with a large central atrium in 2009, making it even more accomodating to customers.

General Information

Status quo	Existing property
Occupancy rate	100 %
Type of use	Downtown retail, restaurant, residential, health and fitness, offices
Space	13,634 sqm
On the Internet	www.dascarre.de

Investment

Total investment	EUR 26.6 million
Net annual rent	EUR 2.2 million
Gearing	EUR 17.0 million
Value according to IFRS (at December 31, 2010):	EUR 29.4 million

Office Tower Darmstadt

OfficeTower, Darmstadt

OFFICE TOWER

Description

The OfficeTower is a premium office address in the heart of Darmstadt. The building, which was completely revitalized in 2003, offers premium office and retail space in a central location, as well as a first class tenancy structure. A combination of glass, granite and aluminum makes the facade stand out. Classical proportions and elegant simplicity are the main features of this exclusive office address. The OfficeTower satisfies the highest requirements on the inside too: visitors are welcomed in an impressive entrance hall with a natural stone floor and other premium materials. The building plans were designed by internationally renowned architect Max Dudler, who has offices in Berlin, Zurich and Frankfurt.

The OfficeTower also impresses with its excellent location – Darmstadt's pedestrian zone is just a few minutes' walk away. There is also a bus and tram stop directly in front of the OfficeTower building complex.

General Information

Status quo	Leasing phase
Occupancy rate	72 %
Type of use	Office, retail, restaurant
Space	8,195 sqm
On the Internet	www.officetower.ag

Investment

Total investment	EUR 10.8 million
Net annual rent	EUR 0.7 million
Gearing	EUR 8.0 million
Value according to IFRS (at December 31, 2010)	EUR 12.8 million

GutenbergPark
Mainz

GutenbergPark MAINZ

Description

GutenbergPark is an expansive modern business park located in Mainz-Hechtsheim, an economically dynamic commercial location with a healthy mix of segments, close to Mainz city center. The property stands out thanks to its flexible range of usage types. From classic offices to industrial mixed uses and production, through to modern warehouses – anything can be realised here. A restaurant open to the public with a summer terrace and coffee lounge adds an extra touch to the business park.

IFM took over the former Gutenberg Druckerei production facilities in 2006 and has been able to increase the occupancy rate from the original 15 % to almost 90 %.

In late 2010, the major tenant Deutsche Telekom AG moved into GutenbergPark, setting up a modern service center over 3,850 square meters in total. A staff of about 300 Telekom employees is located here. Other well-known companies such as Siemens and innovative companies active in renewable energies and research & development have chosen this location too.

General Information

Status quo	Existing property
Occupancy rate	86 %
Type of use	Commercial and restaurant
Space	25,289 sqm
On the Internet	www.gutenbergpark.de

Investment

Total investment	EUR 23.7 million
Net annual rent	EUR 2.1 million
Gearing	EUR 14.7 million
Value according to IFRS (at December 31, 2010)	EUR 25.6 million

Zimmerstraße
Berlin

Zimmerstraße, Berlin

BERLIN
Zimmerstraße

Description

Between Checkpoint Charlie and the Federal Ministry of Finance, a mixture of offices, boarding house, premium residential space and culture and the arts will be born. IFM Immobilien AG purchased one of the last undeveloped lots in a top location in central Berlin in 2006/2007. IFM is working closely with Swiss architect Max Dudler, who has already executed a number of successful projects in Berlin, on the plans.

The lot allows a development project with a volume of 21,000 square meters. IFM will submit the planning application for the development in 2011.



General Information

Status quo	Planning phase
Type of use	Commercial, residential, culture
Potential for development	21,000 sqm
Lot size	8,848 sqm

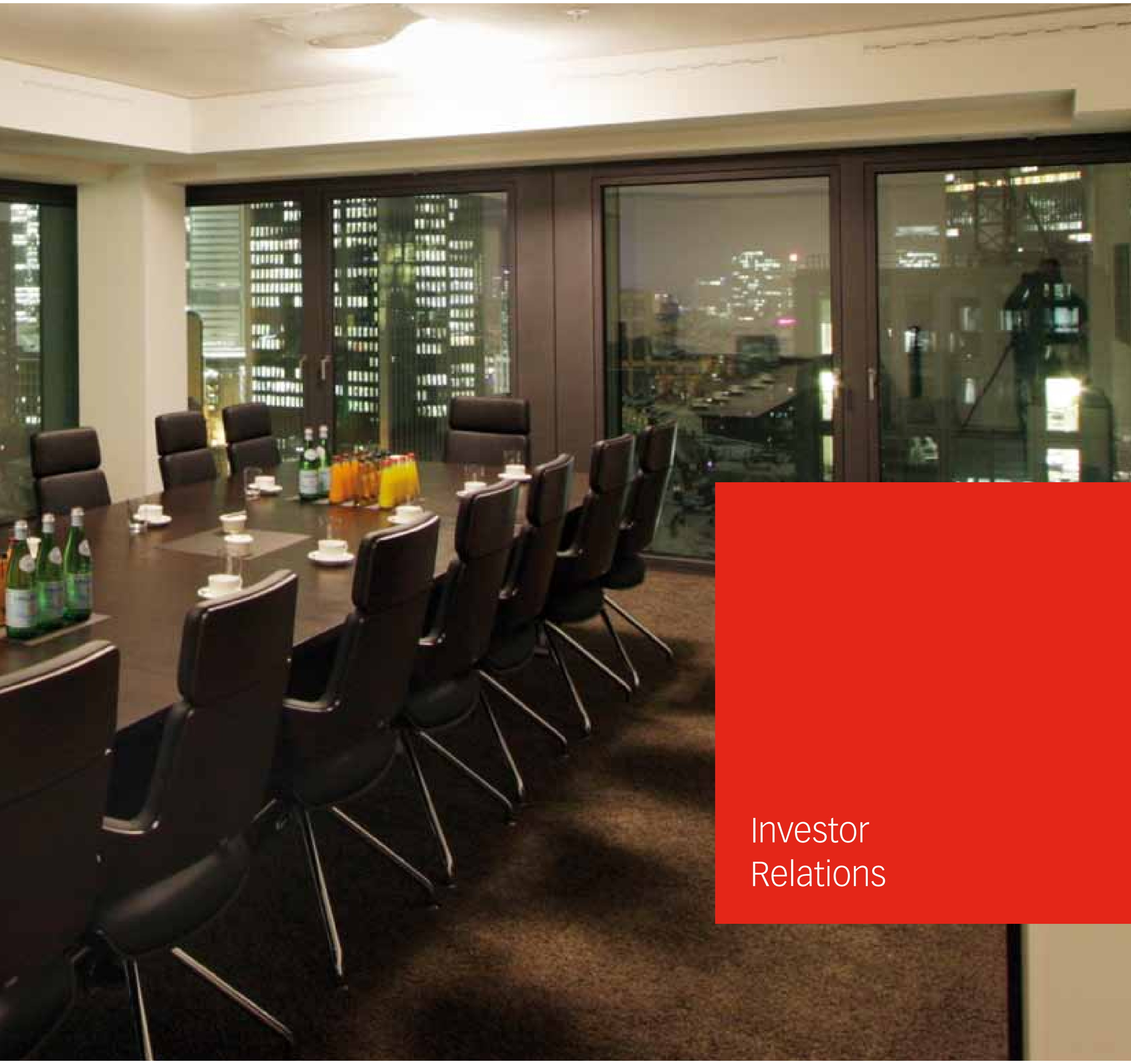
Investment

Total investment	EUR 15.6 million
Net annual rent	EUR 0.1 million
Gearing	EUR 10.0 million
Value according to IFRS (at December 31, 2010)	EUR 15.0 million

“Sustainability is of top importance to IFM, especially in all areas of finance.”

Marcus Schmitz, CFO of IFM Immobilien AG

Romeo & Julia, Frankfurt am Main



Investor Relations

Further recovery on the German stock market

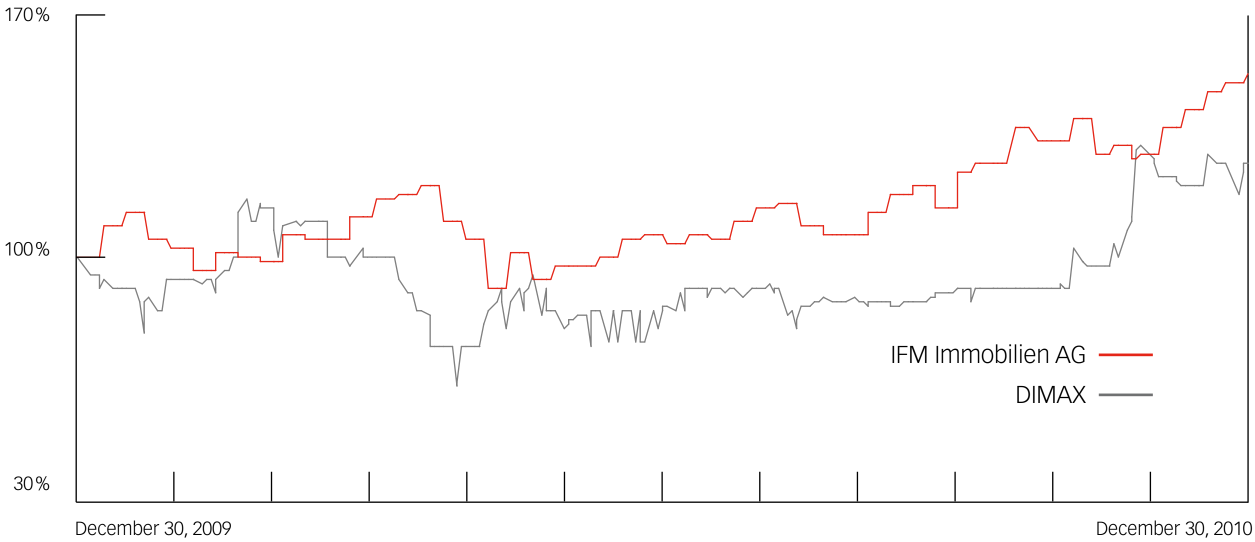
The trends towards economic recovery were also reflected in a more pleasant climate on the stock exchange over the course of the year. Following a temporary slump in the first few weeks of 2010, the leading German index, the DAX, picked up noticeably and remained predominantly in the range 5,750 to 6,250 points over the next few months. The start of the fourth quarter heralded another strong increase, so that the index had reached a level of over 7,000 points by the end of the year, the highest level since June 2008.

The German property market also continued to recover. The property stock index E&G-DIMAX also rose during the year, although not as dynamically as the DAX and also not as strongly as in the previous year.

Stable performance from IFM stocks

While the IFM stock performed significantly better than the market as a whole in 2009, its movement in 2010 was largely sideways. However, the stocks were listed much more solidly towards the end of the year. The IFM stock finished the year at EUR 9.30, resulting in a price gain of almost ten percent for the year.

IFM stock compared to the DIMAX



Shareholder structure

As far as IFM AG is aware, the shareholder structure did not change significantly during the year.

As far as the company is aware, a share quota of 45.33 % is apportionable to a Norwegian consortium of shareholders consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS. Further members of the Supervisory Board together hold around 7 % of the subscription rights directly and indirectly, while the members of the Executive Board hold around 10 % of the shares in IFM Immobilien AG.

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	BHF Bank AG, Close Brothers Seydler Bank AG

	2010	2009
No. of shares (at Dec. 31)	9,349,999	9,349,999
High (EUR)	9.45	8.58
Low (EUR)	7.35	4.52
Year-end close (EUR)	9.3	8.47
Market capitalization in EUR m*	86.95	79.19

* Calculated on basis of each year-end close

Open communication with the capital market

A transparent information policy and in particular open dialogue with the capital market are key components of IFM Immobilien AG's corporate culture. As a company listed in the Prime Standard segment of the German stock exchange, IFM must satisfy rigorous transparency requirements and disclosure obligations.

Meetings held by the Executive Board at roadshows in Germany and abroad, as well as consistent contact maintained with the media and analysts, assist in the regular exchange of information with domestic and international investors. This allows the Executive Board to notify the capital market about IFM's business performance promptly and comprehensively.

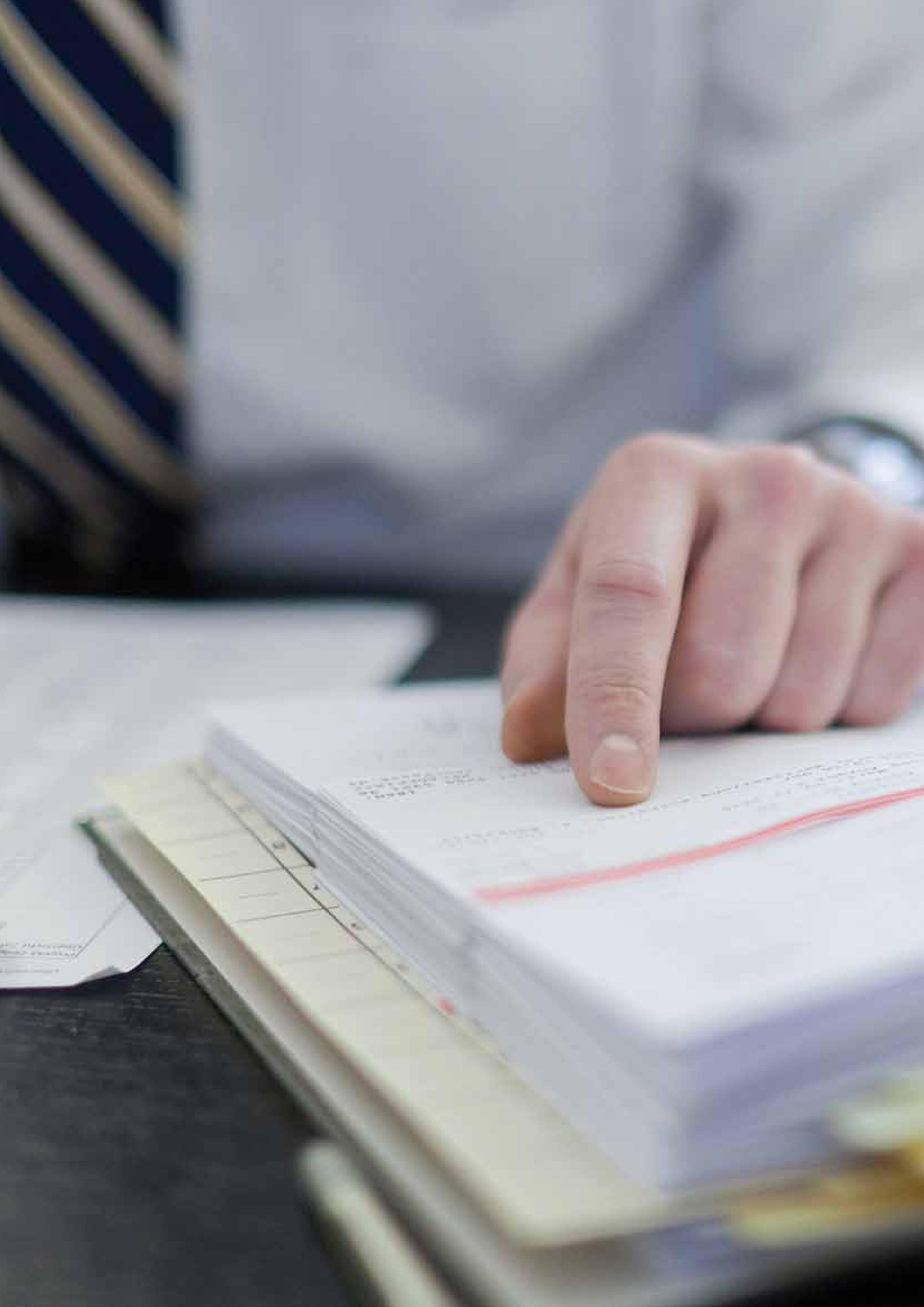
In addition, IFM Immobilien AG makes use of investor conferences and specialist congresses to communicate with the capital market. In 2010, these included the Real Estate Update on June 1, the SRC Forum on September 14, the Real Estate Share Initiative on October 19 and the German Equity Forum on November 22. SRC Research and CloseBrothers Seydler are just a two of the well-known financial and research institutions that regularly track the company's performance.

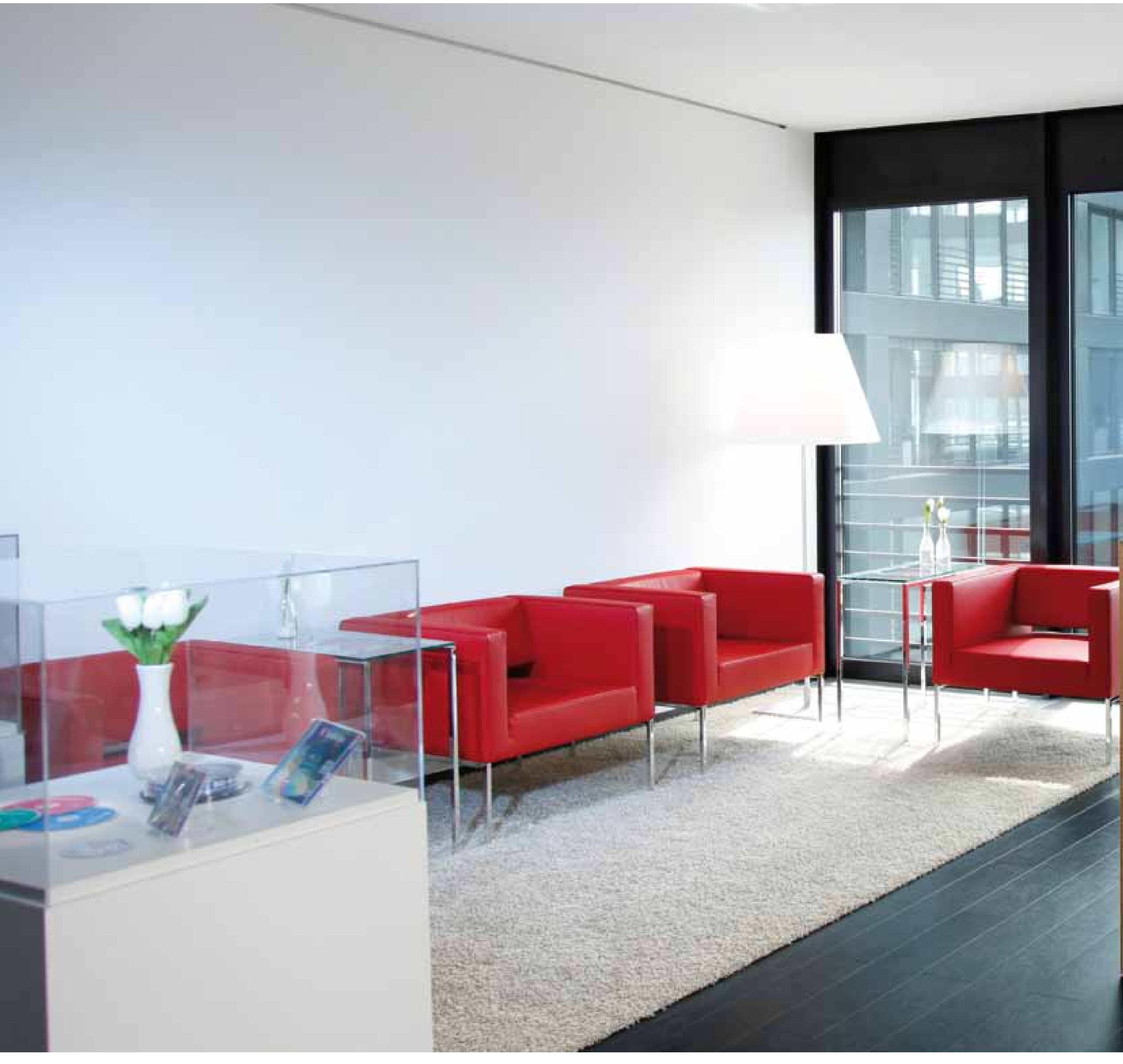
In 2011, the Executive Board will continue to guarantee comprehensive information about investor, potential shareholders and analysts and communicate regularly and actively with the media and important players on the capital markets.

Net Asset Value (EUR m)

	2006	2007	2008	2009	2010
Assets in total	**126.0**	**228.0**	**329.4**	**355.9**	**314.9**
westendFirst, Frankfurt	52.0	55.0	55.0	55.0	
Carré, Heidelberg	30.0	30.0	29.5	29.4	29.4
Romeo & Julia, Frankfurt	28.6	38.6	66.0	81.0	92.0
Gutenbergpark, Mainz	15.0	19.0	20.7	21.3	25.6
Zimmerstr, Mauerstr., Berlin	0.4	4.6	15.0	15.0	15.0
Feldbergstrasse, Frankfurt		3.4	3.5	2.9	
Maxxon, Eschborn		26.6	30.2	39.3	46.0
Office Tower, Darmstadt		10.8	12.8	12.8	12.8
Kureck, Wiesbaden		31.3	33.4	33.2	34.6
Ulmenstrasse 22, Frankfurt		8.7	9.9	11.0 [1)]	
Zeilgalerie, Frankfurt			53.5	55.0	59.5
Bank liabilities	-50.5	-155.0	-221.0	-239.6	-203.5
Other assets/liabilities	-14.4	-2.4	-8.9	-4.3	-1.0
Liquid funds	29.5	22.6	15.6	8.7	14.5
Net Asset Value (before deferred taxes and derivatives)	90.6	93.2	115.1	120.7	125.0
NAV/Share (EUR)	10.66	10.96	12.31	12.91	13.37

*Sales price less transfer costs





Maxxon, Eschborn

Corporate Governance

General

IFM Immobilien AG recognizes the importance of solid and responsible administration and corporate governance in maintaining a relationship of trust with the capital market and the company's business partners. Important elements of corporate governance include close, confident co-operation between the Executive and Supervisory Boards, respect for shareholders' interests and an open and transparent corporate communication policy.

The Government Commission on the German Corporate Governance Code (DCGK) has established a standard for evaluating the management of stock listed German companies. The Code was first published on February 26, 2002 and most recently amended in the Bundesanzeiger, Germany's Federal Gazette, issue of May 26, 2010 as well as the electronic version published July 2, 2010. It contains recommendations and suggestions for the management and supervision of stock listed German companies. Its provisions differ in their binding force. Along with explanations of current corporate law, it includes recommendations which companies may or may not heed. However, stock listed companies are required to disclose any recommendations not heeded each year. The Code also includes suggestions that companies are not required to disclose if not followed. IFM Immobilien AG has been subject to these obligations as pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz) since its stock was entered for trading on the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange on April 29, 2008.

As in the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act issued March 15, 2011 by the Executive and Supervisory Boards, the Executive and Supervisory Boards of IFM generally comply with the recommendations of the German Corporate Governance Code with the exceptions stated and explained below.

Shareholders and Annual Shareholders' Meeting

The shareholders of IFM Immobilien AG are able to exercise their rights of joint management and control at the annual shareholders' meeting. Each share grants the right to a single vote at the annual shareholders' meeting. Shareholders may either vote themselves or appoint an assignee to vote on their behalf. IFM Immobilien AG makes it easier for shareholders to exercise their rights in person, providing them support in appointing an assignee; the Executive Board will arrange for the appointment of an assignee to vote on behalf of shareholders at their instruction, and who will be available for contact during the shareholders' meeting. Shareholders who do not wish to participate in the annual shareholders' meeting in person or appoint an assignee to vote for them can also submit votes in writing using an absentee vote. The documents necessary for the annual shareholders' meeting, the absentee voting form and the meeting agenda are provided on the company website. There are no plans to broadcast the shareholders' meeting live on the Internet due to the associated costs and because the organizational effort involved would be too great for the size of the company.

It is in the company's and the shareholders' interest that the meeting is completed without interruption or delay. For this reason, the articles of incorporation of IFM Immobilien AG authorize the chair of the meeting to limit the time given to shareholders for any questions or comments.

At IFM Immobilien AG, the Executive and Supervisory Boards work closely together in the company's best interests. In particular, the Executive Board consults with the Supervisory Board on the company's strategic alignment, holding discussions on the stage of implementation of the company's strategy at regular intervals. The Executive Board notifies the Supervisory Board regularly and promptly of any matters affecting the company related to planning, business performance, the risk position, risk management and compliance in full detail.

The Supervisory Board has defined the reporting and disclosure obligations of the Executive Board in further detail. In the rules of procedure of the Executive Board, the Supervisory Board has set out its power of approval for decisions or measures that will result in fundamental changes to the company's assets, financial position or earnings, or which are viewed as crucial for any other reasons. This applies in particular to the acquisition or sale of IFM Group real estate projects.

The Executive Board currently has two members. The Executive Board's rules of procedure prescribe that a chair be appointed. This chair shall represent the Executive Board before the Supervisory Board and its chair. Mr. Georg Glatzel is the current chair of the Executive Board.

Each member of the Executive Board shall manage their assigned business areas on their own responsibility as per their allocation of duties in the scope of the rules of procedure and in compliance with any resolutions adopted by the Executive or Supervisory Board. The assignment of business areas shall not relieve any member of the Executive Board of their shared general responsibility for managing the company.

In compliance with the articles of incorporation, the company's Supervisory Board comprises six members who are appointed by the annual shareholders' meeting. In proposing candidates for the Supervisory Board, it is always ensured that the members of the Supervisory Board possess the appropriate knowledge, abilities and professional experience necessary to fulfill their duties.

The Supervisory Board has appointed a Ruling 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 obliged to act in the Company's best interest. As part of this, the Executive Board is responsible for managing the company with the goal of achieving sustainable value appreciation, while taking the interests of shareholders, company staff and any other stakeholders in the company into account. Each member of the Executive Board must inform the Supervisory Board immediately of any conflicts of interest. All transactions between the company and the members of the Executive Board, as well as between any related parties, must comply with industry standards and require the consent of the Supervisory Board. The members of the Supervisory Board must report any conflicts of interest to the Supervisory Board, in which case the Supervisory Board is then required to notify the shareholders' meeting of any such conflicts of interest and action taken in its report to the shareholders' meeting. Any legal relationships existing between members of the Executive or Supervisory Board or any related parties are outlined in the consolidated financial statements. There were no conflicts of interest of members of the Executive or Supervisory Board in the year under review.

Reporting

Shareholders and third parties are provided with information primarily in the form of the consolidated financial statements. They are also informed of developments during the fiscal year in the semiannual report and interim reports or quarterly reports in the first and second half of the year. The consolidated financial statements and condensed financial statements provided in the semiannual and quarterly reports are prepared in compliance with all relevant international reporting standards.

Declaration of Conformity with the Corporate Governance Code

On March 15, 2011, the Executive and Supervisory Boards of IFM Immobilien AG declared that they have complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code, with the following exceptions. The benchmark for the company's past actions was previously the Code concluded on June 18, 2009, which was published in the electronic Federal Gazette on August 5, 2009, under consideration of any changes made in the version concluded May 26, 2010 and published July 2, 2010 in the electronic Federal Gazette. In the future, the Declaration shall refer solely to the May 26, 2010 version of the Code.

- Item 2.3.2 of the Code The company considers publishing the invitation to the annual shareholders' meeting in the electronic version of the Federal Gazette to be sufficient.

- Item 3.8 of the Code The D&O insurance for the Executive and Supervisory Boards did not include a retained amount until June 30, 2010. A retained amount was agreed on for the Executive Board effective July 1, 2010, which corresponds to the requirements of the law on the appropriateness of executive board compensation. The Supervisory Board will continue to receive no retained amount, since the company does not believe that a retained amount could further boost the motivation and responsibility with which the members of the Supervisory Board perform their duties. Furthermore, the company believes that D&O insurance serves to secure significant own company risks and not just to protect the personal assets of the members of the advisory boards.

- Item 4.1.5 of the Code Diversity is generally taken into account in recruitment for management positions at the company and attention is paid to the inclusion of an appropriate number of women. However, the professional expertise of candidates is the primary consideration (for both men and women).

- Items 4.2.4, 4.2.5, 5.4.6, 7.1.3 of the Code In line with the decision of the annual shareholders' meetings of July 18, 2008 and June 22, 2010, the company refrains from disclosing the individual compensation of the members of the Executive Board. Thus, the corporate governance report does not include a compensation report. In addition to non-disclosure of the individual Executive Board salaries, the company also refrains from disclosing individual remuneration and company benefits for services performed by the individual members of the Supervisory Board, as permitted by law. Apart from the mandatory declarations required by the law, the company has no intention to publish any actual details of stock option programs, similar stock-based incentive schemes at the company or comparable compensation schemes with long-term risks and incentives. The Executive and Supervisory Boards believe that the mandatory declarations provide investors and the general public with sufficient information.

- Item 4.2.3 of the Code There has not been any cap limiting variable types of compensation for the Executive Board in extraordinary and unexpected circumstances in the past. As part of the adjustment of the contracts of both members of the Executive Board with their contract renewal and the change to the variable compensation scheme for Executive Board members in regard to the law on the appropriateness of Executive Board compensation, limitation options have been agreed for the Supervisory Board.

  The contracts of employment for Executive Board members, however, still do not contain any provisions to the effect that a member of the Executive Board who terminates their contract prematurely without good cause may not receive severance payment exceeding two years salary including incidental benefits (severance payment cap) or that they may only be remunerated for the remaining term of the contract. The company believes that including an explicit, fixed severance payment cap in employment contracts for members of the Executive Board would restrict the freedom of the Supervisory Board and would not be appropriate for each individual case.

- Item 4.3.1 of the Code Due to the nature of their contracting duties and based on the decision of the Group's Supervisory Board, the CEO is entitled to certain exemptions from the anti-competition clause as stipulated by the law. The company does not believe that this arrangement will pose any significant disadvantages to the company.

- Item 5.1.2 Para. 1 of the Code The Supervisory Board generally supports the basic goal of paying attention to diversity and the inclusion of an appropriate number of women among the members of the Executive Board. However, the company's Executive Board is currently only composed of two people. During the recent contract renewal of both members as Executive Board members, the Supervisory Board foremost considered the professional expertise of the members, satisfaction with past work and continuity in the company's management. As a change to the composition of the Executive Board was not seen as necessary, the issue of paying attention to points of diversity or the number of women could not be taken into account, as it would have been in the selection of new candidates.

- Item 5.1.2 Para. 2 Clause 3 of the Code The Supervisory Board has not set an age limit for members of the Executive Board. The members of the Supervisory Board believe that an individual's suitability to manage the company depends greatly on individual abilities.

- Item 5.3.3 of the Code After the resignation of Mr. Lechner from the company's Supervisory Board, the Nominating Committee, which previous consisted of three members, currently only has two members. No new recruitments have been made. The company reserves the right to a complete dissolution of the committee, since its duties could also be carried out by the Supervisory Board as a whole.

- Item 5.4.1 Paras. 2 and 3 of the Code During the last amendments to the Code, a new recommendation was included in Item 5.4.1, which states that the Supervisory Board shall propose concrete goals which take the company's international activities, potential conflicts of interest, a set age limit for members of the Supervisory Board and diversity, especially the inclusion of an appropriate number of women, into account under consideration of the company's specific situation.

  The Supervisory Board has not yet formed a final impression as to whether the formal proposal of such concrete goals for the company is suitable in all aspects, based on the company's low number of staff and the limitation of its activities to Germany, as well as which goals could be suitable for the company based on its specific situation. This new recommendation has thus not been conformed with up to now. Accordingly, the goals stated have not been taken into account in any vote proposals and cannot be taken into account in an appropriate report in the Corporate Governance Report.

  The Supervisory Board will decide in due time whether such a formal statement of goals should be undertaken in future, while also reserving the right to deviate from this recommendation in future.

- Item 5.4.3 Clause 1 and 3 of the Code: In the past, members were sometimes elected to the Supervisory Board by way of a list based system or by voting for candidates en bloc in accordance with the relevant provisions of case law. The company would like to have the option of employing these methods for the selection of Supervisory Board members in future as well for reasons of efficiency. Candidates for election as the chair of the Supervisory Board will not be announced so that the Supervisory Board can continue to elect a chair on an unbiased basis.

- Item 5.6 of the Code: No formal tests of efficiency have ever been performed for the Supervisory Board, as the company does not believe that the time and expense that would be required or the inclusion of outside consultants for this would be reasonable compared with the anticipated benefits for the company. The company will reassess this decision in due time. However, the company will in all likelihood continue to forgo formal tests of efficiency in the future.

- Item 6.6 of the Code: The company considers the legal requirements of reporting and publication of stock transactions by members of the Executive and Supervisory Boards to be sufficient.

- Item 7.1.2 Clause 3 of the Code: The interim reports are not all published within 45 days following closure of the reporting period. The deadline is exceeded by a few days due to the large scope of consolidation in individual cases. Efforts will be made to comply with the deadline in the future.

  The Declaration of Conformity is to be published on the website of IFM Immobilien AG at www.ifm.ag for a period of five years.

Annual Document Pursuant to § 10 of the German Securities Prospectus Act

The German Securities Prospectus Act (WpPG) has been in effect since 2005. Section 10 requires that parties issuing securities for trade in an organized market prepare a document each year informing the public of or referring to all details the company has published or otherwise made available to the public over the past twelve months pertaining to various capital market laws and regulations.

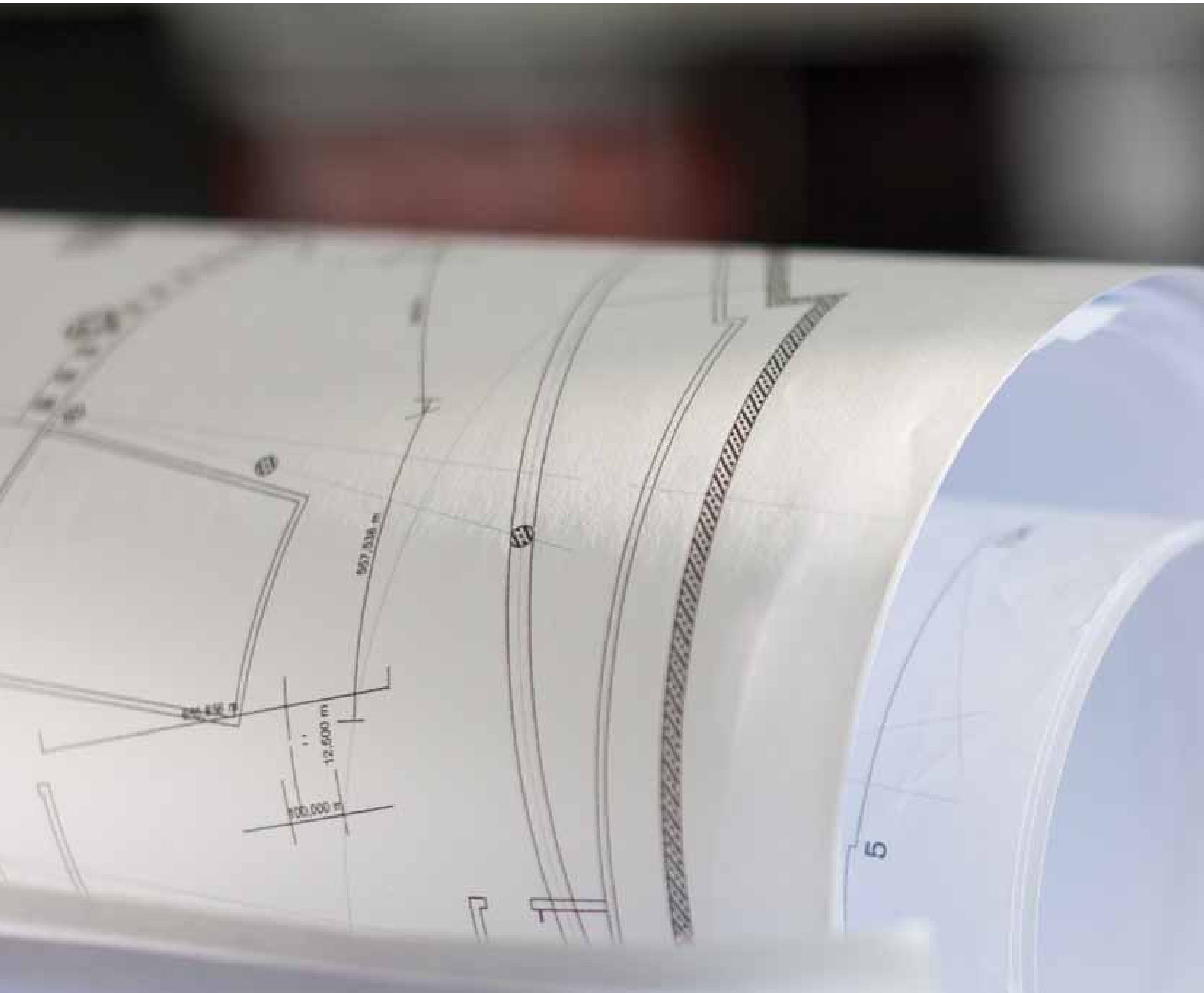
IFM Immobilien publishes the annual document including all notifications it contains relating to the laws of trade and securities on the Internet at www.ifm.ag. The annual document can also be requested directly from IFM Immobilien AG.

Stock Option Plans

Based on the authorization of the annual shareholders' meeting of April 24, 2006, the Supervisory Board of IFM Immobilien AG has set up a stock option plan for members of the Executive Board under the name of SOP 2006 A and SOP 2006 B. The Supervisory Board decided to issue a first tranche comprising 120,000 stock options. Under this plan, 80,000 stock options were issued to the CEO, Mr. Georg Glatzel and 40,000 to Mr. Bernd Weber, a member of the Executive Board at the time. As of December 31, 2008, 120,000 stock options had been issued. With the authorization of the annual shareholders' meeting of July 20, 2007, the Supervisory Board of the company decided to set up an additional stock option plan entitled SOP 2007 for acting members of the Executive Board based on a decision of August 24, 2007. The Supervisory Board approved a total of 292,000 stock options to be issued in a first tranche on September 13, 2007, a total of 292,000 stock options in a second tranche on February 20, 2008, and a total of 146,000 stock options in a third tranche on April 3, 2009. A total of 625,400 stock options were issued to Mr. Georg Glatzel and 104,600 to Mr. Marcus Schmitz. As of December 31, 2010, a total of 730,000 options had been issued in three tranches.

For details on the stock option plans, refer to Item 3020 Figure d) in the Notes to the Consolidated Financial Statements.

GutenbergPark, Mainz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Report on the position of the company and the group

Report on the position of the company and the group

Fiscal Year 2010 (January 1 to December 31, 2010)

In the fiscal year 2010, for the first time, the consolidated management report deploys an exempting effect on the IFM Immobilien AG management report in accordance with § 315a HGB, in conjunction with § 315 Para. 3 HGB and the provisions of § 298 Para. 3 HGB.

A. Business Performance and Environment

1. Group strategy and business activities

The IFM Group (hereinafter referred to as IFM), consisting of IFM Immobilien AG (hereinafter referred to as IFM AG) and its subsidiaries are active in the commercial real estate market as an investor and project developer. IFM concentrates particularly on office properties and properties in the inner city retail segment. The IFM Group's activities include both the erection of new premium quality buildings in prime inner city locations for predominantly commercial use and the revitalization of existing commercial properties.

The IFM Group typically puts the following three components into effect in revitalization projects:

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

IFM's operations are focused on the geographic areas of the Rhine-Main region, the Rhine-Neckar metropolitan region and city locations in Berlin. In addition, the IFM Group regularly explores new opportunities to establish a presence in other metropolitan areas in Germany.

IFM selects properties on the basis of standard investment criteria, including a high potential for development and value appreciation, an attractive risk/opportunity profile and prime locations with a good infrastructure. IFM employs a detailed due diligence process before acquiring properties. That entails thoroughly assessing the legal, geographic, structural engineering and economic condition of the property up for sale. The investment volume per property is in the range of EUR 15,000 thousand to EUR 90,000 thousand.

IFM generates revenue by leasing properties, as well as from earnings on interest from loans to subsidiaries and from business management agreements. In addition, IFM also turns profits by dealing shares to project companies (share deals) and by distributing profit from the sale of properties (asset deals) at the level of the special-purpose entities.

2. Group structure and organization

IFM AG is responsible for the Group's strategic management as the ultimate parent company. It primarily acquires interests in companies that own real estate or which serve as project companies for individual real estate projects.

The Executive Board of the IFM Group companies assumes the joint management of the parent company, handling the Group's business and financial policies. They are supported by an additional managing director in some project subsidiaries. The properties in the company's portfolio are typically held by individual project companies that are subsidiaries of IFM Immobilien AG. In general, each individual project company is responsible for financing their respective property. The creditor's recourse is usually contractually limited to the assets of the individual project company (including shareholder loans and capital investments provided by IFM Immobilien AG), otherwise known as non-recourse financing.

Business operations for the Group are undertaken by IFM Asset Management GmbH, a wholly owned subsidiary of IFM Immobilien AG. Its primary duties therefore include commercial and higher-level project management tasks, real estate marketing, rental management and property management.

In order to ensure lean structures and a high level of flexibility and efficiency within the Group, IFM outsources business activities which do not fall under the company's core competences to outside service providers, in particular architects, engineers or advertising agencies.

3. Managing Bodies

3.1. Executive and Supervisory Boards

The Executive Board of IFM Immobilien AG is comprised of the members Georg Glatzel (CEO) and Marcus Schmitz (CFO).

The Executive Board conducts the company's operations in compliance with the law, the articles of incorporation and the board's rules of procedure. The Supervisory Board determines the size of the Executive Board. It also has the power to appoint a CEO and deputy.

The Supervisory Board advises and oversees the Executive Board in its management activities. In compliance with the articles of incorporation, the Supervisory Board comprises six members who may be re-elected. The Supervisory Board is not subject to co-determination requirements. As a result, the members of the Supervisory Board are elected as shareholder representatives by the shareholders in attendance at the annual shareholders' meeting.

3.2. Basic Features of the Compensation System

The members of the Executive and Supervisory Boards are compensated in accordance with the provisions of the law. The compensation system also follows the general recommendations and suggestions of the German Corporate Governance Code.

The Supervisory Board determines the compensation of the Executive Board members. It regularly reviews the structure of the compensation system to ensure that it is still appropriate. The Executive Board members are compensated with a basic annual salary plus a variable compensation scheme.

The fixed base salary for Executive Board members is based on the members' area of responsibility and individual performance.

The variable compensation scheme for Executive Board members comprises profits from real estate projects and a non-cash benefit in the form of use of a company car. The members are also entitled to stock-based compensation. Stock options were issued under two stock option plans in 2006, 2007, 2008 and 2009 (cf. the explanations in the Management Report under E. and details on equity in the Notes).

The compensation scheme for members of the Supervisory Board is governed by the company's articles of incorporation. This scheme comprises a fixed amount and a variable component. The company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses (refer to the explanations in the management report under E as well as the statements on the Supervisory and Executive Boards in the Notes).

4. Material Factors Affecting Business

The business operations of the IFM group are subject to a number of legal regulations and other factors over which the Group companies have little or no control. These include legal constraints and economic factors.

Macroeconomic developments are one of these factors. Economic performance not only affects demand on the office leasing market, but also performance in retail. These factors can affect the course of rental prices in particular, and perhaps even new or renewed leases. In addition, economic performance can directly and indirectly affect the prices on the real estate investment markets, decisions to buy and sell property, and therefore even IFM's business performance.

In order to be able to achieve and maintain a strong, competitive position in the real estate markets throughout the various phases of the market cycle, the IFM Group applies innovative real estate marketing concepts in its projects and a cutting edge approach in the field. Developing and implementing sophisticated marketing measures and establishing properties as brands in the desired target groups are key components of IFM's company strategy.

Developments on the capital markets also have a significant impact on IFM's business activities. As the Group companies borrow capital either directly or indirectly, the performance of the capital markets has a major influence on the companies' economic success. The general trends in interest rates, the intensity of competition on the real estate markets, possible changes to tax constraints for real estate financing and even structural developments in the credit economy all hold a great deal of significance.

Consequences of the international financial crisis were still noticeable during the fiscal year 2010. Compared to the situation before the crisis, the real estate industry is now faced with significantly higher financing margins, which sometimes compensate for the interest rates, which remain low. Because of this, IFM expects to come up against further possible effects of higher borrowing costs for new acquisitions and follow-up financing. Nevertheless, banks that have worked with the IFM Group know the company's track record and are still prepared to finance the real estate investments and project developments of IFM companies.

Various legal requirements from different areas of law must be complied with for properties held by the IFM Group and any potential new properties, as well as in all construction and development activities planned and carried out for these properties. These include above all public planning and zoning laws and the applicable state building law. This also includes suitable fire prevention measures as part of revitalization activities, for example. Environmental, soil and water protection acts are also of high importance to IFM, and are taken into account in the due diligence process.

5. Corporate Management and Performance Indicators

5.1. Financial Performance Indicators

The long-term success of the IFM 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. In a comparison of actual performance with planned performance figures, the actual return on equity is compared with the potential return required per year in the range of 15% to 25% before tax based on the equity employed (without leverage).

5.2. Non-Financial Performance Indicators

In addition to financial parameters, certain non-financial performance indicators hold great significance to the company's success. They are a result of the company's unique business model and the expertise of the management and staff.

The non-financial performance indicators include:

<u>Real estate market expertise</u> The economic success of IFM depends heavily on the management and staff's experience and expertise in identifying suitable properties with high potential for value appreciation in select locations and assessing the possibilities for development as accurately as possible. As well as specialist expertise and experience, in-depth knowledge of the regional markets is also necessary for this. The CEO of IFM Immobilien AG has over 20 years of experience in project development for commercial real estate and comprehensive knowledge of the real estate industry. Many other members of staff also have many years of experience in property development, professional expertise in real estate economics and a wide network of contacts.

<u>Project development know-how</u> In its revitalization activities, IFM focuses on the core competencies of property redevelopment, restructuring and repositioning. Developing a property successfully, on schedule, and within budget calls for extensive expertise in architecture, structural engineering and economics. This also includes choosing skilled, reliable outside service providers such as architects, engineers, construction firms, tax attorneys and general attorneys to ensure that projects are executed professionally and on time.

Property marketing expertise The IFM Group possesses a great deal of expertise in property marketing, which lends it a competitive edge. The company's specific strengths lie in creating unique leasing and marketing concepts, positioning new or revitalized properties accurately for its intended public and effectively addressing potential tenants. This allows the Group to speed up the leasing process compared to its competitors and reap the rewards of leasing success even sooner. IFM works closely on creating and implementing these marketing concepts with partners such as marketing agencies and estate agents.

6. Research and Development

As an investor and project developer of commercial real estate in particular, the IFM Group's research and development activities are limited to project development for properties within its portfolio, conceptualizing innovative marketing concepts and analyzing the real estate market and market observations. No other research and development activities are undertaken.

7. Economic Environment in 2010

Following the strong effects of the global financial and economic crisis in 2008 and 2009 on the German economy, and the worst recession Germany has encountered since the Second World War, the macroeconomic environment improved noticeably in 2010. A trend towards recovery, which was already apparent in late 2009, was confirmed in the first half of the year.

The gross domestic product (GDP) rose by 2.3% in the second quarter of 2010, which represents the greatest rise on the previous quarter seen since German reunification. In the second half of the year, growth slowed somewhat. Overall, Germany's GDP increased by 3.6% after price adjustments in 2010, after having broken 4.7% in the previous year. As a result, Germany experienced the strongest annual growth since reunification in 2010 .

Momentum from both within the country and abroad contributed to this. There was an increase in exports in 2010 of 14.2% after price adjustments, while imports rose by 13.0%. Growth of 9.4% was seen in investments in equipment on the previous year, while investments in construction increased by 2.8%. Furthermore, both private and public consumer spending rose compared to the previous year (+0.5% and +2.2% respectively, after price adjustments).

The economic recovery was also apparent in the job market. Employment and jobs subject to social insurance contributions were well above the previous year's figures in 2010, after price adjustments. According to the Federal Statistical Office, an average of 40.5 million employees were responsible for the economic performance across the year, which represents a new high in employment levels. This is equal to an increase of 212,000 persons or 0.5% compared with 2009.

According to the European Central Bank's assessment, the recently published statistical data and survey results confirm that the positive macroeconomic conditions will continue until the end of 2010.

Sources:
Press release issued by the Federal Statistical Office on January 12, 2011
European Central Bank, Monthly Bulletin, January 2011

8. Trends in the Commercial Real Estate Market in 2010

During 2010, a significant tendency towards stabilization became noticeable on the commercial real estate markets. The rental rates in the six largest German office real estate locations Berlin, Dusseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart totaled around 2.66 million square meters. This is approximately in line with the five-year average for 2005-2009, while also displaying an increase of 26 % compared to the revenue volume in 2009. Of particular note was the large proportion in the fourth quarter, during which 30 % of the rental rates for the entire year were achieved.

According to estimations by Jones Lang LaSalle (JLL), the favorable economic environment and good business prospects for 2011 prompted companies to put their relocation plans into practice. While higher rental rates than in 2009 could be recorded for all the locations mentioned, there were also some considerable regional differences. At 11%, the increase was lowest in Munich, while Dusseldorf recorded the greatest growth in revenue, with an increase of 56% compared to the previous year.

Net absorption, which was slightly negative in 2009 at minus 16,000 square meters, reached a total of 150,000 square meters in 2010. This put it significantly below the five-year average of 720,000 square meters for 2005 – 2009. The increase in rental rates was only fractionally reflected in a higher net absorption. This is predominantly as a result of companies continuing to make the consolidation and replacement of space a priority over expansion. New construction projects in 2010 were at almost exactly the same level as in the previous year, at around 1.1 million square meters. A significant reduction of 24% is expected in 2011.

A total of 8.47 million square meters of office space was empty across Germany’s six largest office real estate locations. This corresponds to a vacancy rate of 10.6 %, or an increase of 0.7 percentage points compared to the previous year. At 14.7 % (2009: 13.6 %), Frankfurt recorded the highest vacancy rate once again. The greatest increase in vacancy was observed in Hamburg, where the vacancy rate rose from 8.3 % at the end of 2009 to 9.6 % at the end of 2010. The office real estate market in Berlin is an exception: the vacancy rate here decreased in 2010 by a good 3 % or 0.3 percentage points.

As in previous years, the IFM Group’s observations in 2010 also showed some differences in demand and vacancy rates between the individual markets. The vacancy rate in premium properties in prominent inner city locations remains significantly below the average for the market as a whole, as a result of the above-average demand typical for these properties.

This is also reflected in the development course of rental fees. Since, according to JLL, the interest of users is strongly focused on space with high quality facilities in central locations, rental prices rose again in the premium segment of some markets, despite vacancy rates remaining high. As in the performance on the investment market, the experts observed a divide between premium locations and properties and second rate locations and spaces. The potential for growth in rental fees is estimated to be much lower in the latter than in the premium segment.

The index value of the highest rental rates in all six large office markets increased by less than 1 % in 2010, although a further increase of 3.5 % is predicted for 2011. The strongest growth in prime rental rates was seen in Dusseldorf in 2010. At EUR 23.00 per square meter, they were 4.5 % higher than in the previous year. In view of the booming demand, lessors are finding ever fewer reasons to win over potential tenants with incentives, which had played a significant role in the leasing industry in the previous eighteen months. Effective rental rates are currently around 10 % below nominal rates.

Sources:
Jones Lang LaSalle, Office Market Overview Q4 2010, January 2011

B. Results of Operations, Net Assets and Financial Position

1. General

IFM AG's consolidated financial statements have been prepared for the fiscal year 2010 according to the International Financial Reporting Standards (IFRS) as prescribed for the reporting period in the European Union (EU). The previous year's figures were also calculated according to IFRS, as prescribed in the EU.

2. Overall performance

IFM enjoyed a continued strong performance in the 2010 fiscal year and achieved significant growth in profit. The consolidated revenue decreased – due to the sale of the property „westendFirst" as well as lower rental income caused by the scheduled termination of leases – slightly to EUR 18,181 thousand. The operating profit (before tax) was 243.8% higher than the value in the previous year, at EUR 8,897 thousand in 2010. The consolidated profit after tax was EUR 5,321 thousand, thus almost tripled.

3. Revenue and Results of Operations

IFM achieved a consolidated revenue of EUR 18,181 thousand in the fiscal year 2010, which was mainly a result of rental income and advance payments on ancillary leasing costs. The slight decrease in revenues by around 6.8 % compared with the previous year (EUR 19,515 thousand) can be attributed to the sale of the Frankfurt property westendFirst, effective March 1, 2010 as well as reduced rental income due to the termination of leases at the Zeilgalerie, also located in Frankfurt am Main, for project development activities. The reductions in rental income caused by this could not be entirely balanced out or compensated in full by the leasing successes achieved in other projects throughout the year.

Other operating income increased from EUR 887 thousand in the previous year to EUR 4,167 thousand. This figure includes a profit of EUR 2,856 thousand gained from the sale of the property Ulmenstrasse 22. This item further comprises payments made by tenants in addition to their leasing obligations, in particular compensation for expansion costs.

Income from market assessment of investment properties were EUR 12,564 thousand in the fiscal year, 13.8 % higher than in the previous year (EUR 11,045 thousand). These are mainly the result of the revaluation of the book value of the value appreciation for the property Romeo & Julia in Frankfurt am Main, which was due to a further increase in the occupancy rate to over 80 %.

The cost of goods sold, which mainly comprises the costs of maintenance and management of properties, fell to EUR 6,016 thousand (previous year: EUR 6,405). This item also includes maintenance expenses and increasing the number of tenants that could not be capitalized and which are related to the leasing of the properties Maxxon in Eschborn, GutenbergPark in Mainz and Zeilgalerie in Frankfurt am Main.

The personnel expense increased to EUR 4,330 thousand as a result of new staff being hired within the Group due to growth and payment of performance-related benefits (previous year: EUR 3,699 thousand).

Other operating expenses increased from EUR 5,794 thousand to EUR 6,899 thousand. The increase is predominantly due to compensatory arrangemexnts for interest hedges which, in contrast, has a positive effect on interest expenses.

The net finance expense was EUR -8,479 thousand (2009: EUR -10,566 thousand). Interest income decreased from EUR 823 thousand to EUR 424 thousand. Interest expenses decreased from EUR -11,370 thousand to EUR -8,972 thousand. As well as the compensatory payments for interest hedges named in other operating expenses, the expiry of interest rate hedge agreements and reduction in the volume of IFM's loaned funds due to sales made were further reasons for the decrease. The loss on the market assessment of derivatives was EUR 69 thousand (previous year: EUR -19 thousand).

The operating profit (profit before tax) for the 2010 fiscal year was EUR 8,897 thousand, and thus 2.5 times higher than in the previous year (EUR 3,649 thousand). Significant factors affecting the result include reduced interest expenses due to the expiry of interest hedge rate agreements, profits from the sale of the property Ulmenstrasse 22 and the increase in the value of the property Romeo & Julia due to further leasing success.

Income taxes were EUR 3,576 thousand, after EUR 1,841 in the previous year. Around EUR 1,212 thousand was attributable to deferred taxes.

The consolidated profit before minority interests was EUR 5,321 thousand (previous year: EUR 1,808 thousand). The consolidated profit after minority interests was EUR 5,291 thousand (previous year: EUR 1,814 thousand). This amount equates to undiluted earnings per share in the amount of EUR 0.57 (2009: EUR 0.19).

4. Net Assets

The changes to the asset structure of IFM as of December 31, 2010 in comparison to the December 31, 2009 reporting date were due to a great extent to the sale of the properties westendFirst and Ulmenstrasse 22, as well as the ongoing development of the property portfolio.

Total net assets of IFM were EUR 344,399 thousand as of December 31, 2010, which is EUR 28,190 thousand below the amount reported at the previous reporting date (EUR 372,589 thousand).

Non-current assets were EUR 326,175 thousand as of December 31, 2010, up 10.9 % from the comparable figure as of the previous reporting date (EUR 294,028 thousand).

The key item under non-current assets is investment properties, which are held to generate rental income and value appreciation. Their value rose by 9.7 % to EUR 314,900 thousand during the reporting period (December 31, 2009: EUR 287,034 thousand). This value appreciation is primarily due to leasing success in the properties Romeo & Julia and Maxxon, as well as progress in the planning of additional projects.

Current assets increased by 51.4 %, to EUR 18,224 thousand (December 31, 2009: EUR 12,038 thousand). The change is predominantly due to the increase in cash and cash equivalents from EUR 5,043 thousand to EUR 11,316 thousand, which is a result of the receipt of sales revenue from the sale of the two properties in Frankfurt am Main.

Group equity was EUR 109, 441 thousand, 7.0 % above the value on the previous reporting date (EUR 102,244 thousand). The equity ratio increased compared to the previous year to 31.8 % (December 31, 2009: 27.4 %).

Long-term borrowed funds decreased from EUR 232,208 thousand to EUR 112,496 thousand. This is attributable to a large extent to liabilities to banks. However, this item decreased from EUR 215,912 thousand on the previous reporting date to EUR 97,992 thousand, mainly due to the expiry of multiple property loans and the sale of the properties westendFirst and Ulmenstrasse 22. The reduction in derivative financial instruments to EUR 2,474 thousand (December 31, 2009: EUR 5,290 thousand) is also a significant influencing factor here.

Deferred tax liabilities increased to EUR 10,835 thousand, compared to EUR 9,774 thousand on the previous reporting date, in particular in connection with valuations of the property portfolio.

Short-term borrowed funds increased from EUR 38,137 thousand as of the previous balance sheet date to EUR 122,462 thousand. The largest portion was represented by liabilities to banks, which rose from EUR 23,736 thousand to EUR 105,483 thousand in connection with the expiry of financing for the properties Romeo & Julia, Gutenbergpark, Zimmerstraße and Kureck. In addition, provisions for taxes in connection with the aforementioned sales of the properties westendFirst and Ulmenstrasse 22 increased, to EUR 2,579 thousand on the reporting date (December 31, 2009: EUR 396 thousand).

5. Financial Position

5.1. Basic Principles of Financial Management

IFM finances real estate projects in part using equity and in part using long-term borrowed funds, which are obtained from banks.

Real estate projects are generally managed by individual project companies. These companies are normally financed to about 25 % to 30 % using equity and to about 70 % to 75 % using borrowed funds. The project companies receive the funds they need from IFM AG, the parent company, in the form of shareholder loans or equity. There is no formal cash pooling between the parent company and the project companies.

In order to avoid the risk of changes in interest rates, IFM AG and its project companies enter into interest rate hedges when acquiring a property to cover any such changes over the planned duration of a project.

5.2. Financial Position

Cash flow from operating activities was EUR -8,422 thousand in 2010, following EUR -5,182 thousand on December 31, 2009. As the consolidated profit rose to EUR 5,321 thousand (previous year: EUR 1,808 thousand), neutralized noncash income was EUR -10,664 thousand (previous year EUR -7,561 thousand) and neutralized profit from the sale of property and tangible fixed assets was EUR -2,837 thousand (previous year: EUR 0 thousand).

Cash flow from investment activities amounted to EUR 54,242 thousand (previous year EUR -17,741 thousand) as a result of the sales of westendFirst and Ulmenstrasse 22. Cash paid for investments in investment properties was EUR -14,559 thousand, after EUR -19,724 thousand.

Cash flow from financing activities totaled EUR -36,847 thousand, after EUR 18,309 thousand in the fiscal year 2009. The decrease was connected to the repayment of bank loans as part of the aforementioned sales.

6. Staff

IFM apportions great value to the qualifications and motivation of its staff. The specialist expertise, professional experience and commitment of the staff are significant prerequisites for sustainable success as an investor and project developer, while also representing a crucial factor in competitive success.

IFM employed a staff of 46 as of December 31, 2010 (excluding the two members of the Executive Board) (end of 2009: 45). Of this staff, 5 members were employed at IFM AG (December 31, 2009: 6 persons) and 41 members at IFM Asset Management GmbH as well as the individual project entities (end of 2009: 39 persons).

The compensation system for Group staff depends on the individual services they perform. High performers receive a voluntary bonus in addition to their fixed salary. In addition, staff receive virtual share options for each year they are at the company, whose equivalent value they can have paid out after three years, as long as they are still at the company. For more information, see the explanations in the Notes under 3041.

C. Events After the Reporting Date

The contract with CEO Georg Glatzel was extended by five years in March 2011. There were no further significant events affecting the position and development of IFM .

D. Risk and Opportunity Report

1. Risk Management

In accordance with the provisions of the German Act on Monitoring and Transparency in the Corporate Sector (KonTraG), IFM has established an early warning system for risks to identify any changes that might result in losses or jeopardize the company's continued existence. The company's management does not believe any risks that would endanger the company's existence to be apparent based on an analysis and assessment carried out, either in the past or in events which can be foreseen.

2. Internal Control System

The internal control system (ICS) for IFM's financial reporting process aims to ensure that the financial report is in line with regulations by implementing controls. An appropriate, strict internal control system guarantees the correctness of the financial reports and that legal requirements are adhered to.

The main regulations and instruments of control are:

- Internal regulations on reporting and accounting as well as instructions on the allocation,
- Internal Group guidelines governing the supply of goods and services within the Group,
- A clearly defined allocation of tasks and responsibilities among persons involved in the financial reporting process. This also includes the allocation of tasks for the creation of the financial statements in regard to the consolidation process, monitoring reporting deadlines and the quality of reports,
- Carrying out control processes while applying the ‚second set of eyes' principle,
- The inclusion of external experts throughout the general preparation of financial statements and for the assessment of properties,
- The use of suitable IT financial systems and application of authorization schemes to ensure that access appropriate to a person's tasks is granted and in regard to the principle of the separation of functions,
- Taking risks recorded and analyzed in the risk management system into consideration in the annual financial statements if required by the existing rules of accounting.

The structures and processes described are subject to ongoing review by the Executive Board. The results of these tests are regularly examined at meetings of the Executive Board, the Supervisory Board and the Compliance Committee.

3. Risks

In general, the following risk categories are of particular relevance to IFM :

3.1. Sector and Market Risks

Influence of real estate cycles Experience has shown that office space and commercial property for retail use – which IFM AG focuses on together with its subsidiaries – is subject to a fluctuating cycle of demand. In addition, this market is influenced by a variety of factors that IFM has no influence on, and which are difficult to predict. An example is the current economic trends and the after-effects of the global financial crisis. Negative changes in economic conditions may lead to reduced demand for commercial space, which would have a negative impact on IFM's business performance.

Interest rate changes IFM finances property purchases by its subsidiaries for the most part using borrowed funds. Due to the financial crisis, capital markets were subject to fluctuations in interest rates greater than the usual market fluctuations. The margins for new agreements with banks in particular have increased substantially, compensating for the overall low interest rate to some extent. In addition, against the background of economic improvements in the leading European economies, the probability of the European Central Bank increasing the key interest rate has risen.

To safeguard existing loan agreements at variable interest rates, which are thus subject to market fluctuations, IFM employs derivative instruments to hedge against interest rates. Due to the high volatility and interest rates anticipated in the mid-term, interest rate hedges are currently only available significantly higher than the current money market interest rate.

Availability of financing The financial crisis was characterized by losses and insolvency at companies in the financial sector around the globe. In addition, the banks' capacity to act was greatly limited and the willingness to take risks when issuing loans decreased. Since then, in many cases, financing is possible only if the risks for the bank financing the loan can be kept to a minimum. As a result, financing has become increasingly difficult to obtain for real estate projects. Furthermore, approved lines of credit are liable to be suspended or cancelled by the bank, and capital requirements may be increased if banks have adjusted their business policies to deal with the financial crisis and its effects.

IFM has reported short-term liabilities to banks amounting to EUR 105,483 thousand in the balance sheet. This includes the loan for the property Kureck in Wiesbaden. The company is in negotiations with several banks regarding financing for planned project development. The loan for the existing properties Romeo & Julia and Gutenbergpark, which expires on December 31, 2011, is expected to be extended as a result of the high occupancy rates and the strong cash flow across the year.

3.2. Risks Associated with IFM's Business Operations

In its business operations, IFM focuses on the purchase of real estate (built and unbuilt land) which IFM believes can be appreciated in value through redevelopment, restructuring and repositioning.

Should IFM assess the value and potential for value appreciation of properties based on false information, make false estimations or should circumstances later arise which affect the value of properties held by the Group, the result might be substantial impairment losses and, due to the recognition of changes to the value of properties held in profit or loss in accordance with IAS 40, lead to losses being recorded.

As the Group's parent company, IFM Immobilien AG acts mainly as a holding company, and as a result it is subject to the particular risk that its investments might perform negatively. This may occur, for example, if properties purchased by subsidiaries are not viable for value appreciation or are impaired. A suitable system of investment controlling counteracts this risk.

The following additional risks exist for IFM:

<u>Limited management capacity</u> The success of IFM is connected closely to the company's managing directors and experienced members of staff in key positions. The company still depends heavily on the expertise and network of contacts that the current CEO brings to the table. In the event that the CEO or another person in a prominent position resigns, there is a possibility that IFM will not be able to find suitably qualified new staff or managing directors. In order to achieve planned growth, IFM may need to recruit additional members of staff to be able to operate successfully in other parts of Germany, for example. Should the company lose its managing directors or experienced staff, or should the company not be able to recruit suitably qualified staff, the result may be negative effects on IFM's ability to compete.

<u>Lagging lease rates</u> The company's economic success depends indirectly, but still to a great extent on quickly leasing repositioned properties. If such properties experience lagging lease rates or cannot be leased at all, the company will have reduced income and less ability to compete. In addition, tenants might terminate their leases or default in their rent payment. The effects of the economic crisis on the financial position of financial service providers, and increasingly of companies in other sectors too, could make leasing transactions more difficult and put existing tenants' liquid assets under strain, leading to an increased risk of missed payments.

<u>Dependence on outside service providers</u> IFM outsources activities that do not fall under the company's core areas of competence to professional outside service providers. If these service providers should not perform services satisfactorily or fail to perform services in future projects, the result for the Group would be losses and less ability to compete, which also affects the Group. Additional risks include possible building delays for planned properties and subsequent increases in construction costs. These factors may also prolong the period until a profit is turned over and reduce the return on investment for properties.

3.3. Financial Risks

In its business operations, IFM is subject to a variety of financial risks. Among these are risks associated with liquidity and interest rates. See Note 43. in the Notes for further details on risks associated with financial instruments.

Group companies have generally only entered into loan agreements with banks within Germany. In light of guarantees offered by the state, IFM estimates the risk of cancellation to be limited, and thus its approved lines of credit should be safe.

<u>Liquidity risk</u> In-depth financial planning is undertaken at corporate level spanning many planning periods, so that investments can be coordinated with credit flow. The Group had unexhausted credit approvals totaling around EUR 7,992 thousand as of December 31, 2010. These credit approvals are valid for a term of up to five years.

<u>Interest rate risk</u> The risk of interest rate changes are a particular market risk posed to IFM AG and its subsidiaries by financial instruments. A small part of the Group-wide liabilities to banks has a fixed rate of interest, while most have a variable interest rate based on the 3-month EURIBOR rate, for example. In order to maintain the calculability of interest rate changes, they are sometimes protected using SWAP or collars (caps and floors). IFM may benefit to some extent from falling interest rates in cases where collars are used. Loans charged interest at a variable rate are unsecured to some extent.

3.4 Other Risks

<u>Environmental damage/legacy pollution</u> When purchasing properties, it cannot be ruled out completely that legacy pollution such as soil and groundwater contamination will not be detected at a later point in time. In such an event, IFM may be liable for the removal of legacy pollution and be held responsible for the decontamination. This could incur substantial financial expenses which IFM might not be able to pass back to the seller of the property under the circumstances.
As IFM focuses on investing in developed land and the existing properties are often under architectural conservation, risks associated with the soil and building foundation are minimized. No significant duties to decontaminate or remove legacy pollution have ever been prescribed subsequently in any of the properties held by IFM.

Risks and risk management are also presented in the explanations in the Group Notes (Section C, Note 42).

4. Opportunities

<u>Low interest rates</u> The company can expect to reduce financing costs in some cases despite higher margins in the case of upcoming new financing or extended financing due to interest rates which remain historically low.

<u>Attractive acquisition opportunities</u> The company still anticipates that institutional investors – who have acquired large property packages over the past years and are confronted with refinancing problems due to the financial crisis – will be forced to sell properties. As a result, properties would come onto the market at potentially attractive prices and be suitable for revitalization and investment by IFM.

Geographical expansion IFM sees future opportunities in diversifying its operations geographically into the large office real estate markets. The management recognizes added long-term potential for growth in these regional markets. However, IFM will only expand into other cities if it can be sure that a critical mass will be reached. The developed Rhine-Main-Neckar region and central Berlin will remain the focus for the short to middle-term.

Rapid implementation of portfolio projects The core competencies of redevelopment, restructuring and repositioning allow the company to complete office space and put it up for lease faster when investing in existing properties than can be achieved with new property developments. For example, the structural approval procedures often take less time for conversion and structural alteration work than for newly erected buildings. IFM identifies opportunities to capitalize on faster and more flexible opportunities for growth in regional markets where demand cycles are constantly becoming shorter.

Marketing expertise IFM will continue to use its expertise, which is famed in the market, and views itself as a trendsetter in real estate marketing. The Group has proved that it can achieve leasing success faster using innovative marketing concepts. IFM anticipates that this will lend it a competitive edge in the future as well, especially amid the difficult conditions remaining in the rental market. Furthermore, IFM foresees another advantage in being able to make use of its own leasing capacities, thus reducing dependency on outside real estate agents and service providers.

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

Information about the structure of Executive Board compensation (§ 315 Para. 2 No. 4 of the HGB) Contracts for members of the Executive Board are typically valid for a term of three to five years. The Supervisory Board determines the compensation of members of the Executive Board. Further information about the structure of compensation can be found in Section A Item 3.2 of this Management Report as well as in Note 47 of the Group Notes to the Annual Financial Statements.

Mr. Georg Glatzel has been authorized to participate in the 2006 stock option plan. Mr. Georg Glatzel and Mr. Marcus Schmitz participate in the 2007 stock option plan. The third tranche of this plan was issued in April 2009.

Information about the structure of Supervisory Board compensation (§ 315 Para. 2 No. 4 of the HGB) The compensation scheme for members of the Supervisory Board is governed by § 14 of IFM's articles of incorporation, as the parent company. Each member of the advisory body receives a fixed annual amount of EUR 12,000. In addition, the members each receive a variable performance-based amount which depends on the changes in profits of the IFM Immobilien Group before tax 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 for compensation is 2.5 times the fixed amount in each case. The chair of the Supervisory Board receives twice the fixed and variable amounts and the vice-chairman receives one and a half times this amount. Furthermore, the company refunds the value-added tax on the compensation as well as any necessary expenses incurred for Supervisory Board activities. The members of committees also receive an additional annual fixed amount of EUR 2,500 and an attendance fee of EUR 500 per meeting.

Information about composition of issued capital (§ 315 Para. 4 No. 1 of the HGB) As of December 31, 2010 IFM AG's share capital was EUR 9,349,999, which was divided into 9,349,999 non-par shares. Each share grants the right to a single vote at the annual shareholders' meeting. The number of shares and voting rights may change by the next annual shareholders' meeting due to the exercise of issued and/or conditional capital.

Information about restrictions on voting rights or on stock transfers (§ 315 Para. 4 No. 2 of the HGB) The Executive Board is not aware of restrictions of any kind on the voting rights or on transfers of the company's stock. The Norwegian investor group (consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS) concluded an agreement on the coordination of actions in regard to IFM on April 2, 2008.

Information about direct or indirect equity investments (§ 315 Para. 4 No. 3 of the HGB) At the time this management report was compiled, the structure of shareholders in IFM AG was as follows, according to the company's knowledge: 45.33 % is allocated to a Norwegian consortium of shareholders, consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS. In addition, 9.89 % is apportioned to Mr. Georg Glatzel via direct and indirect equity investments, and 7.21 % to the Chair of the Supervisory Board, Mr. Luca Pesarini.

Information about holders of shares with special rights (§ 315 Para. 4 No. 4 of the HGB) There are no shares that confer special rights to the holder allowing control of the company.

Information about the nature of verification of voting rights for employee shares (§ 315 Para. 4 No. 5 of the HGB) There are no shares for employees that limit the holders' controlling rights.

Information about the legal requirements and the articles of incorporation for the appointment and dismissal of members of the Executive Board and for amendments thereto (§ 315 Para. 4 No. 6 of the HGB) The provisions governing the appointment and dismissal of members of the Executive Board are based on the German Stock Corporation Act. The company's articles of incorporation contain no special provisions. The powers of appointment and dismissal are held solely by the Supervisory Board of IFM AG. Members may be reelected or their term of contract extended. § 6 of the articles of incorporation states that the Executive Board may consist of one or more members; this is up to the Supervisory Board to decide.

As prescribed by the Stock Corporation Act, the articles of incorporation can only be amended with a decision of the company's annual shareholders' meeting. Amendments to the articles of incorporation must be adopted by a majority vote of at least 75 % of the share capital represented, as determined by the Stock Corporation Act.

Information about the authority of the Executive Board to issue and buy back stock (§ 315 Para. 4 No. 7 of the HGB)

Authorized capital At the annual shareholders' meeting on July 20, 2007, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the company's share capital by up to EUR 4,250,000 in one or more transactions by June 30, 2012, by issuing up to 4,250,000 new non-par shares of common stock in return for cash contributions and/or contributions in kind. The new shares are generally to be available for purchase by shareholders. Their subscription rights can be excluded in the following cases:

- for fractional amounts
- for capital increases in return for contributions such as the purchase of companies, parts of companies or shares in companies, as well as land, property or shares in land or properties
- to service rights to subscribe new shares under convertible bonds and/or warrants under warrant bond agreements
- for a capital increase in return for cash as long as the associated total proportional value of the share capital does not exceed 10 % of the share capital provided at the time new shares are issued and the issue value of the new shares does not fall significantly short of the trading price (as per §§ 203 Para. 1 and 2 and 186 Para. 3 Clause 4 of the Stock Corporation Act).

The authorized capital was not used in 2010. An amount of EUR 3,400,001 remained unused as of December 31, 2010.

Stock Option Plans:

- SOP 2006 A and SOP 2006 B With a resolution of April 24, 2006 and a clarification resolution of May 8, 2006, the annual shareholders' meeting authorized the Supervisory Board to issue up to 120,000 stock options with subscription rights to company shares with a maturity of five years to the members of the Executive Board of IFM AG immediately, but no later than March 31, 2011, under stock option plan 2006 A (SOP 2006 A) and stock option plan 2006 B (SOP 2006 B) following the registration of the 2006 conditional capital in the Commercial Register. Each stock option guarantees the right to purchase one share in IFM Immobilien AG. Existing shareholders have no subscription rights. As of December 31, 2010, 120,000 stock options had been issued from this plan.

- SOP 2007 With a resolution of July 20, 2007, the annual shareholders' meeting authorized the Supervisory Board to issue up to 730,000 stock options with subscription rights to company shares with a maturity of up to five years to acting members of the Executive Board of IFM AG under the stock option plan 2007 following the entry of the 2007 II conditional capital into the Commercial Register. Each stock option guarantees the right to purchase one share in IFM Immobilien AG. Existing shareholders have no subscription rights. It is at the sole discretion of the Supervisory Board to determine the exact group of individuals entitled to stock options and the scope of stock options to be offered to them for purchase. As of December 31, 2010, a total of 730,000 options had been issued in several tranches.

Conditional Capital:

- Conditional Capital 2006 The company's share capital was conditionally increased by up to EUR 120,000 to protect subscription rights to stock options which were issued with the authorization of the annual shareholders' meeting of April 24, 2006 by the company under the 2006 A and 2006 B stock option plans for the period of April 24, 2006 to March 31, 2011.
- Conditional Capital 2007 I The company's share capital was conditionally increased by up to EUR 3,400,000 to grant shares with the exercise of conversion rights and/or options or with the fulfillment of conversion and/or option obligations by the bearer or holder of convertible bonds and/or warrants under warrant bond agreements, to be issued from July 20, 2007 to June 30, 2012 with the authorization of the annual shareholders' meeting.
- Conditional Capital 2007 II The company's share capital was conditionally increased by up to EUR 730,000 to protect subscription rights to stock options which were authorized by the annual shareholders' meeting of July 20, 2007 to be issued by June 30, 2012 under SOP 2007.

Purchase of Treasury Stock:
The annual shareholders' meeting of June 22, 2010 authorized the company to acquire own shares up to a total value of EUR 934,999, that is up to a total of 10% of the current share capital of EUR 9,349,999. In this, the shares acquired as a result of this authorization, together with the company's other shares which the company has already acquired and is still in possession of or which are to be assigned to the company in accordance with §§ 71 a ff. AktG, may at no point exceed 10% of the share capital. The authorization may also be exercised by enterprises which are dependent upon the company or of which the company is the majority shareholder, or by third parties for the company's account or by enterprises which are dependent upon them or of which they are the majority shareholder. The acquisition may not be undertaken for the purpose of trading in own shares. The authorization can be exercised as a whole or in installments, once or multiple times. It took effect with a decision of the shareholders' meeting on June 22, 2010 and shall remain in effect until September 21, 2011. The authorization had not been utilized in full or in part by the end of the reporting period on December 31, 2010.

Information about material agreements subject to a change of control due to a takeover bid (§ 315 Para. 4 No. 8 of the HGB) No material agreements exist which are subject to a change of control due to a takeover bid.

Information about compensation agreements (§ 315 Para. 4 No. 9 of the HGB) No applicable compensation agreements exist.

F. Closing Remarks on the Independent Report of IFM AG

Our company has received appropriate service in return for each of the legal transactions completed through relations to associated companies included in the report according to the circumstances known to us at the time the legal transactions were undertaken.

No measures subject to reporting requirements were taken in the fiscal year 2010.

G. Declaration Pursuant to § 289a of the German Commercial Code (HGB)

Please visit the company website (www.ifm.ag) for the Corporate Governance Declaration pursuant to § 289a of the HGB.

H. Business Forecast

1. Economic Environment

The International Monetary Fund (IMF) expects the global macroeconomic recovery to continue, although significant differences may be seen between different regions. In January 2011, the IMF increased its prognosis for global economic growth 2011 by 0.2 percentage points to 4.4%, reacting to the stronger than anticipated growth in the second half of 2010. An almost unchanged growth of 4.5% is anticipated in 2012. However, forecasts for the economies of the leading industrial nations indicate much lower growth rates, while above-average dynamic performance will continue in the emerging markets.

Despite the generally positive growth forecasts, the IMF has also pointed out persistent risk factors, such as the high levels of national debt in industrialized nations, especially the USA, the lack of necessary reforms to the financial systems and the high price of commodities.

The IMF estimates growth rates of 2.2% and 2.0% for Germany in 2011 and 2012, respectively. This corresponds to the highest growth forecast of all national economies of the leading industrialized countries in the eurozone.

The federal government anticipates an increase in the real gross domestic product of 2.3% as an annual average, as published in its 2011 annual economic report. In this, it assumes that domestic demand will become a driving force during the year and contribute over three quarters of macroeconomic activity. State measures to deal with the crisis are set to be phased out and the federal government wants to make space for tax credits with an ongoing consolidation strategy. With a view to the coming years, emphasis is being placed on the fact that Germany's potential for growth will be shaped significantly by demographic change in the future. That is why securing a foundation of qualified workers is a main focus of activities.

In its monthly report of January 2011, the European Central Bank (ECB) stated that it anticipates 2011 exports from the eurozone to benefit from a stagnating recovery in the global economy and that domestic demand in the private sector will contribute increasingly to growth. According to the ECB committee's outlook, there is still a high level of uncertainty. Global trade may grow faster than expected and support exports from the eurozone. The high level of trust among companies may also support internal economic activity in the eurozone more positively than anticipated. However, downside risks from tensions in some segments of the financial markets could become a greater threat and affect the real economy in the eurozone. The ECB lists new price increases for oil and other commodities, protectionism efforts and the possibility of an unsystematic correction in global imbalances as further risk factors.

Sources:
International Monetary Fund, Update on the World Economic Outlook, January 25, 2011
European Central Bank, Monthly Bulletin, January 2011
Federal Government press release of January 19, 2011

2. Projected Trends for the Commercial Real Estate Market

In view of the positive macroeconomic performance, the environment for the performance on the German commercial real estate market in 2011 is generally auspicious, as long as the aforementioned risk factors do not impact the economic environment once again. BNP Paribas Real Estate anticipates a transaction volume of over 20 billion euros to be achieved on the investment market in 2011, as long as no great interferences from the international financial markets occur, such as the euro crisis worsening, and investors express increased interest in core-plus and value added investments.

On the office property market, the analysts at Jones Lang LaSalle (JLL) anticipate a further upturn in demand due to the stable economic environment. According to JLL, the volume of leasing profits should remain around the same level as the previous year, since the large volume of leases concluded in 2010 is not anticipated to be matched in 2011. However, should a similar result be achieved, this would be proof of a wide ongoing recovery and of increased activities in smaller-scale leases.

A decrease in the volume of new developments of 24% to 865,000 square meters is anticipated in 2011, although this is very likely to have almost no effect on the vacancy rates. Noticeable differences are expected between regions. In addition to slight decreases in vacancy rates in Berlin and Duesseldorf, and stable values in Munich and Frankfurt am Main, small increases in vacancy rates may be observed in Hamburg and Stuttgart due to higher completion volumes in those regions.

After the prime rental rates rose again in 2010 despite relatively high vacancy rates in some markets, JLL estimates a dramatic rise in rental rates in all markets in 2011. Similar to the investment market, however, a gap is expected in the office leasing market between prime locations and properties and B-list spaces or locations. The potential for growth in leases for less attractive spaces in 2011 is significantly below the level for the prime sector.

The positive performance of investment revenues in the retail property market should continue, according to estimates from BNP Paribas Real Estate. Reasons for the expected interest from investors in retail property include the presence of appropriate investment capital, the positive macroeconomic performance and the good outlook in private consumption. However, it remains to be seen whether sufficient supply, especially in the core segment, can satisfy the large demand. Investors continue to focus mainly on shopping centers with sustainable leases and commercial properties in prime locations, as well as refurbishments of department stores in central downtown locations.

In terms of developments in rental rates, BNP Paribas Real Estate predicts a slight increase in prime rental rates in regard to the predicted good to excellent demand and increased competition for the absolute prime locations. It remains to be seen to what extent this performance to date in 2011 will spill over to B-list locations.

Sources:
Jones Lang LaSalle, Office Market Overview Q4 2010, January 2011
BNP Paribas Real Estate, press release of January 6, 2011
BNP Paribas Real Estate, press release of January 26, 2011
BNP Paribas Real Estate, press release of February 1, 2011

3. Strategic focus of IFM

IFM remains true to its current strategy, continuing to act as an investor and active project developer for commercial real estate properties for office and downtown retail use. Its activities are focused both on classic project development activities and, just as importantly, revitalizing existing properties, for which the Group companies rely on their core competences in the areas of redevelopment, restructuring and repositioning.

In the future, IFM will continue to focus on investing in properties with an attractive risk/opportunity profile, a high potential for development and value appreciation, and which are in coveted locations and stand out from other offers on the market. Value appreciation of existing properties will be achieved foremost through revitalization.

IFM and thus IFM AG in its position as the ultimate parent company has focused its operations up to this point on the geographic areas of the Rhine-Neckar metropolitan region, the Rhine-Main region, and central Berlin. In addition, the Group is planning to invest in attractive properties as a way of diversifying its property portfolio with further cities. Expanding to new cities is, however, not necessary for the continued success of the company's business strategy, but rather would allow additional growth opportunities to be realized. As a result, IFM AG will also be able to purchase property for tax or other reasons.

The Group aims to further expand the portfolio of properties. IFM plans to invest in both office real estate and downtown retail properties to achieve this goal. An appropriate distribution of risks is ensured by this because these two real estate market segments are subject to different cyclical developments and shaped by factors of influence specific to each segment.

The Executive Board regularly monitors the market for opportunities to generate value appreciation through development activities undertaken on the properties by selling them, as long as attractive economic conditions exist.

4. Financial Outlook

The Executive Board is confident that IFM's existing portfolio can be developed further in 2011 and 2012, thus tapping opportunities for increasing rental income and the value of properties, which will have a positive effect on the Group's profit. It must also be mentioned that the performance of the properties depends not only on factors which IFM itself can control, but also to a great extent on the performance in the real estate market.

In the course of the intended further development of the portfolio, the Executive Board of IFM Immobilien AG considers a further increase in the Group's pre-tax profit to be achievable in 2011.

However, it must be taken into account that economic conditions have a large influence on the market assessment of properties and of derivatives, which in turn affects the consolidated profit significantly.

The Executive Board believes, however, that IFM has a solid foundation for successfully continuing the previous growth in the upcoming fiscal years, as long as no unpredictable events occur which have significant negative effects for IFM.

I. Additional information on the company's position

1. General

In the fiscal year 2010, the management report of IFM AG and the IFM Group was summarized in this report on the position of the company and the Group in accordance with the provisions in the German Commercial Code (HGB) for the first time in accordance with the relevant provisions of § 315a HGB c.f. § 315 Para. 3 HGB and the provisions of § 298 Para. 3 HGB.

The additional information on the position of IFM AG (the company) which was not dealt with sufficiently in the previous sections of this report on the position of the company and the Group, or which result from the difference in accounting standards, are presented below. The financial statements of the IFM Group are compiled in accordance with the International Financial Reporting Standards (IFRS) and associated interpretations thereof as applicable in the European Union. In addition, the company heeds the supplemental requirements of commercial law pursuant to § 315a Para. 1 HGB. The IFM AG annual report, however, is compiled exclusively in accordance with the provisions of the HGB, the German Stock Corporation Act (AktG) and the company's articles of association. Please refer to the explanations of the company in the Notes on the annual report to December 31, 2010.

2. Net Assets

The asset and capital structure of IFM Immobilien AG as of December 31, 2010 changed in comparison with the figures as of December 31, 2009 by way of a slight increase in the total net assets from EUR 92,399 thousand to EUR 97,056 thousand.

The value of non-current assets was EUR 43,615 thousand at December 31, 2009, and thus EUR 21,272 thousand lower than the comparable value at the end of the fiscal year 2009. This decrease was predominantly due to the sale of the property westendFirst and the loss of shares in affiliated companies in the subsidiary connected with this, as well as the divestiture of the lot and commercial buildings at Ulmenstrasse 22.

The current assets can be broken down as follows:

- Accounts receivable from affiliated companies: EUR 42,118 thousand (previous year: EUR 23,343 thousand). The significant increase of EUR 18,775 thousand in amounts receivable from affiliated companies was caused by the conversion of equity interest into loans to special-purpose entities.
- Other assets: EUR 3,707 thousand (previous year: EUR 686 thousand).
- Securities: EUR 2,401 thousand (previous year: EUR 2,401 thousand).
- Cash and cash equivalents: EUR 5,154 thousand (previous year: EUR 1,014 thousand).

The increase in cash and cash equivalents is mainly due to the sale of the property Ulmenstrasse 22.
The company's equity increased from EUR 82,127 thousand to EUR 91,144 thousand. The equity ratio had thus increased from 88.9 % to 93.9 % at the reporting date.

Provisions for taxes rose to EUR 711 thousand (previous year: EUR 0 thousand) as a result of the sale of the property westendFirst, while other provisions for taxes increased slightly from EUR 997 thousand to EUR 1,031 thousand.

Liabilities can be broken down as follows:

- Liabilities to banks decreased from EUR 6,935 thousand to EUR 128 thousand due to the repayment of the loan to the financing bank as part of the sale of the property Ulmenstrasse 22.
- Trade accounts payable: EUR 202 thousand (previous year: EUR 151 thousand).
- Amounts receivable from affiliated companies increased from EUR 2,070 thousand in the previous year to EUR 3,750 thousand, in particular due to profit shares from IFM Property Project Frankfurt GmbH & Co. KG.
- Other liabilities: EUR 88 thousand (previous year: EUR 110 thousand).

3. Results of operations

Despite the ongoing challenges of the macroeconomic environment, IFM AG can boast a successful and solid performance in the fiscal year 2010.
Revenue increased to EUR 2,197 thousand (previous year: EUR 2,028 thousand) as a result of cost allocations to the project companies. The significant hike in other operating income from EUR 3,537 thousand to EUR 4,501 thousand is primarily due to the sale profit made on the property Ulmenstrasse 22.
The cost of goods sold increased in the fiscal year 2010 to EUR 377 thousand (previous year: EUR 188 thousand). This is mainly the result of rental costs for the leased-back property Ulmenstrasse 22. Personnel expenses rose to EUR 1,910 thousand (previous year: EUR 1,029 thousand) due to new staff being hired and the variable compensation for the Executive Board as part of the sale of the properties WestendFirst and Ulmenstrasse 22.
Decreased by EUR 227 thousand to EUR 70 thousand in the fiscal year 2010 as a result of the sale of the property Ulmenstrasse 22.
Other operating expenses increased from EUR 3,871 thousand to EUR 4,216 thousand. The increase was especially due to compensation paid to banks for interest hedges and for the first-time rental costs for the areas used by the company itself in the property Ulmenstrasse 22, leased back as part of a sale and lease back process.
Income from equity interests increased from EUR 40 thousand to EUR 10,073 thousand due to profit shares from shares in partnerships. This is mainly a result of the sale of the property WestendFirst. In this context, the shares in IFM Property Project Frankfurt GmbH & Co. KG were recognized in the income statements at EUR 836 thousand.

The net interest results was EUR 1,090 thousand (2009: EUR 415 thousand). Interest expenses increased from EUR 761 thousand to EUR 1,131 thousand. This can be mainly attributed to interest on loans issued by IFM AG to its project companies. The reason for the increase is the conversion of equity to loans executed by subsidiaries in the fiscal year. Interest and similar expenses amounted to EUR 41 thousand (2009: EUR 346 thousand). The decrease can be attributed to the reduced expenses for interest hedges and interest on loans.
Expenses for transfer of losses were EUR 698 thousand (previous year: EUR 460 thousand). This was a result of the losses of IFM Asset Management GmbH transferred under the profit and loss transfer agreement entered into with IFM AG.
In the fiscal year 2010, income taxes amounting to EUR 733 thousand were incurred for the first time once the loss carry-forward from the previous years was used up in accordance with commercial law.
An annual net profit of EUR 9,018 thousand (previous year: EUR 174 thousand) was recorded as the result for the fiscal year 2010, which is mainly the result of income from equity investments.

4. Financial Position

IFM AG used mainly interest income from subsidiaries, cost allocations and liquid assets to finance itself in the fiscal year 2010. At the beginning of the fiscal year, the company had liquid assets of EUR 1,014 thousand. By the reporting date of December 31, 2010, this has increased to EUR 5,154 thousand as part of the sale of the property Ulmenstrasse 22.
In addition, securities from current assets were EUR 2,401 thousand (previous year: EUR 2,401 thousand).
Borrowed funds decreased from EUR 10,273 thousand to EUR 5,912 thousand in the fiscal year. This can mainly be attributed to the decrease in liabilities to banks due to the repayment of the loan as part of the sale of the property Ulmenstrasse 22. The company's debt ratio changed accordingly from 12.5% in the previous year to 6.5% in 2010.

5. Financial outlook for IFM AG

The market environment is still challenging due to the tail-end of the financial crisis and its effects on other economic areas. IFM AG thus expects its performance will be hit by economic and financial effects again in 2011.

The company's results in the fiscal year 2011 depend heavily on the future economic performance, the sale of further properties and the legal forms of the associated companies they are sold through. We therefore refer to the statements made in the Group's financial outlook.

Heidelberg, March 15, 2011

The Executive Board
Georg Glatzel   Marcus Schmitz

"Real value appreciation in our properties, not least based on successful leasing, drives the success of our Group."

Marcus Schmitz, CFO of IFM Immobilien AG

Romeo & Julia, Frankfurt am Main

Consolidated Financial Statements IFRS

Consolidated balance sheet of IFM Immobilien AG on December 31, 2010

Assets	Note	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Non-Current Assets			
Investment properties	3000	314,900	287,034
Office and other equipment	3002	693	611
Goodwill	3003	389	389
Other intangible assets	3004	159	205
Advance payments made	3005	128	0
Other non-current assets	3006	7,889	3,342
Derivative financial instruments	3007	2	100
Deferred tax assets	3008	2,015	2,347
Total non-current assets		**326,175**	**294,028**
Current Assets			
Trade accounts receivables	3010	1,879	1,733
Other current assets and deferred income and accrued expenses	3011	580	268
Tax receivables	3012	1,249	1,332
Securities	3013	3,200	3,662
Cash and cash equivalents	3014	11,316	5,043
Total current assets		**18,224**	**12,038**
Non-current assets held for sale	3015	0	66,523
Total assets		**344,399**	**372,589**

Consolidated balance sheet of IFM Immobilien AG on December 31, 2010

Equity and Liabilities	Note	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Equity			
Issued capital	3020	9,350	9,350
Additional paid-in capital	3020	79,431	79,215
Other reserves	3021	7,506	5,846
Retained earnings	3022	12,915	7,624
Equity attributable to Group shareholders		109,202	102,035
Minority interests	3023	239	209
Total equity		**109,441**	**102,244**
Long-term liabilities			
Liabilities to banks	3040	97,992	215,912
Other long-term liabilities	3041	1,195	1,232
Derivative financial instruments	3042	2,474	5,290
Deferred tax liabilities	3043/3008	10,835	9,774
Total long-term liabilities		**112,496**	**232,208**
Short-term liabilities			
Provisions for taxes	3050	2,579	396
Other provisions	3051	3,692	3.125
Liabilities to banks	3052	105,483	23,736
Trade accounts payable	3053	4,392	4,863
Derivative financial instruments	3054	4,238	3,501
Other short-term liabilities and deferred income and accrued expenses	3055	2,078	2,516
Total short-term liabilities		**122,462**	**38,137**
Total equity and liabilities		**344,399**	**372,589**

Consolidated income statement

Consolidated Income Statement	Note	2010 EUR 000	2009 EUR 000
1. Revenue	310	18,181	19,515
2. Other operating income	311	4,167	887
3. Income from market assessment of investment properties	312	12,564	11,045
4. Expense from market assessment of investment properties	312	0	-875
5. Cost of goods sold	313	-6,016	-6,405
6. Personnel expense	314	-4,330	-3,699
7. Depreciation and amortization of other intangible assets, and office and other equipments	315	-291	-459
8. Other operating expenses	316	-6,899	-5,794
Operating income		**17,376**	**14,215**
9. Other interest and similar income	317	424	823
10. Interest and similar expenses	317	-8,972	-11,370
11. Gain or loss on market assessment of derivatives	317	69	-19
Net finance result		**-8,479**	**-10,566**
12. Operating profit		**8,897**	**3,649**
13. Income taxes	318	-3,576	-1,841
(including: deferred taxes)		(-1,212)	(-1,750)
14. Consolidated profit after taxes		**5,321**	**1,808**
attributable to minority interests	319	30	-6
attributable to IFM shareholders		**5,291**	**1,814**
Undiluted earnings per share (in EUR)	32	0.57	0.19
Diluted earnings per share (in EUR)	32	0.55	0.19
Income and expenses recognized directly in total equity			
15. Cash flow hedges Fair value adjustments recognized in total equity		1,811	-1,403
16. Deferred taxes		-151	445
17. Result of income and expenses recognized directly in total equity		**1,660**	**-958**
18. Total comprehensive income		**6,981**	**850**
attributable to minority interests		30	-6
attributable to IFM shareholders		**6,951**	**856**

Consolidated Cash Flow Statement	2010 EUR 000	2009 EUR 000
1. Consolidated profit	5,321	1,808
2. + Depreciation and amortization of non-current assets	291	459
3. -/+ Other noncash income / expenses	-10,664	-7,561
4. -Profit / + loss from the sale of property, plant and equipment	-2,837	0
5. - Increase / +decrease in inventories, trade accounts receivables and other assets	-458	159
6. - Decrease / +increase in trade accounts payable and other liabilities	-75	-47
7. = Cash flow from operating activities (total of 1 to 6)	**-8,422**	**-5,182**
8. - Cash paid for investments in investment properties	-14,559	-19,724
9. - Cash paid for investments in intangible assets and property, plant and equipment	-478	-456
10. + Proceeds from the sale of investment properties	69,256	0
11. + Proceeds from the sale of fixed assets	23	0
12. + Proceeds from selling securities	0	2,439
13. = Cash flow from investment activities (total of 8 to 12)	**54,242**	**-17,741**
14. - Cash paid to minority interest holders	-750	0
15. + Proceeds from bank loans	8,047	68,132
16. - Cash repayments of bank loans and other loans	-44,144	-49,742
17. = Cash flow from financing activities (total of 14 to 16)	**-36,847**	**18,390**
18. Cash changes in cash and cash equivalents (total of items 7, 13 ,17)	8,973	-4,533
19. Other changes in cash and cash equivalents	-2,700	-671
20. + Cash and cash equivalents at beginning of period	5,043	10,247
21. = Cash and cash equivalents at end of period (total of items 18, 19, 20)	**11,316**	**5,043**

Consolidated statement of changes in equity

	Issued capital EUR 000	Reserves: Additional paid-in capital EUR 000	Reserves: Other reserves EUR 000	Retained earnings distrubutable profit EUR 000
As of Jan 1, 2009	**9,350**	**78,484**	**6,804**	**5,810**
Stock option plans		731		
Total comprehensive income			-958	1,814
Changes in net assets of minority interests with no impact on profit or loss				
As of Dec 31, 2009	**9,350**	**79,215**	**5,846**	**7,624**
As of Jan 1, 2010	**9,350**	**79,215**	**5,846**	**7,624**
Stock option plans		216		
Total comprehensive income			1,660	5,291
As of Dec 31, 2010	**9,350**	**79,431**	**7,506**	**12,915**

	Group shareholders attributable to equity EUR 000	Minority interest-shares EUR 000	Equity Total EUR 000
As of Jan 1, 2009	**100,448**	**134**	**100,582**
Stock option plans	731	0	731
Total comprehensive income	856	-6	850
Changes in net assets of minority interests with no impact on profit or loss	0	81	81
As of Dec 31, 2009	**102,035**	**209**	**102,244**

As of Jan 1, 2010	**102,035**	**209**	**102,244**
Stock option plans	216	0	216
Total comprehensive income	6,951	30	6,981
As of Dec 31, 2010	**109,202**	**239**	**109,441**

A General Information

01 IFM Immobilien AG Consolidated Financial Statements

IFM Immobilien AG (also referred to as "IFM," "IFM AG," or the "parent company") has its registered office and principal place of business in Heidelberg, Germany. The fiscal year 2010 is 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 of December 31, 2010 was March 15, 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).

IFM Immobilien AG discloses its consolidated financial statements in accordance with § 264 Para. 3 of the German Commercial Code (HGB) as a parent company as defined by § 290 HGB with the effect of a discharge for the disclosure of the annual report of IFM Asset Management GmbH, Heidelberg (Mannheim Commercial Register, HRB 701048).

02 Declaration of Conformity by the Executive Board

IFM AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and associated interpretations thereof as applicable in the European Union. In addition, the company heeds the supplemental requirements of commercial law pursuant to § 315a Para. 1 HGB.

All requirements of the mandatory IFRS for the fiscal year adopted by the European Union have been satisfied, providing a true and fair picture of the Group's assets and liabilities, financial position and earnings.

IFM AG has observed the following new and revised standards and interpretations of the IASB in the fiscal year:

- IFRS 3 (revised), "Business Combinations" and the resulting amendments to IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" shall apply to acquisitions that take effect in fiscal years beginning on or after July 1, 2009. Since the Group has no acquisitions to report in the current fiscal year, this amendment is not applicable.

- IAS 38 (amendment), "Intangible Assets". This amendment clarifies the guidelines for assessing the fair value of intangible assets that have been acquired through business mergers. As no business mergers took place during the reporting period, this standard is not relevant for the Group either.

- IAS 1 (amendment) “Presentation of Financial Statements” includes the classification of borrowed funds as part of convertible bonds as current or long-term and is thus not of relevance to the Group.

- IAS 36 (amendment) “Impairment of Assets” specifies that a cash generating unit is allocated to goodwill cannot exceed an operating segment in size. The Group is only active in one segment overall; individual business segments that could be allocated to goodwill do not exist.

- IFRS 2 (amendments) “Share-based Payment” does not hold much significance to the Group either.

- IFRS 5 (amendment), “Non-current Assets Held for Sale and Discontinued Operations,” applicable to fiscal years starting on or after January 1, 2010. The amendment to IFRS 5 made clear that reporting requirements specified in standards other than IFRS 5 for non-current assets held for sale (or disposal group) and operations which are discontinued shall only have effect if a standard requires independent explanation requirements or assets are recognized as loss in a group whose assessment is based on other standards which do not require explicit explanation. This was taken into account in items reported according to IFRS 5.

- All other amendments resulting from the combined standard “Improvements to IFRS 2009”, which must be applied in the fiscal year 2010, are listed individually below: IFRS 8 “Disclosure of information about segment assets”, IAS 7 “Cash flows from investing activities”, IAS 17 “Classification of leases” and IAS 18 “Recognition of revenue” were taken into account, although they were not significant to the consolidated financial statements 2010.

- IFRIC 12 “Service Concession Arrangements”, IFRIC 17 “Distributions of Non-Cash Assets to Owners”, IFRIC 18 “Transfers of Assets from Customers”, IFRIC 9 “Reassessment of Embedded Derivatives”, IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” are not relevant to the Group either.

Standards and interpretations that have been issued but which are not yet mandatory in the fiscal year and their amendments have not been adopted voluntarily. The ultimate effects on the consolidated financial statements of IFM AG have not been fully determined for issued standards which are not yet mandatory. This applies especially to IFRS 9 “Financial Instruments”, with new regulations on categorizing and assessing financial assets, a standard which is likely to be required for annual financial statements on or after January 1, 2013.

B Summary of Material Accounting Principles

10 Consolidated Accounting Principles

100 Presentation Principles

The Group statement of comprehensive income has been prepared according to the nature of expense method. The consolidated financial statements have been prepared uniformly for the periods shown here in accordance with the following consolidation, reporting and accounting principles.

Currency conversion need not be taken into account as only German companies belong to the scope of consolidation and all transactions are conducted in euros.

110 Scope of Consolidation

In addition to IFM AG, the consolidated financial statements include all of the following subsidiaries with 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. This means that IFM AG governs the financial and operating policies of these companies. The scope of consolidation remains unchanged from the previous year. The Group companies are shown below along with their properties held 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; Property sold in financial year 2010; company further exists
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	General partner of the 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
IFM Property Project Feldbergstraße GmbH, Heidelberg	„Feldbergstraße", Frankfurt; Property sold in financial year 2010; company further exists
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	Proprietor of the IFM Property Project Darmstadt GmbH, Heidelberg
NEWCOM Property Verwaltungs GmbH, Heidelberg	General partner of the NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
IFM Property Project Darmstadt GmbH, Heidelberg	"Office Tower", Darmstadt

Company	Property / Function
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	Proprietor of the following object companies: 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 of the 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	Proprietor of the IFM Property Project Frankfurt-Zeil GmbH, Heidelberg
IFM Property Project VIII GmbH, Heidelberg	General partner of the 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

Due to contractual obligations with banks, subsidiaries generally only have a limited ability to pay dividends or repay capital to the parent company. A control and profit transfer agreement was concluded on April 22, 2009 between IFM Immobilien AG and its full subsidiary, IFM Asset Management GmbH. Under this agreement, IFM Immobilien AG assumes management of IFM Asset Management GmbH and may issue instructions. Furthermore, IFM Asset Management GmbH is obliged to transfer its total profits to IFM AG, which in turn is obliged to assume any losses pursuant to the provisions of the stock corporation act (§ 302 AktG). The agreement will remain binding until December 31, 2013. This agreement was accepted by the annual shareholders' meeting on June 10, 2009.

There were no business combinations in the fiscal year 2010 nor in the previous year.

A complete list of IFM AG shareholdings is available in Appendix 2 to these financial statements.

120 Consolidation Principles

Uniform accounting standards are valid for all IFM Group companies and the consolidated financial statements. These standards are applied consistently.

Subsidiaries are fully consolidated starting at the point at which the Group acquires control. They are deconsolidated at the point at which control ceases.

Accounting for acquired subsidiaries is completed according to the acquisition method specified by IFRS 3. Capital consolidation is calculated by setting the investment book value off against the subsidiary's newly acquired equity at the time of the acquisition or first consolidation. Any positive differences resulting from capital consolidation are generally capitalized as goodwill in accordance with IFRS 3. Negative differences are immediately charged against profits following a reassessment of identifiable assets, liabilities and contingent liabilities.

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

Any undisclosed reserves and charges revealed when measuring assets and liabilities at their fair value during the first consolidation are either amortized, written down or released in subsequent periods according to the evolution of the assets and liabilities. Derivative goodwill is allocated to the pertinent cash-generating unit. It is checked for recoverability at each subsequent balance sheet date in the following periods and written down to the lower recoverable amount if impairment is found.

Intracompany credit balances and transactions and unrealized profits from intracompany transactions are eliminated during preparation of the consolidated financial statements. Taxes are deferred as required by IAS 12 for temporary differences in consolidation.

There are no equity interests to be included in the consolidated financial statements in the scope of the equity method.

130 General Reporting and Accounting Principles

In the consolidated financial statements, an asset is only capitalized (i) if a resource is controlled by the Group, and (ii) it is a result of past events and future economic benefits are expected to flow into the Group in connection with the item, and its cost of acquisition or creation can be reliably determined. Furthermore, individual capitalization requirements specified by the standards must be satisfied and no accounting prohibitions may exist.

The Group's present obligations resulting from past events, which are likely to cause a future outflow of Group resources and the value of which can be reliably determined, are carried as liabilities.

At the end of the year, the Group reissued a staff compensation program (see Note 1309).

The reporting and accounting principles outlined below have been used consistently in accounting and assessing the individual items on the balance sheet and statement of comprehensive income.

1301 Investment properties

Investment properties are defined as properties (land or buildings, sections of buildings, or both) that are held by the Group to achieve rental profits and/or for capital appreciation (cf. IAS 40.5). This item also includes property under construction or development as per IAS 40 (rev.).

In compliance with IAS 40, investment properties are generally measured at their fair value. Changes in fair value are credited or charged to the income statement. The approach offered in IAS 40 of measuring the fair value for properties under development is not applied if this value cannot be reliably determined. In such events, the cost model for acquisition costs in IAS 16 in connection with IAS 40.53 is adopted. Borrowing costs incurred and which can be directly attributed to the acquisition or creation of financial assets in the scope of construction or development of real estate (qualifying assets) are capitalized as acquisition or production costs as per IAS 23. Capitalization of borrowing costs ends at the point at which the real estate project is completed for its intended use or when the fair value can be reliably determined for the first time. In the current fiscal year, the use of the cost model method was changed to the reporting model for fair value during the completion of a property project under development, since the fair value had first become reliably determinable based on the successful marketing of the property.

If available, current prices for similar properties in active markets shall be taken in order to calculate the fair value as per IAS 40.45. Similar properties must be located in the same city, be in the same condition, and be the object of comparable tenancy agreements. This information was not available for the property assessments, which meant that the fair value was instead calculated using property appraisals prepared by publicly appointed, sworn in experts based on the income capitalization approach. These values were calculated on account of obtainable gross annual earnings, anticipated costs for property maintenance and management, rental losses etc. and property yields depending on the risks associated with the property. The property related discount rates were between 5.0 % and 6.75 % in 2010 (previous year: between 5.0 % and 6.75 %). Risk deductions were also taken into account in individual cases for a further assessment of the risks pertinent to each property.

Investment properties that will most likely be sold are recognized under ‚Non-current assets held for sale' as specified by IFRS 5.

1302 Land and buildings

Land and buildings comprises properties used primarily for the company's own use and which are not recognized under IAS 40. They are measured at the cost of acquisition or creation less accumulated depreciation as per IAS 16. Buildings depreciate over a useful life of 33 years. In the event of a planned sale, IFRS 5 shall be taken as a basis for the approach and calculations. These properties fall under the item ‚Non-current assets held for sale'.

1303 Office and other equipment

Office and other equipment comprise movable property, plant and equipment subject to wear and tear which are used in business operations for at least one year. They are measured at the cost of acquisition or creation less accumulated depreciation as per IAS 16. The depreciation mainly spans a useful life of between 3 and 13 years.

1304 Goodwill

Goodwill obtained through a business combination is allocated to the pertinent cash-generating unit. It is subsequently checked for impairment on each balance sheet date, as well as when there is an indication that the value of the cash-generating unit might be impaired. If impaired, goodwill is written down to the lower recoverable amount on an unscheduled basis.

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

1305 Other intangible assets

Other intangible assets refer solely to assets with a determinable useful life. They are measured at the cost of acquisition or creation and amortized on a scheduled basis throughout their useful life. The depreciation spans a useful life of between 3 and 8 years.

1306 Non-current assets held for sale

Non-current assets destined for sale are listed in a separate item as ‚Non-current assets held for sale' if the likelihood of their sale is considered very high.

As long as fixed assets are in question, they shall be listed at the lower of the book values prior to reclassification according to the provisions of IAS 16 and their fair value less anticipated costs to sell at the time of reclassification. Any impairment that arises is charged against operating profits.

Properties held for sale that fall under 'Investment Property' are subject to IFRS 5 in terms of reporting only and shall be listed under the item 'Non-current assets held for sale' as well. However, IFRS 5 shall not be used explicitly in this case for assessment; IAS 40.33 ff is still applied for the objective fair value.

1307 Financial assets and liabilities

A financial instrument is a contract that results in a financial asset for one company and a financial liability or equity instrument for the other company.

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

IFM AG assigns its financial assets to the following categories pursuant to IAS 32, 39 and IFRS 7:

- Loans and receivables are measured at the amortized cost allowing for impairment using the effective interest rate method following their initial recognition. They comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as cash and cash equivalents, trade accounts receivable and other financial assets subject to a contractual right to receive cash or other financial assets from another company.

- Financial assets at fair value through profit or loss held for trading, and the subsequent profits or losses of which are given under the net finance expense. These comprise primarily derivative financial instruments and securities. The fair value option was not exercised.

- Financial assets available-for-sale which are measured at fair value. Subsequent gains and losses are recognized in Group equity with no impact on comprehensive income. These consolidated financial statements do not include any financial assets in this category.

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

IFM AG assigns its financial liabilities to the following categories pursuant to IAS 32, 39 and IFRS 7:

- Financial liabilities at fair value through profit or loss, the subsequent gains of losses of which are given under the net finance expense. These are primarily derivatives.

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

The IFM Group uses derivative financial instruments such as interest rate swaps, caps and floors as part of its interest rate management. They are measured at fair value, which may either be positive (financial asset) or negative (financial liability). Interest rate swaps are measured using present value methods, and caps and floors are equated using a modified Black-Scholes model. Measurement was based on a yield curve on the reporting date.

The determining factor in recognizing changes in fair value – either through profit or loss in the net finance expense or directly in equity with no impact on profit or loss – is whether the derivative financial instrument is part of an effective hedge relationship as per IAS 39 (Hedge Accounting). If no effective hedge relationship as specified by IAS 39 exists, the changes in fair value are recognized through profit or loss in the net finance expense.

IFM AG applies the provisions of hedge accounting to hedge future cash flows from variable-interest bank loans (cash flow hedges) where all requirements of IAS 39 are satisfied. This includes requirements of documentation and effectiveness in particular. The effectiveness of derivative financial instruments recognized under hedge accounting is prospectively assessed using the critical terms method and retrospectively assessed using the cumulative dollar offset method. The clean values were applied here using the benchmark interest method based on a hypothetical derivative. Existing hedges are monitored for their effectiveness on an ongoing basis.

Where a cash flow hedge exists, the effective portion of the change in the value of the hedging instrument is recognized in equity with no impact on profit or loss (reserves from cash flow hedges) until recognition of the result from the hedged underlying transaction; the ineffective portion of the change in the value of the hedging instrument is recognized in profit or loss.

1308 Equity

Equity is recognized as specified by IAS 32. This comprises issued capital (share capital), capital reserves, other reserves and retained earnings. The Executive and Supervisory Boards have been authorized to take the following measures affecting equity:

- Authorized capital 2007
- Issuing of convertible bonds and creation of conditional capital
- Issuing of stock options and creation of conditional capital
- Acquisition and use of own shares in accordance with §71 Para. 1 No. 8 AktG

If shareholders have an unconditional legal right of termination (e.g. in German partnerships), IAS 32 prescribes that this right of termination require the Group to recognize a liability for the minority interests in the company in question. The liability is recognized under other short-term liabilities in the amount of the presumed settlement the Group is obliged to pay. It is recognized regardless of the probability of termination. Changes in the value of the liability are recognized under other operating profit.

1309 Provisions and other non-financial liabilities

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

As an incentive for work performed in the future, the company's employees are granted appreciation rights in the form of virtual company shares, which can only be compensated in cash (share appreciation rights settled in cash).

The costs incurred by transactions settled in cash are first assessed with their relevant fair value at the time they are settled under use of a binomial model (see Note 3041 for details). The fair value is recognized as profit or loss with a distribution across the period until the first possible day of exercise under recognition of a corresponding disposal. The disposal is reassessed on each reporting date and on the day of fulfillment. Changes to the fair value are recognized in profit or loss.

No amount is recognized for appreciation rights which cannot be exercised. If the requirements of a transaction settled in cash are changed, these changes are taken into account in the reassessment on the relevant reporting date. If a transaction settled in cash is cancelled, the resulting disposal relevant to profit or loss is cancelled from the books.

13010 Revenue recognition

Revenues include all income from the Group's usual business activities. Income from usage fees are recognized over time using the realization principle in accordance with the underlying contracts.

Incentives granted to tenants and subsidies for construction costs from tenants are recognized under income over the term of the underlying rental contract.

Interest income and expenses are realized over the remaining term taking the effective interest rate into account.

13011 Depreciation and amortization

This item comprises scheduled amortization of intangible assets and depreciation of property, plant and equipment.

Impairment losses on intangible assets and property, plant and equipment are determined by comparing their carrying value with their recoverable amount. Assets are checked at each reporting date for indications of impairment. In the event an indication exists, the recoverable amount of the asset is determined and an impairment loss is recognized in the statement of comprehensive income.

13012 Income tax

Income tax includes actual tax on income and profits, as well as deferred taxes. Tax receivables and provisions for taxes include entitlements and liabilities for income tax within Germany calculated based on the tax regulations applicable to the company in question, with all known circumstances taken into account.

In accordance with IAS 12, deferrals are recognized for temporary differences in the values measured in the consolidated balance sheet as per IFRS and in the tax statement, as well as for the tax loss carry forward. These deferrals are recognized at the amount of anticipated tax liability or credit for subsequent fiscal years according to the applicable regulations on the reporting date.

Deferred tax assets for temporary differences and tax loss carry forward is recognized where it is probable that a future taxable profit will be available or where sufficient deferred tax liabilities exist.

Deferred tax liabilities are recognized for temporary differences in net assets in the consolidated balance sheet and the taxable carrying amounts of shareholdings 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 be reversed in the near future.

13013 Leases

As per IAS 17, beneficial ownership of leased property is attributed to the contracting party who bears substantial risks and rewards under the lease agreement. If the lessor bears substantial risks and rewards (operating lease), the property is recognized in the lessor's balance sheets. The accounting regulations applicable to the property under lease provide the basis for measurement. The lessee recognizes rental payments as an expense in its income statement.

If the lessee bears substantial risks and rewards under the lease agreement, the property is recognized as an asset in the lessee's balance sheets and a lease liability is recognized as well. Depreciation on the leased property is recognized with no effect on profit or loss and the lease liability is redeemed and amortized in subsequent periods using the effective interest rate method.

13014 Changes in reporting and accounting principles

There were no material changes in the reporting and accounting principles used in this fiscal year. For the first time as part of completion, a fair value could be reliably determined for a property under development, which was reported in the previous year under the cost method model (IAS 40.53 in conjunction with IAS 16).

20 Material Assumptions and Estimates

Preparation of consolidated financial statements under IFRS requires that assumptions and estimates be made which might affect the amount and recognition of the reported assets and liabilities, income and expenses, and contingent liabilities as per IAS 1.

Material assumptions and estimates refer in particular to

- Setting uniform values for the expected useful life throughout the Group;
- the need for unscheduled depreciation and amortization or write-downs for assets, in particular goodwill, receivables and deferred tax assets;
- the fair value of investment property;
- the determination whether assets should be classified as non-current assets held for sale;
- the fair value of non-current assets held for sale;
- the fair value of derivative financial instruments;
- the recognition and measurement of provisions;
- whether criteria have been satisfied for the extended local business tax deduction for land at special-purpose entities.

The actual values may deviate from the assumptions and estimations made in individual cases.

In accordance with IAS 40, the fair value of investment properties, amounting to EUR 314,900 thousand (previous year: EUR 287,034 thousand) is assessed in appraisals prepared by independent, external experts. These appraisals are based on the income capitalization approach. Underlying assumptions and estimates in these cases relate especially to sustainable annual net income and property yields. Similar to the resulting fair values, they may fluctuate greatly over time and affect profits accordingly. The property related discount rates were between 5.0 % and 6.75 % in 2010 (previous year: between 5.0 % and 6.75 %). Risk deductions were also taken into account in individual cases for a further assessment of the risks pertinent to each property. If the discount rates had increased or decreased by 0.25 percentage points, the fair values would have been reduced on the balance sheet date by EUR 12,750 thousand (previous year: EUR 9,650 thousand) or increased by approximately EUR 13,100 thousand (previous year: EUR 10,250 thousand), respectively. The properties, which were reported according to the cost method model in the previous year due to the lack of reliably determinable fair values, were included in the reporting for the first time in the current fiscal year (see Note 3000). The carrying amount of non-current assets held for sale amounted to EUR 0 thousand as of December 31, 2010 (previous year: EUR 66,523 thousand).

C Explanatory Notes to the Consolidated Financial Statements

30 Explanatory Notes to the Consolidated Balance Sheets

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 addition to properties still under development.

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

The carrying amounts of investment properties have changed since 2010 as shown below. Additions comprise subsequent costs of acquisition and creation.

This refers to the following properties:

	Jan 1, 2010 EUR 000	Additions EUR 000	Reclassifi-cations EUR 000	Changes in fair value EUR 000	Dec 31, 2010 EUR 000
„Das Carré“ Heidelberg	29,400	0	0	0	29,400
„GutenbergPark“, Mainz	21,300	4,013	0	287	25,600
„Kureck“, Wiesbaden	33,200	1,400	0	0	34,600
„Office Tower“, Darmstadt	12,800	0	0	0	12,800
„Romeo & Julia“, Frankfurt	81,000	1,322	0	9,678	92,000
„Zeilgalerie“ Frankfurt	55,000	4,333	0	167	59,500
„Maxxon“, Eschborn			43,568	2,432	46,000
	232,700	11,068	43,568	12,564	299,900
Properties under development					
„Zimmer- / Mauerstraße“, Berlin	15,000	0	0	0	15,000
„Maxxon“, Eschborn	39,334	4,234	-43,568	0	0
	54,334	4,234	-43,568	0	15,000
Total	**287,034**	**15,302**	**0**	**12,564**	**314,900**

The fair value of the property Romeo & Julia was increased due to investments made and long-term leasing contracts signed in the reporting period.

A generally required approach of determining the relevant fair value as per IAS 40 was employed for the property Maxxon, Eschborn in the fiscal year 2010, since the fair value could be reliably determined for the first time at this point due to the successful marketing. Through this, a market value increase of EUR 2,432 thousand was recognized in profit. In the previous year, the property under development was assessed according to the cost method model of IAS 16.

The carrying amounts of investment properties have changed since 2009 as shown below.

	Jan 1, 2009 T-EUR	Reorganization due to amend-ment IAS 40 T-EUR	Additions/ reclassifi-cations T-EUR	Changes in fair value T-EUR	Reorga-nization-IFRS 5 T-EUR	Dec 31, 2009 T-EUR
„Das Carré“ Heidelberg	29,500	0	0	-100	0	29,400
„westendFirst“ Frankfurt	55,000	0	0	0	-55,000	0
„Feldbergstraße“, Frankfurt	3,450	0	0	-575	-2,875	0
„GutenbergPark“, Mainz	20,700	0	215	385	0	21,300
„Kureck“, Wiesbaden	33,400	0	0	-200	0	33,200
„Office Tower“, Darmstadt	12,800	0	0	0	0	12,800
„Romeo & Julia“, Frankfurt	66,000	0	4,753	10,247	0	81,000
„Zeilgalerie“, Frankfurt	53,459	0	1,128	413	0	55,000
	274,309	0	6,096	10,170	-57,875	232,700
Properties under development						
„Zimmer- / Mauerstraße“, Berlin	0	15,000	0	0	0	15,000
„Maxxon“, Eschborn	0	30,180	9,154	0	0	39,334
	0	45,180	9,154	0	0	53,334
Total	**274,309**	**45,180**	**15,250**	**10,170**	**-57,875**	**287,034**

Due to sale agreements signed as of the previous year’s reporting date, the properties westendFirst and Feldbergstrasse in Frankfurt were recognized as non-current assets held for sale.

The following property guarantees existed over the course of the fiscal year:

The land in Heidelberg for Das Carré is burdened with a land charge held by a bank at a nominal sum of EUR 24,746 thousand plus 15 % interest per year and a one-time incidental payment of 10 %.

The land in Mainz for GutenbergPark is burdened with a land charge held by a bank at a nominal sum of EUR 15,000 thousand plus 15 % interest per year and a one-time incidental payment of 5 %.

The land in Wiesbaden for Kureck are burdened with a collective land charge held by a bank at a nominal sum of EUR 25,923 thousand plus 18 % interest.

The land in Frankfurt for Romeo & Julia is burdened with two land charges with no certificate held by a bank to a total nominal sum of EUR 58,000 thousand plus 16 % interest per year.

The land in Darmstadt for the Office Tower is burdened with a land charge held by a bank at a nominal sum of EUR 9,512 thousand plus 18 % interest per year.

The land in Frankfurt for the Zeilgalerie is burdened with a land charge held by a bank at a nominal sum of EUR 45,000 thousand plus 15 % interest per year.

The land in Eschborn for Maxxon is burdened with a land charge held by a bank at a nominal sum of EUR 37,300 thousand plus 18 % interest per year.

The land in Berlin for Zimmerstrasse 92-93 is burdened with a land charge held by a bank at a nominal sum of EUR 10,600 thousand plus a 15 % one-time incidental payment and 5 % interest.

The land in Berlin for Mauerstrasse 82 is burdened with a land charge held by a bank at a nominal sum of EUR 3,910 thousand plus 15 % interest and plus a 5 % one-time incidental payment.

Income and expenses directly attributable to investment properties are recognized as follows:

	2010 EUR 000	2009 EUR 000
Rental income and income from incidental costs	18,030	19,201
Operating expenditure for the generation of rental income	-6,016	-6,247

3001 Land and buildings

The property Ulmenstrasse 22 in Frankfurt was reported at the end of the previous year as a non-current asset held for sale and was disposed of as of February 1, 2010.

3002 Office and Other Equipment

The changes in this line item are presented in the consolidated statement analysis (Appendix 1).

3003 Goodwill

As of December 31, 2010, goodwill remained unchanged compared with the previous year at EUR 389 thousand as a result of the 2006 takeover of the main part of business operations of IFM Immobilien Finanz Management GmbH by IFM Asset Management GmbH.

An impairment test was performed for goodwill on December 31, 2010; as in the previous year, no impairment was found. The calculation was based on estimated free cash flows , which were computed on the basis of detailed budget calculations for the 2011–2013 fiscal years. Cash flow was projected for the periods thereafter as a perpetual annuity.

3004 Other intangible assets

Other intangible assets include software and licenses amortized over 3 years. An advantageous lease agreement was acquired in the takeover of the main part of the business operations of IFM Immobilien-Finanz-Management GmbH, which is amortized over its remaining term.

The changes in this line item are presented in the consolidated statement analysis (Appendix 1).

3005 Advance payments made

Payments of EUR 128 thousand (previous year: EUR 0 thousand) were made for the acquisition of a new bookkeeping and property management system .

3006 Other non-current assets

This item comprises term deposits invested by Group companies, rental income accounts and a securities portfolio at a value of EUR 6,099 thousand (previous year: EUR 2,144 thousand), security deposits to a sum of EUR 476 thousand (previous year: EUR 604 thousand), and non-current receivables from rental installments in the amount of EUR 1,314 thousand (previous year: EUR 594 thousand). Due to restrictions on availability, the term deposits and rental income accounts do not represent cash and cash equivalents.

3007 Derivative financial instruments

As prescribed by IAS 39, the figure disclosed here applies to 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 and a positive fair value. These are fair-valued financial assets as indicated for each company below:

As of December 31, 2010, the values were as follows:

Type	Group company	Fair value in EUR 000	Average purchase amount in EUR 000
Cap	IFM Property Project Eschborn GmbH	0	25,000
Cap	IFM Property Project Eschborn GmbH	0	12,000
Cap	IFM Immobilien AG	0	2,580
Cap	IFM Immobilien AG	2	4,190
Cap	IFM Property Project Darmstadt GmbH	0	9,500
Cap	IFM Property Project Wiesbaden GmbH & Co. KG	0	25,920
Total		**2**	

As of December 31, 2009, the values were as follows:

Type	Group company	Fair value in EUR 000	Average purchase amount in EUR 000
Cap	IFM Property Project Eschborn GmbH	40	25,000
Cap	IFM Property Project Eschborn GmbH	12	12,000
Cap	IFM Immobilien AG	3	2,580
Cap	IFM Immobilien AG	10	4,190
Cap	IFM Property Project Darmstadt GmbH	9	9,500
Cap	IFM Property Project Wiesbaden GmbH & Co. KG	26	25,920
Total		**100**	

3008 Deferred Taxes

The deferred taxes recognized as per IAS 12 are broken down as follows:

		Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Deferred tax assets			
	carried forward	7,718	7,136
	derivative financial instruments	1,376	1,087
	investment properties	412	194
	other	80	122
		9,586	8,539
Offset against deferred tax liabilities		-7,571	-6,192
Total		**2,015**	**2,347**
Deferred tax liabilities			
	investment properties	-17,631	-15,329
	derivative financial instruments	0	-180
	other	-775	-457
		-18,406	-15,966
Offset against deferred tax assets		7,571	6,192
Total		**-10,835**	**-9,774**
Deferred taxes, net		**-8,820**	**-7,427**

Deferred taxes were calculated for the fiscal year and the previous year in accordance with the tax rates currently valid.

A tax rate of 15.8 % (previous year: 15.8 %) was assumed for corporate income tax and solidarity tax for project companies that are corporate entities where the extended deduction for property could be assumed for the local business tax. In cases where the extended deduction for property could not be assumed, the local business tax was calculated based on the usual municipal rates. The local business tax was calculated based on the usual municipal rates for project companies that are partnerships. The tax rate was calculated for IFM AG at a rate of 31.0 % (previous year: 31.0 %) taking corporate income tax, solidarity tax and local business income tax rates into account.

No deferred taxes were recognized for the difference between net assets in the consolidated balance sheet and the taxable carrying amounts of shareholdings in subsidiaries, as the Group is able to control the timing of the reversal of the difference and it is not probable that the temporary differences will be reversed in the foreseeable future.

If current projections and tax structuring options allow tax loss carry forward to be used in future years, deferred tax items are recognized as such even where there are no taxable temporary differences and the company has had sustained losses in the current and/or previous reporting period. This applies in particular to deferred tax assets in the amount of EUR 1,287 thousand (previous year: EUR 1,260 thousand) on loss carry-forward of IFM AG and deferred assets with other companies of EUR 397 thousand (previous year: EUR 842 thousand).

No deferred tax assets were recognized for unused tax loss carry-forward in the amount of EUR 2,091 thousand (previous year: EUR 968 thousand) for local business income tax, or EUR 1,923 thousand (previous year: EUR 557 thousand) for corporate income tax. Loss carry-forward will not expire over time under the current legal provisions. No deferred tax assets were recognized for deductible temporary differences in the amount of EUR 604 thousand (previous year: EUR 604 thousand).

301 Current Assets

3010 Trade accounts receivable

At EUR 1,879 thousand (previous year: EUR 1,733 thousand), trade accounts receivable pertain primarily to receivables under leases and from invoices for incidental costs. Receivables are usually assigned to the banks in question under loan agreements.

The maturity of trade accounts receivable is broken down as follows:

	Dec 31, 2010 EUR 000
Neither overdue nor diminued	804
Not overdue but impaired	695
Thereof with individual allowances	-190
Overdue	
up to 1 month	101
up to 3 month	146
up to one year	314
over one year	364
Thereof with individual allowances	
up to one Jahr	-77
over one Jahr	-278
	1,879

The maturity of trade accounts receivable in the previous year was broken down as follows:

	Dec 31, 2009 EUR 000
Neither overdue nor impaired	1,033
Overdue	
up to 1 month	186
up to 3 month	138
up to one year	425
over one year	313
Thereof with individual allowances	
up to one Jahr	-121
over one Jahr	-241
	1,733

3011 Other current assets and deferred income and accrued expenses

	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Other current assets	397	126
Deferred income and accrued expenses	183	142
	580	**268**

At EUR 397 thousand (previous year: EUR 126 thousand), other current assets mainly result in receivables to a minority shareholder (EUR 200 thousand).

3012 Tax receivables

Current tax receivables are recognized at EUR 1,249 thousand (previous year: EUR 1,332 thousand). This item includes value added tax receivables in the amount of EUR 1,090 thousand (previous year: EUR 1,025 thousand), receivables from the local business income tax in the amount of EUR 66 thousand (previous year: EUR 219 thousand), and receivables of EUR 93 thousand (previous year: EUR 88 thousand) for corporate income tax, interest income tax and the solidarity surcharge.

3013 Securities

The Group invests free cash in investment funds. The fair value of these securities was EUR 3,936 thousand (previous year: EUR 3,662 thousand) at the reporting date. Because part of the account is pledged, EUR 736 thousand was listed under other non-current assets. The investment goal of these funds is to generate above-average returns through active portfolio management, allowing for risk diversification in euros.

3014 Cash and cash equivalents

The total balance at financial institutions and in cash came to EUR 11,316 thousand (previous year: EUR 5,043 thousand). This pertains to highly liquid financial assets which the Group can use at short notice. The increase was mainly the result of cash received from property sales.

3015 Non-current assets held for sale

This item developed over the fiscal year as follows:

	Dec 31, 2009 EUR 000	Reduction in 2010 EUR 000	Dec 31, 2010 EUR 000
Non-current assets reclassified from investment properties			
„westendFirst“, Frankfurt	55,000	55,000	
„Feldbergstraße“, Frankfurt	2,875	-2,875	0
Non-current assets reclassified from property, plant and equipment			
Land and buildings at „Ulmenstraße 22“	8,628	-8,628	0
Office and other equipment	20	-20	0
Non-current assets held for sale	66,523	-66,523	0

<u>westendFirst, Frankfurt</u> A sale agreement of over EUR 55,000 thousand was signed for this property in December 2009. Entitlements and obligations were transferred on March 1, 2010 with the payment of the sale price on February 28, 2010. Liabilities to banks associated with this property in the sum of EUR 33,093 thousand were amortized in the course of payment of the sale price in order to free the land from encumbrances. In order to protect all claims of the buyer from comprehensive rent guarantees and provide protection in the event of a cancellation or nullity of lease agreements before the end of 2014, the Group obligated itself to issue a surety bond in the amount of EUR 2,000 thousand.

<u>Feldbergstraße, Frankfurt</u> This property was sold for EUR 2,875 thousand with the sale agreement of September 17, 2010. The transfer of entitlements and receivables took place on December 8, 2010. Existing borrowed funds were released and the lot was placed without encumbrance.

Ulmenstraße 22, Frankfurt The property was sold for a total price of EUR 11,500 thousand in December 2009. The transfer of entitlements and obligations was completed following payment of the sale price and the cancellation of encumbrances of the lot on February 1, 2010. A lease back agreement for the entire building was signed at the same time as the deed of purchase. This agreement is involves the company in an operating lease agreement as the future tenant (c.f. Note 3061). A capital gain of EUR 2,697 thousand (before taxes) was achieved through the sale after deduction of sale costs.

302 Equity

Changes in IFM AG's Group equity are presented in the Group Changes in Equity statement (see also Note 34).

3020 Share capital and additional paid-in capital

	Share capital EUR 000	Additional reserve EUR 000
As of December 31, 2008/January 1, 2008	9,350	78,484
Stock option plans	0	731
As of December 31, 2009/January 1, 2010	9,350	79,215
Stock option plans	0	216
As of December 31, 2010	**9,350**	**79,431**

a) Share capital and additional paid-in capital

IFM AG stock was admitted for trading in the Entry Standard segment 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). The share capital remained unchanged from the previous year at EUR 9,350 thousand as of December 31, 2010, consisting of 9,349,999 non-par shares.

An expense of EUR 216 thousand (previous year: EUR 731 thousand) was incurred by the stock option plans. This amount was recognized as an increase in additional paid-in capital.

At the shareholder's meeting of June 22, 2010, the Executive Board was authorized to acquire company own shares up to a value of 10 % of the share capital and to use these in particular for collection, financing particular acquisitions, for transfer to third parties for cash, for the operation of the share option plans and for the fulfillment of liabilities from any conversion and/or option rights or participation rights or income bonds which guarantee conversion or option rights or determine conversion obligations. The authorization took effect with a decision of the shareholders' meeting on June 22, 2010, and will remain valid until September 21, 2011.

b) Authorized capital

Authorized capital (Authorized Capital 2007) in the amount of EUR 4,250 thousand was issued by the annual shareholders' meeting on July 20, 2007. The Executive Board was authorized with the consent of the Supervisory Board to increase the company's share capital by up to EUR 4,250 thousand in one or more transactions until June 30, 2012 by issuing up to 4,250,000 new non-par 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 a capital increase in return for cash. An amount of EUR 3,400 remained unused as of December 31, 2010.

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

At the annual shareholders' meeting of July 20, 2007, the Executive Board was authorized with the consent of the Supervisory Board to issue bearer and/or convertible bonds with warrants and/or convertible bonds (hereinafter referred to collectively as 'bonds') on one or more occasions on or before June 30, 2012, for a total value of up to EUR 34,000 thousand and with a maturity of up to 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 no more than EUR 3,400 thousand of the share capital, in accordance with the details of the bond terms. The share capital was thus conditionally increased by up to EUR 3,400 thousand with the issue of up to 3,400,000 new non-par value bearer shares of common stock (Conditional Capital 2007 I). The bonds may also carry a variable interest rate, in which case the interest may depend entirely or to some extent on the company's dividend, as in the case of an income bond.

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

Conditional Capital 2006

As part of the stock-based compensation of the Executive Board, the shareholders' meeting of April 24, 2006 approved the conditional increase of share capital by up to EUR 120 thousand by issuing 120,000 non-par shares. All of these stock options were granted in 2006.

Conditional Capital 2007 II

At the annual shareholders' meeting of July 20, 2007, it was decided to increase the share capital of IFM AG by up to EUR 730 thousand by issuing up to 730,000 new non-par shares. In the 2007 fiscal year, 292,000 stock options were granted and an additional 292,000 were granted in the 2008 fiscal year as part of the Stock Option Plan 2007. The last tranche of the Stock Option Plan 2007 (shown below as Tranche 5) was granted effective April 3, 2009.

The tranches of the stock options issued to the members of the Executive Board which remain unexercised are presented below.

Nature of agreement	**Stock-based compensation for Executive Board**				
Tranche	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Grant date (DD.MM.YYYY)	6.10.2006	6.10.2006	13.9.2007	19.2.2008	3.4.2009
Options granted	60,000	60,000	292,000	292,000	146,000
Maximum term (years)	5.00	5.00	5.00	5.00	5.00
Strike price (EUR)	5.00	5.00	10.94	9.28	5.40
Contractual remaining maturity time as of Dec 31, 2010 (in years)	0.8	0.8	1.7	2.1	3.3
Outstanding options at start of 2010 reporting period	60,000	60,000	292,000	292,000	146,000
Options granted, forfeited or expired in the reporting period 2010	0	0	0	0	0
Outstanding options at the end of the 2010 reporting period	60,000	60,000	292,000	292,000	146,000
Options eligible for exercise at the end of 2010 reporting period	0	0	0	0	0

Conditions of exercise for Tranche 1 and Tranche 2

- Options can only be exercised after a vesting period of 2 years.

- Subscription rights may not be exercised (i) in the period from March 10, 2007 and/or March 10 of each subsequent year respectively up to and including the date of the next standard shareholders' meeting of IFM Immobilien AG, and (ii) in the period from the tenth of the last month of a half-year term up to and including the date the next interim semiannual report is released for that period once company stock has been admitted for trading on a stock exchange or any similar market and (iii) if the company also announces its quarterly results, in the period from the tenth of the last month in a quarter up to and including the date the next interim quarterly results are released for that period. Options may not be exercised after the tenth banking day prior to an annual shareholders' meeting or in the ten trading days leading up to a press conference on the annual results and the quarterly reporting dates.

- Subscription rights can only be exercised if company stock is admitted for trading on a stock exchange within the country or any similar market and if the weighted average Xetra trading price for IFM Immobilien AG stock was at least EUR 14.00 for Tranche 1 options and EUR 15.00 for Tranche 2 options on the Frankfurt Stock Exchange in the ten trading days prior to the exercise of these rights.

- Subscription rights from stock options shall not be forfeited in the event that the holder of the option ceases to be a member of the Executive Board or their employment agreement with IFM Immobilien AG is terminated.

Conditions of exercise Tranches 3, 4 and 5

- Options can only be exercised after a vesting period of 2 years.

- Subscription rights may only be exercised (i) within 60 days after the interim results are announced for the past fiscal year at IFM Immobilien AG, and (ii) within 60 days after the company releases an interim semiannual report, and (iii) if the company also announces its quarterly results, within 60 days after the quarterly results are announced.

- Subscription rights must be exercised within 5 years to the day the stock options were granted. If stock options are not exercised within this period, they will expire without compensation.

- Subscription rights under stock options can only be exercised if the closing Xetra price of IFM Immobilien AG stock was constantly at least 25 % above the basic price on the German stock exchange (or in a replacement system to Xetra) in the five trading days leading up to the exercise of subscription rights.

- Subscription rights can be exercised as long as the holder of these rights is still under contract with IFM Immobilien AG at the time the rights are exercised. If the aforementioned requirements are not fulfilled before the vesting period is over and the holder does not terminate his own contract nor is it terminated at no notice by the company, his stock options shall expire one year after the termination of employment. Thus, he is permitted to exercise these subscription rights until that date in accordance with all other terms of SOP 2007.

The fair values of stock options under Tranche 1 through 5 are shown below:

	Issue date	Otion value in EUR
Tranche 1	06.10.2006	4.57
Tranche 2	06.10.2006	4.57
Tranche 3	13.09.2007	2.11
Tranche 4	19.02.2008	2.70
Tranche 5	03.04.2009	2.23

The total value of stock options measured and granted as per IFRS was unchanged from the previous year at EUR 2,279 thousand as of December 31, 2010.

Tranches 1 through 3 were measured according to a modified Black-Scholes-Merton model. A binomial model was used for the measurement of Tranche 4 and 5 as it better represented the terms of options defined under these tranches. The following model parameters were incorporated into the measurement of each tranche:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Share price at the reporting date (EUR)	9.20	9.20	11.40	9.72	6.60
Maximum term commencing issue date (years)	5.00	5.00	5.00	5.00	5.00
Strike price (EUR)	5.00	5.00	10.94	9.28	5.40
Expected dividend return	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate for the term	3.59 %	3.59 %	3.94 %	3.53 %	2.44 %
Expected volatility for the term	19.10 %	19.10 %	19.93 %	20.94 %	33.33 %

Due to a lack of relevant historical data, the anticipated terms of Tranche 1 through 3 were determined based on the management's estimate that the stock options will be exercised as soon as possible. This estimate is based in part on the tax benefits for the holders of options, who will benefit from exercising their options early on. Under the tax regulations in effect in Germany at each reporting date, the difference between the strike price and the current price is subject to tax as a cash advantage, while capital gains are subject to a lower tax rate. For the assessment of Tranche 4 and 5, the entire term of the options were represented in a binomial model and an early exercise was taken into account in measuring the value of the options.

The performance aim of Tranche 3 – that the closing Xetra price of IFM Immobilien AG stock needs to have constantly been at least 25 % above the basic price on the German stock exchange (or in a replacement system to Xetra) in the five trading days leading up to the exercise of subscription rights – was not taken into account in the assessment of Tranche 1 through 3 as the management expected that this aim could be reached from the date on which the options were granted. The performance aim for the measurement of the option's fair value was taken into account in the binomial model used for the measurement of Tranche 4 and 5.

As no trading price was available for the company over a length of time sufficient for estimating volatility, the future volatility was calculated for the anticipated term of the stock options in accordance with IFRS 2 BC 139 based on the historical volatility of a peer group of similar entities in the real estate industry over a sufficient length of time. The historic volatility of IFM Immobilien AG available up to now displays a very strong correlation to the volatility of the selected peer group.

Dividend payments were not taken into account as a result of past data and future estimations by the management.

Fluctuation was determined by weighting historical data for the elapsed months of the vesting period against the fluctuation expected by the management for the remaining months from the reporting date until the end of the vesting period. As the options under Tranche 1 and 2 do not expire upon expiry of the holder's term on the Executive Board or termination of their contract with IFM Immobilien AG, an expected labor turnover of 0.00 % was used in the calculation. The expense was recognized in full in the fiscal year 2006. Tranche 3, 4 and 5 were only granted to members of the Executive Board as well; turnover was not expected for these employees at the reporting date.

Risk-free interest rates were calculated based on the yield curve for listed German government securities issued by the Deutsche Bundesbank according to the Svensson method.

The following expenses were incurred to IFM Immobilien AG from the stock option program as of December 31, 2010:

	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Total expense for equity-based compensation	2,237	2,021
Thereof stock-based compensation settled using equity instruments	2,237	2,021
Expense for equity-based compensation in the reporting period	216	731

3021 Other reserves

At a sum of EUR 7,506 thousand (previous year: EUR 5,846 thousand), other reserves are mainly a result of contributions of ownership interests 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. The fair values from cash flow hedges less deferred tax assets were set off against other reserves in the amount of EUR 1,660 thousand (previous year: EUR -958 thousand) in the fiscal year.

3022 Retained earnings

Retained earnings are shown below:

	EUR 000
Retained earnings Jan 1, 2009	5,810
Annual net Group profit for 2009 without minority interests	1,814
Retained earnings Dec 31, 2009/Jan 1, 2010	**7,624**
Annual net Group profit for 2010 without minority interests	5,291
Retained earnings Dec 31, 2010	**12,915**

3023 Minority Interests

Minority shareholders hold 5.2 % of subsidiary GP Properties GmbH. The minority interests recognized are the shares that these shareholders hold in the company's equity.

Furthermore, minority shareholders hold 5.2 % of shares in IFM Property Project Frankfurt GmbH & Co. KG, which was changed from a GmbH to a GmbH & Co. KG in 2008, and 10.0 % of shares in NEWCOM Property GmbH & Co. Joint Venture KG. The minority interests held in these companies are recognized as borrowed funds under „Other short-term liabilities and deferred income and accrued expenses" in accordance with IAS 32.

Minority shareholders hold 5.2 % of shares in IFM Property Project Frankfurt-Zeil GmbH, acquired in 2008. Due to a preemptive right under contract, these minority interests are also recognized as borrowed funds.

Changes in minority interests in the Group are presented in the Group Changes in Equity statement. Minority interests were EUR 239 thousand at the reporting date (previous year: EUR 209 thousand).

303 Liabilities

Liabilities recognized in the consolidated balance sheets as of December 31, 2010 can be broken down as follows:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	97,992	105,483
Trade accounts payable and other liabilities	1,195	4,392
Derivative financial instruments	2,474	4,238
Other short-term liabilities and deferred income and accrued expenses		2,078
Provisions for taxes		2,579
Other provisions		3,692
Deferred tax liabilities	10,835	0
	112,496	122,462

Liabilities recognized in the consolidated balance sheets as of December 31, 2009 can be broken down as follows:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	215,912	23,736
Trade accounts payable and other liabilities	1,232	4,863
Derivative financial instruments	5,290	3,501
Other short-term liabilities and deferred income and accrued expenses		2,516
Provisions for taxes		396
Other provisions		3,125
Deferred tax liabilities	9,774	0
	232,208	**38,137**

Liabilities are recognized as long-term liabilities if they cannot be classified as short-term according to the criteria set out in IAS 1.69. Deferred tax liabilities are classified as long-term regardless of the expected date of their realization.

304 Long-term liabilities

3040 Liabilities to banks

A breakdown of the contractual maturity of existing liabilities to banks as of December 31, 2010 is presented below:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	105,483	104,865	618
1 to 2 years	57,453	41,541	15,912
2 to 3 years	40,539	40,539	0
	203,475	**186,945**	**16,530**

A breakdown of the contractual maturity of existing liabilities to banks as of December 31, 2009 is presented below:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	23,736	23,151	585
1 to 2 years	93,894	93,276	618
2 to 3 years	76,009	60,098	15,911
3 to 4 years	46,009	46,009	0
	239,648	**222,534**	**17,114**

The fixed interest rate period will expire in 2012 and 2013 for existing loan liabilities in the amount of EUR 15,912 thousand and EUR 40,050 thousand respectively. Loans will only need to be repaid at this point if no agreement can be reached with the banks involved on the further terms of the loan. Nevertheless, the loans in question have been presented for maturity in 2012 and 2013 in the appendix for the purpose of providing a maturity date.

Liabilities to banks pertain mainly to property loans granted by various banks. These loans are generally charged interest at a variable rate. The weighted rate of interest under consideration of interest rate hedges for all loans was 4.41 % (previous year: 4.82 %) under consideration of the circumstances as of the balance sheet date. The weighted rate of interest for loans with fixed rates of interest was 5.49 % as of the balance sheet date (previous year: 5.49 %).

The variable-rate loans are charged interest based on the 1-month EURIBOR or 3-month EURIBOR rate plus the margin specified under contract. Interest rate hedging agreements (swaps, collars, caps or floors) with varying effectiveness are usually signed as part of the loan agreements.

Mortgages are outlined in Notes 3000-3001. As in the previous year, all property loans are secured by mortgages. Furthermore, receivables from lease agreement and claims in connection with the interest rate hedging agreements entered with loan agreements are generally assigned to secure loans granted. Moreover, to secure a loan, entitlements to payment of the purchase price against future buyers are generally transferred and, in some cases, an account balance is pledged for the benefit of the bank granting the loan.

3041 Other long-term liabilities

Other long-term liabilities include a preemptive right of the minority shareholder in IFM Property Project Frankfurt-Zeil GmbH in the amount of EUR 250 thousand (previous year: EUR 250 thousand) and security deposits received amounting to EUR 502 thousand (previous year: EUR 604 thousand). In addition, construction cost subsidies are listed here with their non-current proportion.

With the introduction of a staff compensation program, liabilities corresponding to the share-based compensation are also listed under this item.

In the 2010 fiscal year, the company concluded a plan to issue virtual staff shares and communicated this to the staff. As of the time the virtual shares are issued, those eligible receive a cash payment linked to the performance of the shares. The company placed the corresponding shares in a virtual deposit in January 2011. There is no entitlement to the provision of company shares. The virtual share plan represents share-based compensation with cash settlement. This plan was neither cancelled nor modified in 2010.

The virtual shares are subject to the following conditions:

- The amount paid out corresponds to the market value of the shares in the relevant deposit.
- The virtual shares can only be exercised after a waiting period of 3 years, starting on December 31, 2010, after which they can be exercised at any time. The program runs for an unlimited period.
- If the member of staff leaves the company before the waiting period of 3 years has expired, he forfeits any claim to the options, regardless of the reason for leaving. Once the waiting period of 3 years has expired, the virtual shares are vested.
- Cash payment is net and corresponds to the full deposit value. The taxes and social security payments payable on the cash payment are undertaken by the company.

The virtual shares have performed as follows in the 2010 fiscal year:

Virtual shares	
Outstanding virtual shares at start of reporting period	0
Virtual shares guaranteed in the reporting period	14,190
Virtual shares forfeited in the reporting period	0
Virtual shares exercised in the reporting period	0
Virtual shares expired in the reporting period	0
Outstanding virtual shares at end of reporting period	14,190
Exercisable virtual shares at end of reporting period	0

The weighted average remaining term expected for the value appreciation rights still outstanding on December 31, 2010 is 3 years.

The fair value of the virtual shares is determined using a binomial model, taking into consideration the conditions on which the instruments are guaranteed. The expense for the services performed with respect to a liability to compensate these services is compiled over the vesting period. The liability is recalculated at every reporting date and on the settlement date. Changes to the fair value are recognized in profit or loss.

The weighted average fair value of the virtual shares guaranteed during the fiscal year is EUR 9.30. The following parameters were used for the assessment at December 31, 2010:

Parameters	Dec 31, 2010
Dividend return (%)	0.00
Expected volatility (%)	37.89 %
Risk-free interest rate (%)	1.13 %
Expected term (years)	3.00
Share price as of the reporting date (EUR)	9.30
Model applied	Binomial

The expected term of the value appreciation rights is based on the management's current expectations regarding the exercising behavior of the participants and does not necessarily correspond to the exercising behavior which actually occurs.

The expected volatility is based on the assumption that future trends can be predicted over a period corresponding to the expected term of the value appreciation rights, so the volatility which actually occurs may differ from the assumptions made.

The risk-free interest rates were derived from the market with a remaining term which corresponds to the expected term of the option to be assessed.

The taxes and social security payments expected in connection with the cash payment, which are paid by the company, were set to 110 % of the amount paid to the staff on average. The taxes and social security payments are compiled with a correspondingly liability on the lines of the provisions of the IFRS 2 for share-based compensation with cash settlement as personnel expense.

The personnel expenses recorded for services received during the fiscal year amounted to EUR 7 thousand.

As of December 31, 2010, the carrying amount of the liability from the virtual shares amounts to EUR 7 thousand (2009: EUR 0 thousand).

3042 Derivative financial instruments

In accordance with IAS 39, the figure recognized here applies to 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 negative fair value. These are fair-valued financial liabilities, as indicated for each company below:

Type	Group company	Fair value in EUR 000	Average purchase amount in EUR 000
Floor	IFM Immobilien AG	-233	4,190
Floor	IFM Immobilien AG	-1,548	50,000
Floor	IFM Property Project Eschborn GmbH	-670	25,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-2,845	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-196	4,000
Swap	IFM Property Project Ulmenstraße GmbH & Co. KG	-758	20,000
Swap	IFM Property Project Ulmenstraße GmbH & Co. KG	-377	10,223
Swap	IFM Property Project Ulmenstraße GmbH & Co. KG	-85	2,242
Total		**-6,712**	

Derivative financial instruments that are not held for speculative purposes, but rather as economic risk-management instruments (even where the hedge accounting requirements do not exist), are distributed as long-term and short-term liabilities according to the anticipated amortization.

As of December 31, 2010, long-term liabilities resulting from derivative financial instruments corresponded to EUR 2,474 thousand (previous year: EUR 5,290 thousand) and short-term liabilities to EUR 4,238 thousand (previous year: EUR 3,501 thousand).

A breakdown of the values from the previous year can be seen in the table below:

Type	Group company	Fair value in EUR 000	Average purchase amount in EUR 000
Floor	IFM Immobilien AG	-287	4,190
Floor	IFM Immobilien AG	-2,392	50,000
Floor	IFM Property Project Eschborn GmbH	-967	25,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-2,908	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-284	4,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-1,195	20,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-618	11,364
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-140	2,468
Total		**-8,791**	

3043 Deferred Tax Liabilities

Deferred tax liabilities are mainly attributable to the market assessment of investment properties. Please refer to the explanations provided on tax liabilities in Note 3008 for further information.

305 Short-term liabilities

3050 Provisions for taxes

At a sum of EUR 2,579 thousand (previous year: EUR 396 thousand), provisions for taxes pertain to local business income tax in the amount of EUR 1,867 thousand (previous year: EUR 395 thousand) as well as corporate income tax and the solidarity surcharge in the amount of EUR 712 thousand (previous year: EUR 1 thousand). The change resulted from the results of the sales of property during the fiscal year.

3051 Other provisions

At EUR 3,692 thousand (previous year: EUR 3,125 thousand), other provisions pertain mainly to deferrals for construction services performed. Other provisions are due within twelve months. The income from the write-back of other provisions from the previous year was EUR 156 thousand (previous year: EUR 88 thousand).

3052 Liabilities to banks

Please refer to the explanation in Note 3040.

3053 Trade accounts payable

In particular payments invoiced and payments yet to be made for construction services and services related to property management are recognized under trade accounts payable at EUR 4,392 thousand (previous year: EUR 4,863 thousand).

3054 Derivative financial instruments

Please refer to the explanation in Note 3042.

3055 Other short-term liabilities and deferred income and accrued expenses

This item can be broken down as follows:

	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Remaining purchase price for IFM Property Project Frankfurt-Zeil GmbH	0	250
Liabilities to the tax office	836	836
Deferred income and accrued expenses	488	442
Net assets of minority interests	164	692
Liabilities for wages and salaries	106	0
Liabilities for value-added tax	142	0
Other costs and expenses	342	296
	2,078	**2,516**

Third-party shares in partnerships which can be classified as liabilities are recognized as net assets of minority interests.

306 Leases

3060 Operating leases (Group as lessor)

The Group generates most of its revenue from leasing investment properties. The lease agreements that the Group enters into are classified as operating leases under IAS 17.

In operating lease agreements, a carrying amount of EUR 314,900 thousand (previous year: EUR 287,034 thousand) was reported for leased completed investment properties, as well as EUR 0 thousand (previous year: EUR 66,503 thousand) for properties in the item "non-current assets held for sale". Lease agreements of various forms and of varying terms have been signed with both commercial and private tenants. Tenants have been granted the option to extend in some cases; no purchase options have been offered. Options to extend the lease term generally include price adjustment agreements in industry-standard stable value clauses.

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

	Dec 31, 2010 EUR 000	Dec 31, 2009 EUR 000
Uo to 1 year	12,779	13,309
1 to 5 years	39,346	34,270
Over 5 years	21,729	14,819
	73,854	**62,398**

The minimum lease payments receivable include the contractually agreed net rental amount until the end of the contract term regardless of whether an exercise of the option to extend the lease is expected or not, or until the earliest possible time of termination in the case of unlimited lease agreements. No conditional rent payments were due.

3061 Operating leases (Group as lessee)

Leases in which a significant proportion of the risk and opportunities connected to the ownership of the leased object remain with the lessor are classified as operating leases. Payments made in connection with an operating lease are recorded in the statement of comprehensive income for the duration of the lease.

As part of this, liabilities from the sale and lease back agreement from the sale of Ulmenstrasse 22 are EUR 653 thousand for one year, EUR 2,775 thousand for two to five years and EUR 60 thousand for over five years. The lease agreement was concluded until January 31, 2016.

Rental income of EUR 169 thousand per year will be achieved through sub-leasing.

31 Explanatory Notes to the Consolidated Statement of Income

310 Revenue

Revenues pertain to income from property rental (net rent plus ancillary leasing costs) and from property management for properties not owned by the company. The revenues can be broken down as follows for the individual properties:

	2010 EUR 000	2009 EUR 000
„Zeilgalerie", Frankfurt am Main	4,137	5,180
„Romeo & Julia", Frankfurt am Main	3,460	1,094
„Das Carré", Heidelberg	2,784	2,800
„Kureck", Wiesbaden	2,500	2,500
„Maxxon", Eschborn-Süd	1,896	1,744
„GutenbergPark", Mainz-Hechtsheim	1,622	1,259
„westendFirst", Frankfurt am Main	552	3,684
„Office Tower", Darmstadt	813	815
„Ulmenstraße 22", Frankfurt am Main	206	231
„Zimmerstraße", Berlin	65	82
„Feldbergstraße", Frankfurt am Main	0	43
	18,035	**19,432**
Property management	146	78
Other costs and expenses	0	5
	18,181	**19,515**

As described above, revenue of EUR 2,500 thousand (previous year: EUR 2,500 thousand) was gained from the tenant, R&V Versicherung, at Kureck, Wiesbaden, making up over 10 % of total revenue.

311 Other operating income

In other operating income, profit from the sale of property in the first quarter accounts for EUR 2,856 thousand. This item also includes income of EUR 308 thousand (previous year: EUR 887 thousand) from income from building allocations and from the write-back of provisions and other compensation.

312 Gain or loss on the market assessment of investment properties

A gain of EUR 12,564 thousand (previous year: EUR 11,045 thousand) was reported in 2010 for the fair valuation of investment properties in accordance with IAS 40, in addition to a loss of EUR 0 thousand (previous year: EUR 875 thousand). Please refer to Note 3000 for further details.

313 Cost of goods sold

The costs of maintenance and management of leased properties in particular are recognized under the cost of goods sold.

The cost of goods sold can be allocated to the individual projects as follows:

	2010 EUR 000	2009 EUR 000
„Zeilgalerie“, Frankfurt am Main	2,019	2,573
„GutenbergPark“, Mainz	948	676
„Das Carré“, Heidelberg	752	1,041
„Romeo & Julia“, Frankfurt am Main	689	384
„Maxxon“, Eschborn	603	621
„Ulmenstraße 22“, Frankfurt am Main	347	158
„Office Tower“, Darmstadt	293	247
„westendFirst“, Frankfurt am Main	182	561
„Zimmerstraße“, Berlin	115	128
„Kureck“, Wiesbaden	58	0
Other costs and expenses	10	16
	6,016	**6,405**

314 Personnel Expenses

Personnel expenses can be broken down as follows:

	2010 EUR 000	2009 EUR 000
Wages and salaries	3,603	2,513
Payroll deductions	447	382
Stock-based compensation	216	731
Voluntary and other payments	64	73
	4,330	**3,699**

315 Depreciation and amortization

Reported at EUR 291 thousand (previous year: EUR 459 thousand), the allocation of depreciation and amortization of fixed assets to the individual balance sheet items is presented in the consolidated statement analysis (Appendix 1).

316 Other operating expenses

Other operating expenses can be broken down as follows:

	2010 EUR 000	2009 EUR 000
Legal counsel, consultants, accounting and annual financial statements	1,332	1,031
Advertising and agency costs	825	763
Expenses from compensation liabilities for derivatives	818	0
Valuation adjustments to receivables, doubtful debts	561	498
Expenses for rent guarantees issued	554	0
Sales commissions	444	1,026
Rental expense	386	0
Expenses for the supervisory board	368	401
Vehicle costs	213	182
Valuation adjustments under operating expenses	181	543
Non-deductible input tax	178	301
Repairs and maintenance	128	78
Travel and entertainment costs	82	55
Designated sponsoring	80	42
Third-party services and independent contractors	43	159
Insurance	40	44
Expenses for the annual report	32	60
Bank fees, incidental costs of bank transactions	25	45
Other costs and expenses	609	566
	6,899	**5,794**

317 Net Financial Result

The net financial result can be broken down as follows:

	2010 EUR 000	2009 EUR 000
Other interest and similar income	424	823
Interest and similar expenses	-8,972	-11,370
Gain or loss on market assessment of derivatives	69	-19
	-8,479	**-10,566**

Interest income is mainly a result of IFM AG's short-term financial investments.

Interest expense is to a great extent a result of funds borrowed for property projects. Reported at EUR 281 thousand (previous year: EUR 681 thousand), capitalized financing costs have already been taken into account as a reduction in the interest expense.

318 Income Taxes

Income taxes can be broken down as follows:

	2010 EUR 000	2009 EUR 000
Current income tax	-2,364	-91
Deferred tax assets and liabilities	-1,212	-1,750
	-3,576	**-1,841**

See Note 3008 "Deferred taxes" for additional details.

Reported at EUR -1,212 thousand (previous year: EUR -1,750 thousand), the expense from deferred taxes pertains to:

	2010 EUR 000	2009 EUR 000
Temporary differences from the valuation of property	-2,332	-4,125
Deferred tax loss carry forward	511	3,037
Deferred taxes on derivatives	651	-486
Other temporary differences	-42	-176
	-1,212	**-1,750**

When the prescribed tax rate of 29.8 % (previous year: 29.8 %) is applied, the tax expense for the fiscal years 2010 and 2009 deviates from the effective values as follows:

	2010 EUR 000	2009 EUR 000
Profit (loss) for period before income tax	8,897	3,649
Theoretical tax expense	-2,646	-1,088
Non-deductible expenses	-301	-271
Loss of tax credits for companies with running losses	-426	-878
Extended local business tax property deduction not taken into consideration	-660	0
Revaluation of deferred taxes on loss carry forward of the previous year	600	483
Other costs and expenses	-143	-87
Income tax according to income statement	**-3,576**	**-1,841**

319 Minority interests

Minority interests amounted to EUR 30 thousand in the fiscal year (previous year: EUR -6 thousand). Minority interests are the minority shareholders' stake in the company's equity.

32 Earnings Per Share

	2010	2009
Consolidated profit after minority interests (EUR 000)	5,291	1,814
Weighted average number of shares for the undiluted result	9,349,999	9,349,999
Stock options	192,113	141,822
Weighted average number of shares for the diluted result	9,542,112	9,491,821
Undiluted earnings per share (EUR)	0.57	0.19
Diluted earnings per share (EUR)	0.55	0.19

Stock options that were issued within the scope of a capital increase (cf. Note 3020) in Tranches 1 through 4 have not been included in the calculation of the diluted earnings per share as the relevant goals had not yet been achieved as of the reporting date. However, share options from the 5th tranche are included in the calculation of the diluted earnings as of April 14, 2009, since the performance goal is considered fulfilled as of this date.

No payment of dividends is planned for the fiscal year 2010.

33 Subsequent Events after the Reporting Date

The contract with CEO Georg Glatzel was extended by five years in March 2011.

34 Statement of Changes in Equity

The course of Group equity as of the reporting date is presented in the statement of changes in Group equity, which is part of the consolidated financial statements. In accordance with IAS 1 (rev.), only transactions with shareholders were recognized in the statement of changes in Group equity. Realized and unrealized gains (total income) have been recognized in a single line item. A one-statement approach was employed so that the total income is recognized in a single statement.

35 Cash Flow Statement

The Group's financial position is represented in the cash flow statement, which is part of the consolidated financial statements in accordance with IFRS. In accordance with IAS 7, the cash flow statement differentiates between cash flows from business operations, investment and financing activities. See Note 45 for more details on investment activities resulting from business combinations.

The cash flow from operating activities includes:

	2010 EUR 000	2009 EUR 000
Received interest payments	159	188
Advance interest payments	9,101	11,294
Income taxes paid less income taxes received	-21	-306

Cash flow from operating activities after interest and taxes was EUR -8,422 thousand (previous year: EUR -5,182 thousand).

At EUR -10,664 thousand (previous year: EUR 7,561 thousand), noncash income includes income from the market assessment of properties in the amount of EUR -12,564 thousand (previous year: EUR -10,170 thousand), income from the market assessment of derivatives in the amount of EUR -69 thousand (previous year: EUR 19 thousand) and expenses from deferred taxes at EUR 1,212 thousand (previous year: EUR 1,750 thousand) in particular.

Other changes in cash and cash equivalents in the amount of EUR 2,700 thousand (previous year: EUR 671 thousand) include term deposits, rental income accounts and restricted deposit accounts that can no longer be recognized under cash and cash equivalents, as they were in the previous year.

Cash funds only comprise the cash and cash equivalents presented in the balance sheet.

36 Segment Reporting

No segment report as per IFRS 8 was prepared for the fiscal year 2010 or the previous period as Group companies operate in a single business segment and in only one geographical segment (Germany).

4 Further Information

40 Information About the Parent Company

IFM AG, the Group parent company, is an incorporated company as defined by the German Stock Corporate Act. The address of the company listed under the company registration number HRB 700273 in the Commercial Registry at the Local Court of Mannheim is as follows:

IFM Immobilien AG
Karl-Ludwig-Straße 2
69117 Heidelberg
Federal Republic of Germany

41 Corporate Purpose and Principal Activities

The parent company was legally formed as an incorporated company under official record number 127 in the register of documents of Dr. Richard H. Sterzinger, notary in Frankfurt am Main, for 2005 on October 27, 2005. The Group company was originally named Sirus Grundbesitz AG. The name was changed to IFM Immobilien AG by a decision of the general shareholders' meeting of March 31, 2006. The company has its registered office and principal place of business in Heidelberg.

By a decision of the shareholders' meeting of June 22, 2010, Paragraphs (4), (5) and (6) were added to Figure 16 of the articles of incorporation of IFM AG. The changes are the result of the amendments to the Law on Implementing Shareholder Regulations (ARUG) of September 1, 2009 and affect only the provisions relating to participation and voting rights.

According to the articles of incorporation, IFM AG's corporate purpose is to purchase, manage and sell real estate and perform similar services. As well, the company administers, purchases, manages and sells equity interests in other companies in the real estate industry as corporate assets under its own name and for its own account. Transactions that require prior authorization (e.g. according to § 34c of the Industrial Code, the German Banking Act or the German Act on Legal Counsel) are excluded.

The parent company primarily acquires interests in companies that own real estate or which serve as project companies for individual real estate projects. The parent company and subsidiaries are managed by the Executive Board members of the parent company, who thus also handle the Group's business and financial policies.

The Group companies are active as investors and project developers for commercial real estate focusing on downtown office and retail use. Asset management for commercial properties and restructuring, redeveloping and developing marketing and leasing concepts are the core components of their business operations. This strategy is intended as a way to reposition properties in the market. Properties that the companies acquire should generally stand out due to a high potential for development and value appreciation and should be in a coveted location.

IFM Asset Management GmbH, founded in 2006, manages properties and performs other services for the project companies governed by business management agreements.

42 Risks Associated with IFM's Business Operations

The real estate industry goes through cycles which are not necessarily in sync with the general economic trend. This makes it difficult to predict the course of these cycles. Potential risks arise from market fluctuations, which the Group works against with a great deal of regional expertise and in-depth due diligence. Group companies avoid purchasing large property portfolios, instead investing solely in individual properties.

The company's core business is still property purchase, redevelopment and restructuring, in addition to repositioning and marketing. The Group possesses many years of experience in these activities. This strategy has not been changed or adapted in the past, and there are no plans to do so in the future either.

The success of the business model was confirmed despite the economic conditions in the fiscal year 2010 remaining difficult, leading to a further slight recovery in leases in comparison to 2009. In particular for the properties Romeo & Julia, Maxxon and GutenbergPark, long-term leasing contracts were concluded with tenants with high credit ratings.

As reported, the market was under constant watch for possible exits. As part of this, three properties were sold in the fiscal year. As contractually agreed, the entitlements and obligations were transferred economically for the property Ulmenstrasse 22, Frankfurt, effective on February 1, 2010, for westendFirst, Frankfurt, effective on March 1, 2010 and for the property Feldbergstraße, Frankfurt, effective on December 8, 2010. In the scope of the sale of westendFirst, IFM Immobilien AG accepted a guarantee with a value of EUR 2,000 thousand to protect tenants' rights . The property Ulmenstrasse 22 was sold as part of a sale and lease back transaction.

In addition to the work on the property portfolio, the Group is constantly looking into potential new purchases in its established regions – the Rhine-Main and Rhine-Neckar areas and central Berlin – as well as in Cologne/Duesseldorf, Hamburg and Munich. The company aims to generate value appreciation in properties purchased for attractive selling prices, further strengthen established regions and continue to diversify the portfolio geographically in the mid-term.

The Group's business model is not geared towards presenting the Group as a buyer of large property portfolios. IFM Immobilien is much more selective; it makes purchases based on whether it sees an attractive risk/opportunity profile and a high potential for development and value appreciation in a property. IFM also looks for coveted locations that allow a property to be established as a premium landmark property. For this reason, IFM employs an in-depth due diligence process before purchasing a property. That entails thoroughly assessing the legal, geographic, structural engineering and economic condition of the property up for sale as well as its environment. IFM primarily purchases partially leased properties and vacant properties on the main condition that it expects to be able to create value in these properties. IFM aims for a total investment of between EUR 15,000 thousand and EUR 90,000 thousand per property.

General risks associated with development are minimized by the many years of expertise and knowledge of the Executive Board and of the members of second level management. IFM benefits from this in identifying suitable properties and assessing their potential for value appreciation in particular. Expertise in the regional sector is also a decisive factor in this process as it is a requirement of being able to properly assess the potential for value appreciation a property possesses.

From an early stage on, services that do not fall under IFM's core competences are outsourced to outside service providers. A team of experts is put together for each individual project. As a result, the company needs to rely on outside service providers who may not perform services to the company's satisfaction or who may fail to perform services in future projects, which would lead to losses and lessen IFM's ability to compete. At the same time, the Group believes that working with outside service providers minimizes risk as these specialists are able to assess the risks associated with a project more precisely. Internal structures remain lean and flexible as a result.

IFM has experienced strong growth over the past years and has made it a company aim to further this growth. In light of the changing economic and financial environment, constant growth in the areas of risk management, finances and controlling essential. Structured cost planning and professional project organization with appropriate reporting systems and higher-level project controlling make it possible to recognize and work against potential undesirable developments early on, such as construction delays or subsequent increases in construction costs. In the changing market environment, greater importance is attached to completing development projects on time and within budget. Only in this way can leasing goals and loan extensions be adhered to.

The company's typical investment in developed land and the protection that come with existing properties minimizes the risks associated with building permits and the building ground and foundation. The risk of legacy pollution such as building and groundwater contamination being discovered at a later time is minimized with prompt, regular communication with the responsible approval agencies and representatives of any other parties involved.

The company counteracts the risk of rental losses due to missed payments under existing lease agreements, for example, by carrying out credit assessments. In addition, IFM minimizes the risk of rental losses by avoiding cluster risk, for which reason it persistently pursues a multi-tenant strategy in each property.

Along with the changes in the economic environment, the danger has increased that repositioned properties will be more difficult to lease. IFM works against this risk with its expertise in creating unique leasing and marketing concepts. Furthermore, the Group believes that its marketing department is able to position existing spaces successfully in the market without the aid of outside real estate agents and service providers, which also minimizes the risk associated with leasing.

Despite all risk precautions, future market fluctuations and the negative effects associated with them cannot be entirely ruled out for the Group's business performance. These factors may lead to changes in demand and offers.

The Group is convinced that having a portfolio of premium-quality properties makes it possible – especially amid the current tense economic and financial market conditions – to smooth out sector-specific fluctuations and minimize potential risks in the mid-term. Developing and implementing creative marketing concepts and starting in early with project marketing activities in collaboration with professional consultants also reduces the risk associated with marketing and leasing.

IFM's success depends primarily on the company management and experienced staff in key positions. Should the company lose any of these members of staff, the result may be negative effects on IFM's ability to compete. For the further development of the portfolio, another constant challenge is to successfully recruit and keep qualified employees on Group staff in order to be able to prevent shortcomings when managing several projects at once, for example.

Since 2010, to minimize the risk of labor turnover and boost employee loyalty to the company in the long-term, employees are compensated with a share option program based on the staff members' length of service at the company, in addition to their fixed salary and a variable performance-based bonus.

Risks and risk management are also presented in the consolidated management report (Section D).

43 Information About Financial Instruments

Risk Management and Risks Associated with Financial Instruments

IFM is subject to risks associated with financial instruments, in particular liquidity and credit risks, as well as risks associated with interest rate changes. Details on the risk management system and business risks are given in the consolidated management report. As part of the IFRS 7, additional information on individual risks is given below.

Currency Risks

No currency risks exist within the Group because all Group companies are based in Germany and all goods purchased or sold and services performed are billed for in euros. Furthermore, no accounts receivable or payable exist in foreign currencies.

Liquidity and Credit Risks

Financial planning is undertaken for all Group companies spanning many planning periods, so that investments can be coordinated with credit flow. The Group controls liquidity risks by maintaining reasonable balances in its bank accounts and lines of credits at banks, and also through constant monitoring of the anticipated cash flows and coordinating the maturity profiles of financial assets and liabilities. We refer the reader to the following outline of anticipated interest and loan payments for the coming years for further details.

IFM has only entered loan agreements with banks based in Germany. With regard to guarantees offered by the state, the Group estimates the risk of cancellation to be limited, and thus its approved lines of credit should be safe.

However, loan extensions and new agreements signed are subject to the changing market conditions. While interest rates have generally declined significantly from their peak and interest expenses have dropped markedly as a result, higher bank margins have compensated for these effects to some extent.

In addition, the Group sees itself subject to the risk of banks demanding higher amounts of shareholder's equity for credit renewals due to a change in the classification of risk. In such events, margins might also be adjusted.

For this reason, the company attaches great importance to maintaining close communication with the banks that finance the company and having an excellent track record.

As of December 31, 2010, IFM had unexhausted credit approvals totaling some EUR 7,992 thousand (December 31, 2009: EUR 15,000 thousand). These credit approvals are valid for a term of up to 5 years. Use of the approved credit is granted depending on whether requirements such as the progress of construction work have been fulfilled and whether a certain occupancy rate has been reached.

The Executive and Supervisory Boards have been authorized by the shareholders' meeting to carry out various corporate actions. Please refer to Note 3020 for more details.

The carrying amounts of financial assets presented in the consolidated financial statements represent the maximum default risk for the Group.

The risk of rental losses is minimized by leasing properties to companies with high credit ratings and by ensuring an appropriate mix of tenants. Possible payment arrears among tenants and bad debt losses are constantly monitored.

Risks from Interest Rate Changes

The risk of interest rate changes, which are controlled using hedging transactions and risk distribution, are a particular market risk posed to IFM by financial instruments. A small part of the liabilities to banks are therefore charged at fixed interest rates as a result of this mix strategy. The loans are predominantly charged interest at a variable rate, for example based on the 3-month Euribor plus an agreed margin. In order to reduce the risk of interest rate changes, these loans are sometimes protected using interest rate hedging agreements with various effectivity, such as SWAPS and COLLAR constructions (CAPS and FLOORS). Complete interest hedges over many years, in accordance with the IFM business model, are not helpful in guaranteeing the flexibility to sell properties in the event of attractive market prices. More details on item can be found in the explanations on derivative financial instruments and hedge relationships.

If market interest rates had been 25 base points higher as of December 31, 2010, the consolidated profit (before tax) would have been EUR 240 thousand (previous year: EUR 384 thousand) above what it is. If market interest rates had been 25 base points lower, the consolidated profit would have been EUR 261 thousand below the actual amount (previous year: EUR 391 thousand). These hypothetical effects on profit were calculated based on the potential effects of interest derivatives and derivative financial debt charged at variable interest rates. If market interest rates had been 25 base points higher at December 31, 2010, equity would have been EUR 241 thousand higher (previous year: EUR 484 thousand), as a result of the change in reserves from cash flow hedges recognized as profit or loss. If market interest rates were 25 base points lower, the equity would have been reduced by EUR 246 thousand (previous year: EUR 489 thousand) (without taking taxes into account).

Other Information About Financial Instruments

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2010

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Calculated from trading price EUR 000
Trade accounts receivable	1,879	1,879	LAR	1,879	–
Derivatives not included in the scope of hedge accounting	2	2	HFT	2	–
Other non-current assets	7,889	6,575	LAR HFT	5,839 736	736
Other current assets	580	397	LAR	397	–
Securities	3,200	3,200	HFT	3,200	3,200
Cash and cash equivalents	11,316	11,316	LAR	11,316	–

Loans and receivables, abbreviated as **LAR**

Financial assets and liabilities held for trading, abbreviated as **HFT**

Other financial liabilities at amortized cost, abbreviated as **AMC**

Previous years are displayed in the following chart:

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2009

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Calculated from trading price EUR 000
Trade accounts receivable	1,733	1,733	LAR	1,733	–
Derivatives not included in the scope of hedge accounting	100	100	HFT	100	–
Other non-current assets	3,342	2,746	LAR	2,746	–
Other current assets	268	126	LAR	126	–
Securities	3,662	3,662	HFT	3,662	3,662
Cash and cash equivalents	5,043	5,043	LAR	5,043	–

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2010

Liabilities	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	203,475	203,475	AMC	204,403	–
Trade accounts payable	4,392	4,392	AMC	4,392	–
Other long-term liabilities	1,195	745	AMC	745	–
Derivatives not included in the scope of hedge accounting	3,892	3,892	HFT	3,892	–
Derivatives included in the scope of hedge accounting	2,819	2,819	–	2,819	–
Other current assets	2,077	647	AMC	647	–

The values for the previous year are as follows:

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2009

Liabilities	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	239,648	239,648	AMC	241,303	–
Trade accounts payable	4,863	4,863	AMC	4,863	–
Other long-term liabilities	1,232	870	AMC	870	–
Derivatives not included in the scope of hedge accounting	4,059	4,059	HFT	4,059	–
Derivatives included in the scope of hedge accounting	4,732	4,732	–	4,732	–
Other current assets	2,516	1,238	AMC	1,238	–

Cash and cash equivalents, trade accounts receivable and other assets are given at a realistic estimate of their fair value due to the short term remaining for the carrying amounts. If financial instruments are listed on an active market, their price listing in the applicable market is the fair value. This applies in particular to the securities recognized.

The fair value of liabilities to banks is calculated by discounting future cash flows based on current interest rates in the market. The fair value of trade accounts payable and other liabilities is given at their carrying value due to the usually short remaining terms.

Information on Measurement Hierarchies

Financial instruments calculated at their fair value can be broken down into the following measurement hierarchies:

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2010

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Measurement hierarchy
Derivatives not included in the scope of hedge accounting	2	2	HFT	2	2
Securities	3,200	3,200	HFT	3,200	1
Other Non-Current Assets	736	736	HFT	736	1
Liabilities					
Derivatives not included in the scope of hedge accounting	3,892	3,892	HFT	3,892	2
Derivatives included in the scope of hedge accounting	2,819	2,819	–	2,819	2

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2009

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39	Fair value EUR 000	Measurement hierarchy
Derivatives not included in the scope of hedge accounting	100	100	HFT	100	2
Securities	3,662	3,662	HFT	3,662	1
Liabilities					
Derivatives not included in the scope of hedge accounting	4,059	4,059	HFT	4,059	2
Derivatives included in the scope of hedge accounting	4,732	4,732	–	4,732	2

Securities quoted in active markets fall under level 1 of the measurement hierarchy. Level 2 of the measurement hierarchy applies to interest hedges (OTC derivatives) that are observable in the market, but for which the fair value cannot be directly observed in the market. There were no reclassifications since the previous year.

The carrying amount of financial assets intended as collateral for liabilities was about EUR 7.4 million as of December 31, 2010 (previous year: about EUR 5.0 million). Financial assets primarily include trade accounts receivable, term deposits, securities and derivatives provided as collateral for loan approvals by banks or under interest rate hedging agreements.

The net result for financial instruments can be broken down as follows into the measurement categories as per IAS 39:

	2010 EUR 000	2009 EUR 000
Financial instruments held for trading (HFT)	-3,051	-2,484
Loans and receivables (LAR)	-228	-377
Financial liabilities measured at amortized cost (AMC)	-4,768	-5,809
Total	**-8,047**	**-8,670**

The net amount for the category HFT includes both changes in fair value from derivative financial instruments and from securities and income or expenses from realization.

The net amount for the category LAR does not just include the interest expense, but also write-downs or impairment charges for receivables.

Interest expenses in particular are also included in the net amounts.

The total interest income from financial assets not measured at fair value with an effect on profit or loss was EUR 161 thousand in 2010 (previous year: EUR 98 thousand).

The total interest expenses from financial liabilities not measured at fair value with an effect on profit or loss was EUR 6,453 thousand in 2010 (previous year: EUR 8,296 thousand).

Derivative Financial Instruments and Hedging Relationships

The IFM Group uses 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 concluded for the properties by the applicable organizational unit. Hedge accounting is applied here if all requirements have been fulfilled.

Changes in the fair value of derivatives that do not meet the requirements of hedge accounting are reflected in profit or loss. The fair value of all derivatives (given) was EUR -6,710 thousand at the reporting date (previous year: EUR -8,691 thousand). In the consolidated financial statements, derivatives yielded an expense of EUR 69 thousand (previous year: EUR -19 thousand) for market assessment. Allowing for deferred taxes results in an increase in equity with no impact on profit or loss to the sum of EUR 1,660 thousand (previous year: EUR -958 thousand).

Reserves from cashflow hedging performed as follows:

	2010 EUR 000	2009 EUR 000
At the beginning of the year	**-3,638**	**-2,680**
Profit/Loss from Cash flow hedges		
Interest derivative (incl. reduction due to ineffectiveness)	-708	-3,661
Income an expenses recognized in total equity Income tax due	407	818
Transfer to statement of comprehensive income		
Interest derivative	2,519	2,279
Income an expenses recognized in total equity Income tax due	-558	-394
At the end of the year	**-1,978**	**-3,638**

The amounts transferred to the statement of comprehensive income were recorded in the finance expense and under deferred taxes.

The Group applies the hedge accounting principles of IAS 39 to cash flow hedges. Cash flow hedges provide protection against risks from variable interest flows. Interest rate swaps (payer swaps) and a collar, which is a combination of two options (cap and floor), are used to limit the risk of changes in interest rates. These instruments secure cash flows from long-term financial liabilities on which interest is charged by way of cash flow hedge accounting. As of December 31, 2010, existing hedging transactions were included under cash flow hedges with a term of up to 3 years.

Because of the discontinuation of an underlying transaction, the associated cashflow hedges became ineffective as of December 31, 2010. For this reason, the negative fair value of the cash flow hedges in question in the amount of EUR -1,955 thousand (before deferred taxes) was reclassified from other reserves and recognized in the income statement, in the result from the market assessment of derivatives. For the collar, only the intrinsic value of an option is designated to be a hedging instrument (not the fair value) due to the IASB restriction on the hypothetical derivative method. Correspondingly, the change in the fair value of the option was fully recognized in profit or loss at EUR 103 thousand (previous year: EUR 439 thousand).

The fair value of derivative financial instruments depends on the course of the underlying market factors. All fair values are calculated 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 value of derivative financial instruments is calculated using market-standard measurement methods (present value method for swaps and modified Black-Scholes for caps/floors) under consideration of market data available as of the reporting date.

The contractually agreed (undiscounted) interest and principal payments for the underlying financial liabilities and derivative financial instruments [cash outflows()] are given in EUR 000 in the following tables.

	Carrying amount Dec 31, 2010	Cash flows 2011 Interest	Cash flows 2011 Principal	Cash flows 2012 Interest	Cash flows 2012 Principal	Cash flows 2013 – 2015 Interest	Cash flows 2013 – 2015 Principal	Cash flows 2016 Interest	Cash flows 2016 Principal
Underlying financial liabilities									
Liabilities to banks	(203.475)	(4.633)	(105.483)	(2.709)	(57.453)	(617)	(40.539)	–	–
Other financial liabilities	(5.791)	–	(5.039)	–	(752)	–	–	–	–
Derivative financial liabilities									
Interest rate derivatives without hedge relationships	(3.892)	(3.439)	–	(537)	–	(55)	–	–	–
Interest rate derivatives as cash flow hedges	(2.819)	(1.271)	–	(1.065)	–	(780)	–	–	–
Derivative financial assets									
Interest rate derivatives without hedge relationships	2								

The variable interest payments were identified on the basis of the yield curves valid as of December 31, 2010.

The previous year's figures were as follows:

	Carrying amount Dec 31, 2009	Cash flows 2010 Interest	Cash flows 2010 Principal	Cash flows 2011 Interest	Cash flows 2011 Principal	Cash flows 2012 – 2014 Interest	Cash flows 2012 – 2014 Principal	Cash flows 2015 Interest	Cash flows 2015 Principal
Underlying financial liabilities									
Liabilities to banks	(239.648)	(5.625)	(23.736)	(7.256)	(93.893)	(3,952)	(122.019)	0	0
Other financial liabilities	(6.971)		(6.117)				(854)	0	0
Derivative financial liabilities									
Interest rate derivatives without hedge relationships	(4.059)	(2.396)		(1,665)		(258)		0	0
Interest rate derivatives as cash flow hedges	(4.732)	(2.287)		(1.616)		(787)		0	0
Derivative financial assets									
Interest rate derivatives without hedge relationships	100								

The variable interest payments were identified on the basis of the yield curves valid as of December 31, 2009.

44 Capital Management

IFM manages its capital with the aim of maximizing income for its investors by optimizing the ratio of equity to borrowed funds. In doing so, it ensures that all Group companies can operate under conditions that permit them to continue to exist and that adequate financial resources are available for the Group and its individual project companies.

The Group's capital structure comprises debts which are primarily liabilities to banks, cash and cash equivalents, and equity attributable to holders of equity in the parent company. Calculated on this basis, the net gearing ratio (net debt to equity) was about 176 % as of December 31, 2010 (previous year: 230 %).

45 Description of Business Combinations

Acquisitions in the fiscal year 2010

There were no business combinations in the current fiscal year nor in the previous year.

46 Additional Information Pursuant to § 315a Para. 1 of the German Commercial Code

A list of shareholdings has been included in Appendix 2 to these notes.

On average, 48 members of staff were employed at Group companies throughout the year (excluding Executive Board) (previous year: 42).

Information on the members of the Executive and Supervisory Boards is provided in Note 47.

The declaration of conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act was issued by the Executive and Supervisory Boards of IFM Immobilien AG. This declaration of conformity has been made accessible to shareholders permanently on the company website (www.ifm.ag).

All fully consolidated Group companies have expensed the following fees, which FALK GmbH & Co KG, Heidelberg, the independent auditor of the consolidated financial statements, has agreed to:

	2010 EUR 000	2009 EUR 000
Fee for audit of the financial statements	134	100
Other verification or appraisal services	0	63
Tax consulting services	6	0
Other services	76	15
Total	**216**	**178**

47 Supervisory Board and Executive Board

470 Supervisory Board

The Supervisory Board of IFM AG comprised the following members in 2010 and 2009:

Mr. Luca Pesarini (Chair), graduate in business administration (Diplom-Kaufmann)
Mr. Gordon Rapp (Vice Chair), Attorney-at-Law
Mr. Eberhard Hascher, Tax Consultant
Mr. Martin Lechner, graduate in business administration (Diplom-Kaufmann) (until July 8, 2009)
Mr. Morten Bergesen, Chief Executive Officer (from June 22 2010)
Mr. Pål Berg, Investment Officer (January 14, 2009 until June 22, 2010)
Mr. Philipp Vogel, Entrepreneur
Mr. John Skogen, Chief Executive Officer (from October 28, 2009)

Mannheim Local Court officially named Mr. John Skogen a member of the Supervisory Board of IFM Immobilien AG on October 28, 2009. Mr. John Skogen is the Chief Executive Officer of Furuholmen Eiendom AS, Norway, which is part of an investor group that holds a significant share in IFM Immobilien AG. On June 22, 2010, this election was confirmed at IFM AG's annual shareholder meeting.

Mr. Pål Berg resigned from his position on the Supervisory Board at the end of the 2010 annual shareholders' meeting. Mr. Morten Bergesen, Chief Executive Officer of Havfonn SA, Norway, was elected as his successor by a decision of the shareholders' meeting of June 22, 2010.

The total amount for fixed and variable compensation for members of the Supervisory Board was EUR 368 thousand (previous year: EUR 401 thousand).

In accordance with the recommendations of the German Corporate Governance Code, a variable system of compensation was devised for the members of the Supervisory Board. In addition to a fixed salary, each member of the Supervisory Board is compensated with a variable performance-based amount. This performance-based system of compensation is calculated for each member of the Supervisory Board as follows:

a) 1 % of the change on the previous year in operating profit (pre-tax profit) recognized in the consolidated financial statements prepared in accordance with IFRS for the fiscal year for which performance is being compensated and prior to the effects of the properties owned by IFM AG, plus
b) 0.05 % of the effects from properties recognized in the consolidated financial statements prepared in accordance with IFRS for the fiscal year for which performance is being compensated.
c) Should either one or both of components (a) and (b) of variable compensation be a negative amount, these components of variable compensation shall have a balance of EUR 0.

The Chair of the Supervisory Board receives twice this amount; the Vice Chair receives one-and-a-half times this amount.

Performance-based compensation amounted to EUR 228 thousand in 2010 (previous year: EUR 209 thousand).

The following members of the Supervisory Board are also members of other advisory bodies:
Mr. Luca Pesarini is the Chair of the Administrative Board of the Swiss companies Ethna Capital AG, Ethna Capital Management AG, Haron Holding AG and Mellinckrodt & Cie. Holding AG, and holds the same position at the Luxembourgish company ETHENEA Independent Investors S.A. In addition, Mr. Pesarini is a member of the Administrative Board of the Swiss company Colin & Cie. AG. In German companies, he serves as the Chair of the Supervisory Board at Corix Capital AG and as a member of the Supervisory Board at DFV Deutsche Familienversicherung AG.

Mr. Eberhard Hascher is a member of the Supervisory Board of the company Corix AG.

Mr. Philipp Vogel is a member of the Advisory Board at Combitel GmbH.

Mr. John Skogen is the Chair of the Board of the Norwegian companies Furuholmen Eiendomsdrift AS, Holmaveien 20 II AS, Midtveien 5 AS, Skiveien 200 AS and Djupbekk AS. He is also a board member of the Norwegian companies Furuholmen Eiendomspartner AS, Gamle Lommedalsvei 20 ANS and Selmer Eiendom AS.

Mr. Morten Bergesen is Chair of the Board of the Norwegian company Bergehus Holding AS, Norway, and a member of the Board of the Norwegian companies Arendals Fossekompani ASA, Cogen AS, Agrinos AS, Selvaag Pluss KS, Løren AS/KS, Havfonn AS, Snefonn AS, Solfonn AS, and Langfonn AS Breifonn AS, as well as the Danish companies Hafonn AS and HM2 AS.

471 Executive Board

The Executive Board of IFM AG comprised the following members in 2010 and 2009:

Georg Glatzel (CEO), graduate economist (Diplom-Volkswirt) and real estate economist (EBS), Heidelberg
Mr. Marcus Schmitz (CFO), graduate in business administration (Diplom Betriebswirt FH), Frankfurt

The compensation expensed for members of the Executive Board was as follows:

	2010 EUR 000	2009 EUR 000
Executive Board salaries	566	566
Other compensation and salaries	793	0
Stock option plans	216	731
	1,575	**1,297**

Based on a decision of the annual shareholders' meeting of June 22, 2010, the company makes use of the exemption provided under § 286 Para. 5 of the German Commercial Code and does not disclose the compensation of the individual members of the Executive Board.

In accordance with a decision of the Supervisory Board, the members of the Executive Board receive performance-based compensation. This system of compensation is based on the gains on disposal from the company's real estate projects. The compensation to be paid out to the Executive Board should total 10 % to 11.5 % of the gains on disposal.

Furthermore, the Executive Board has been authorized to pay similar compensation to the members of second and third level management.

The compensation paid to the Executive Board and members of management should not exceed 15 % of the gains on disposal from the companies real estate projects.

No compensation of this kind was paid in 2009. Based on this decision, the two members of the Executive Board were paid variable compensation amounting to EUR 793 thousand resulting from the sale of the properties westendFirst and Ulmenstrasse 22 in the fiscal year 2010.

No share options (previous year: 146,000) were granted to the members of the Executive Board in the current fiscal year. The fair value of the stock options granted in 2009 was EUR 326 thousand as of the grant date.

No member of the Executive Board is a member of any other advisory body.

48 Related Party Transactions

In accordance with IAS 24, individuals or entities that control or are controlled by IFM AG must be disclosed unless they are recognized as consolidated entities in the consolidated financial statements of IFM AG. A controlling relationship exists if a shareholder holds at least half of voting rights in IFM AG, or if they have the ability to control the financial and business policies of the management of IFM AG under a contractual arrangement.

Furthermore, IAS 24 requires that transactions with associated companies and transactions with individuals who exercise a significant influence over the financial and business policies of IFM AG be disclosed, which includes close family members or intermediary entities. A significant influence on the financial and business policies of IFM AG may exist if a person holds an interest of at least 20 % in IFM AG, is a member of the Executive or Supervisory Board, or holds a similar key position in management.

The following disclosures are required of IFM AG:

According to the information available to the company, a Norwegian group of investors consisting of Havfonn AS, Furuholmen Eiendom AS, and Skips AS Tudor holds a share of over 30 % of IFM Immobilien AG. In 2008, these investors concluded an agreement on the coordination of actions in regard to IFM Immobilien AG (acting in concert). The Norwegian investor group has a control relationship to IFM as defined by the German Stock Corporate Act.

Related parties to be considered in connection with the IFM AG Group are primarily the members of the Executive and Supervisory Boards, their immediate families, and entities they control. This includes IFM Immobilien-Finanz-Management GmbH, in which a member of the Executive Board (Georg Glatzel) holds shares.

During the fiscal year 2010, transactions totaling EUR 813 thousand (previous year: EUR 114 thousand) were completed by IFM AG and its subsidiaries together with IFM Immobilien-Finanz-Management GmbH in the course of normal business activities. These activities mainly pertained to profit shares paid to IFM Immobilien-Finanz-Management GmbH.

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

As of December 31, 2010, the Group had receivables of EUR 267 thousand from IFM Immobilien-Finanz-Management GmbH (previous year: EUR 51 thousand), incl. the residual claim from the profit shares paid.

A member of the Supervisory Board (Mr. Eberhard Hascher) performed consulting services for IFM AG and its subsidiaries for a total amount of EUR 15 thousand in 2010 (previous year: EUR 13 thousand).

IFM AG invests uncommeded portions of its liquid funds in ETHNA Global Defensive FCB (formerly ETHNA Bond Premium). The company that administers the ETHNA Bond Premium is LRI Invest S.A., of Munsbach, Luxembourg. It has appointed ETHNA Capital Partners S.A., of Wollerau, Switzerland, as an investment counselor, of which Luca Pesarini, the Chair of the Supervisory Board of IFM AG, is the managing partner. As of December 31, 2010, IFM AG had invested EUR 3,936 thousand in investment funds (previous year: EUR 3,662 thousand). No shares in the funds were sold in 2010.

A lot purchase agreement was concluded in 2010 for the property Feldbergstraße with a company at which the Chair of the Supervisory Board (Luca Pesarini) holds a management position. The sale price for the property was EUR 2,875 thousand.

49 Other Financial Liabilities

Other financial liabilities from rental, leasing, maintenance, and repair contracts amounted to a total of EUR 4,510 thousand as of December 31, 2010 (previous year: EUR 642 thousand). This figure includes obligations that are part of the operating lease contract terms less the contractually agreed rental income.

Commitments under current investment and ordering obligations amounted to EUR 1,108 thousand as of December 31, 2010 (previous year: EUR 7,401 thousand).

50 Notifications Pursuant to § 160 Para. 1 No. 8 of the German Stock Corporation Act

The Executive and Supervisory Boards of IFM AG issued notifications in accordance with § 21 Para. 1a German securities trading act:

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Haron Holding AG, Zug, Switzerland informed IFM Immobilien AG that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the 3 % threshold as of November 30, 2010. On the day of this notification, they held 3.21 % of the voting rights (300,000 shares).

Mr. Luca Pesarini of Switzerland issued the following statement to IFM Immobilien AG on December 7, 2010:

Pursuant to § 21 Para, 1a of the German Securities Trading Act, I hereby declare that I held 7.92 % of the voting rights (740,092 shares) in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) on December 3rd, 2010, thus falling below the threshold of 10 %. Of this holding, 3.21% (300,000 shares) of voting rights are assigned to me according to § 22 Para. 1 No. 2 of the German Securities Trading Act.

The shares assigned to me were held by the following company which I manage and which holds at least 3 % of voting rights in IFM Immobilien AG:

- Haron Holding AG, Zug, Switzerland

Heidelberg, March 15, 2011

The Executive Board

Georg Glatzel Marcus Schmitz

Appendix to the Notes of the Consolidated Financial Statements

Appendix 1

Changes in Consolidated Non Current Assets as of December 31, 2010

	Cost of acquisition or creation					Depreciation and amortization	
	Jan 1, 2010 EUR 000	Additions EUR 000	Losses EUR 000	Reclassification EUR 000	Dec 31, 2010 EUR 000	Jan 1, 2010 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	259,576	15,302	0	0	274,878	604	0
II. Office and other equipment	996	326	88	0	1,234	385	229
III. Goodwill	389	0	0	0	389	0	0
IV. Other intangible assets	350	24	24	0	350	145	62
V. Advance payments made	0	128	0	0	128	0	0
	261,311	**15,780**	**112**	**0**	**276,979**	**1,134**	**291**

Changes in Consolidated Non Current Assets as of December 31, 2009

	Cost of acquisition or creation					Depreciation and amortization	
	Jan 1, 2009 EUR 000	Additions EUR 000	Losses EUR 000	Reclassification/ Reorganization IFRS 5 EUR 000	Dec 31, 2009 EUR 000	Jan 1, 2009 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	253,760	15,245	6	-9,423	259,576	0	0
II. Properties under development	45,784	0	0	-45,784	0	604	0
III. Land and buildings	9,039	29	0	-9,068	0	219	220
IV. Office and other equipment	827	342	137	-36	996	322	175
V. Goodwill	389	0	0	0	389	0	0
VI. Other intangible assets	265	85	0	0	350	81	64
	310,064	**15,701**	**143**	**-64,311**	**261,311**	**1,226**	**459**

Changes in Consolidated Non Current Assets as of December 31, 2010

Depreciation and amortization			Changes in fair value per IAS 40			Carrying amount	
Losses EUR 000	Reclassification EUR 000	Dec 31, 2010 EUR 000	Jan 1, 2010 EUR 000	Additions EUR 000v	Dec 31, 2009 EUR 000	Dec 31, 2009 EUR 000	Dec 31,2008 EUR 000
0	0	604	28,062	12,564	40,626	314,900	287,034
73	0	541	0	0	0	693	611
0	0	0	0	0	0	389	389
16	0	191	0	0	0	159	205
0	0	0	0	0	0	128	0
89	**0**	**1,336**	**28,062**	**12,564**	**40,626**	**316,269**	**288,239**

Changes in Consolidated Non Current Assets as of December 31, 2009

Depreciation and amortization			Changes in fair value per IAS 40					Carrying amount	
Losses EUR 000	Reclassification/ reorganisation IFRS 5 EUR 000	Dec 31, 2009 EUR 000	Jan 1, 2009 EUR 000	Ad- ditions EUR 000	Depre- ciation EUR 000	Re- organization IFRS 5 EUR 000	Dec 31, 2009 EUR 000	Dec 31, 2009 EUR 000	Dec 31,2008 EUR 000
0	604	604	20,549	11,045	875	-2,657	28,062	287,034	274,309
0	-604	0	0	0	0	0	0	0	45,180
0	-439	0	0	0	0	0	0	0	8,820
106	-6	385	0	0	0	0	0	611	505
0		0		0	0	0	0	389	389
0		145	0	0	0	0	0	205	184
106	**-445**	**1,134**	**20,549**	**11,045**	**875**	**-2,657**	**28,062**	**288,239**	**329,387**

Appendix 2

List of interests held as of December 31, 2010

1) Direct equity interests:

Company	Interest held in %
IFM Asset Management GmbH, Heidelberg	100 %
IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg	94,8 %
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	100 %
IFM Property Project Ulmenstraße GmbH, Heidelberg	100 %
GP Properties GmbH, Heidelberg	94,8 %
IFM Property Project Zimmerstraße GmbH, Heidelberg	100 %
IFM Property Project Mainz GmbH, Heidelberg	100 %
IFM Property Project Eschborn GmbH, Heidelberg	100 %
IFM Property Project Feldbergstraße GmbH, Heidelberg	100 %
IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg	100 %
IFM Property Project VIII GmbH, Heidelberg	100 %
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	90 %
NEWCOM Property Verwaltungs GmbH, Heidelberg	90 %
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	100 %
IFM Property Project IX GmbH, Heidelberg	100 %

2) Indirect equity interests:

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

Company	Interest held in %
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	100%
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	100%
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	100%
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	100%

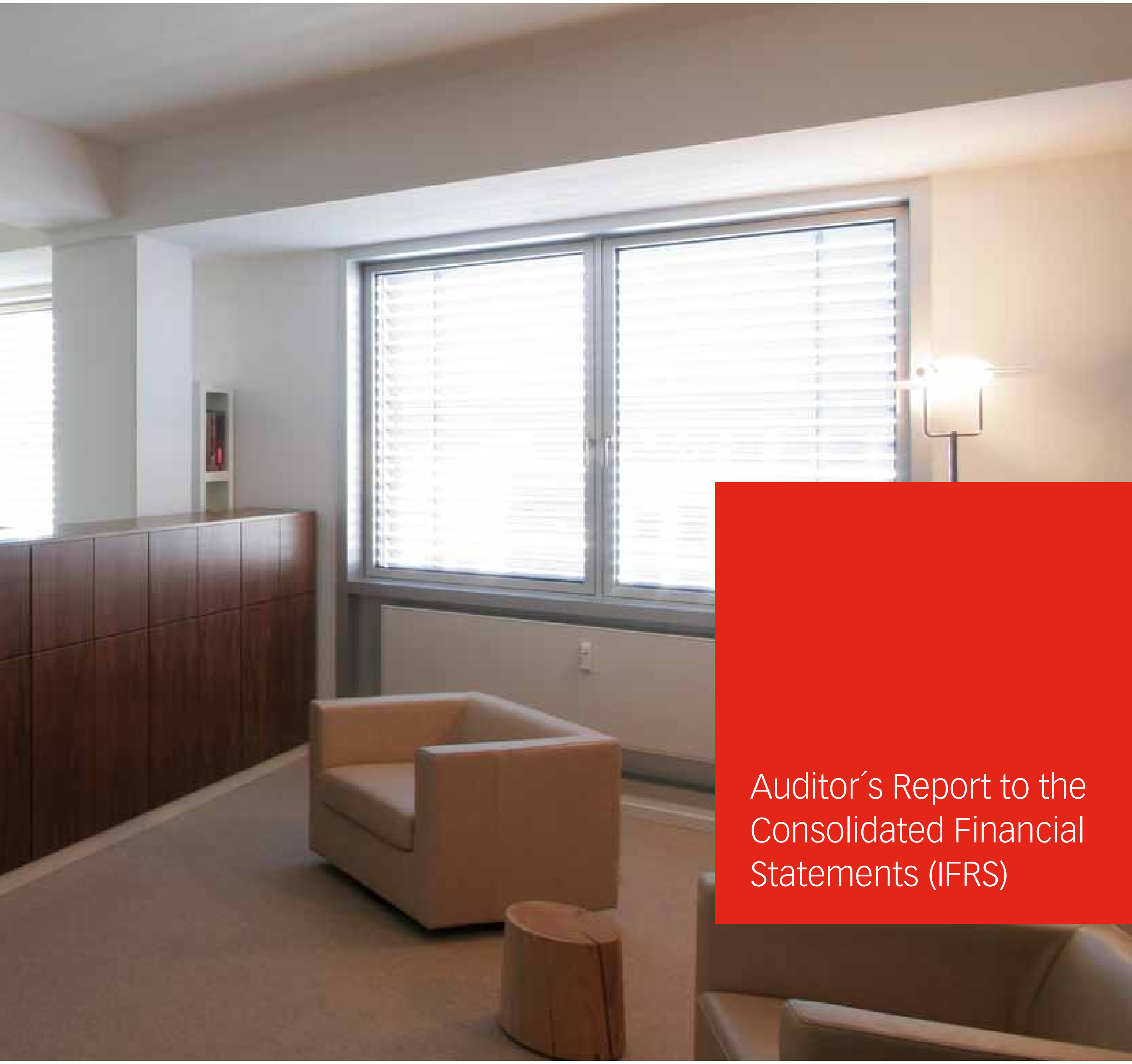
IFM Immobilien AG indirectly holds interests in the following companies through INEWCOM Property GmbH & Co. Joint Venture KG:

Company	Interest held in %
IFM Property Project Darmstadt GmbH, Heidelberg	90%

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

Company	Interest held in %
IFM Property Project Frankfurt- Zeil GmbH, Heidelberg	94,8%

Office Tower, Darmstadt



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

Audit Opinion

Auditer´s Report to the Consolidated Financial Statements (IFRS)

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 report on the position of the Company and the Group for the business year from January 1 to December 31, 2010. 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 paragraph 1 Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management.

Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 Handelsgesetzbuch (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

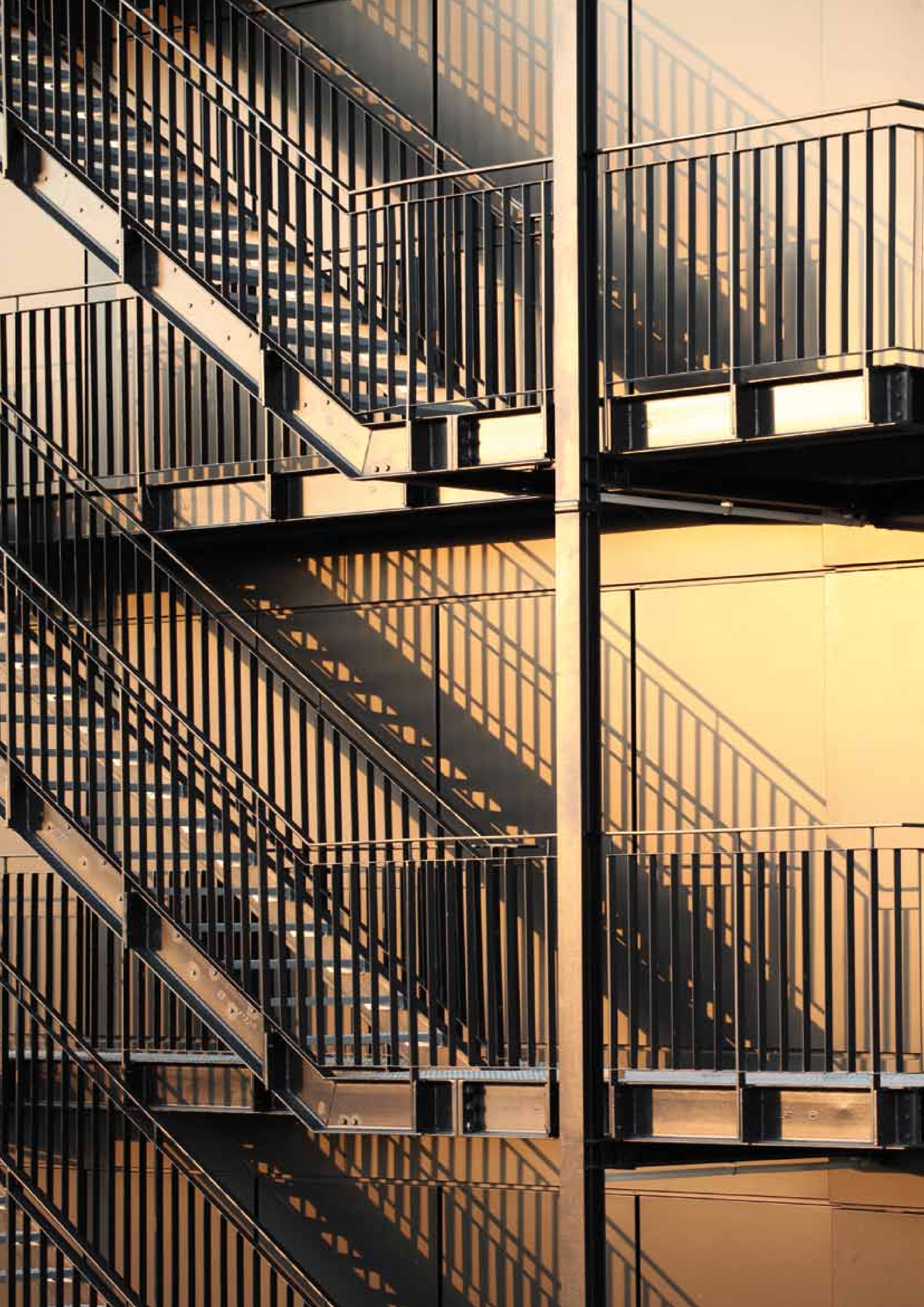
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial Statements of IFM Immobilien AG, Heidelberg as of December 31, 2010 comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a Paragraph 1 Handelsgesetzbuch (German Commecial Code) and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Heidelberg, March 15, 2011

FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Bischoff)
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.

Maxxon, Eschborn

Imprint

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Financial calendar 2011	
Release Q1 Report	May 2011
Metzler Immobilientag, Frankfurt am Main	May 2011
Annual Stockholders Meeting, Deutsche Nationalbibliothek Frankfurt am Main	May 2011
Release Q2 Report	August 2011
SRC Forum Financial Services, Hilton Frankfurt am Main	September 2011
EXPO Real, Munich	October 2011
Release Q3 Report	November 2011
Deutsches Eigenkapitalforum, Frankfurt am Main	November 2011

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