IFM IMMOBILIEN AG

Transforming properties
into vital brands

2011
Annual Report

IFM Immobilien AG at a Glance

- IFM acts as an investor and project developer focusing on office and downtown retail properties.
- The company invests solely in properties in prime locations in German regions with high growth rates.
- The key competence is the revitalization of existing properties. In this way, potential for development is being increased and value appreciation is being generated.
- IFM creates properties of the same quality as a new developments and thus sustainable property values.
- All properties of IFM are premium products in their respective segment, with high demands on the architecture as well as on design, sustainability and technical facilities.
- All key competences are reflected in IFM's own operative platform.

Revitalization of existing properties – the key competence of IFM

1.Redevelopement

Structural alterations on buildings all the way to complete structural restoration

2. Restrukturierung

Establishment of new concepts for use, improvement of tenant structure and reduction of vacancy rates

3.Repositionierung

Positioning and establishment as a premium brand

TRANSFORMING PROPERTIES INTO VITAL BRANDS
VALUE CREATION AND VALUE APPRECIATION

Locations invested in	6
Total space in portfolio	153,186 sqm
Assets	98,359 sqm
Project Developement	54,827 sqm
Annual net rent in EUR million (at Dezember 2011)	16.0
Value as per IFRS (EUR million)	338,8

IFM Locations

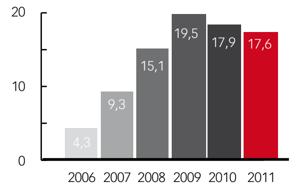
2011 in Numbers

Key perfomance (EUR million)	2011	2010	Change in %
Rental income and revenues due to change of incidental expenses	17.6	17.9	-1.7 %
Gain or loss on fair valuation of investment properties	11.1	12.6	-11.9 %
Operating profit	9.0	8.9	1.1 %
Profit after taxes and minority interests	5.7	5.3	7.6 %
Earnings per share (undiluted in EUR)	0.6	0.6	0 %

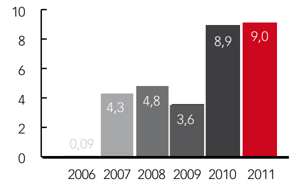
Balance sheet key figures (EUR million)	Dec 31, 2011	Dec 31, 2010	Change in %
Total assets	356.6	344.4	3.5 %
Non-current assets	348.1	326.2	6.7 %
including investment properties	338.8	314.9	7.6 %
Equity	115.9	109.4	5.9 %
including issued capital	9.4	9.4	0 %
Equity ratio (in %)	32.5	31.8	2.2 %
Liabilities	240.8	235.0	2.5 %
including liabilities to banks	207.9	203.5	2.2 %

Other key figures	2011	2010	Change in %
Cash Flow from operating activities (EUR million)	-2.7	-8.4	67.9 %
NAV	13.98	13.37	4.6 %

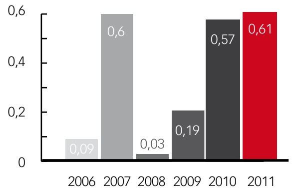
Performance 2006 (IPO) – 2011



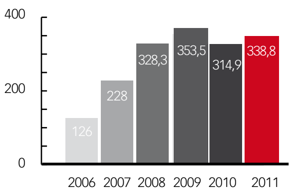
Rental income and change of incidental expenses
in EUR million



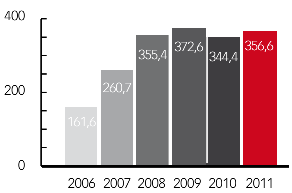
Operating profit
in EUR million



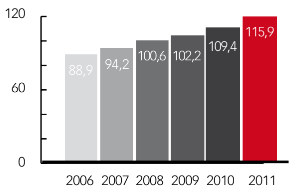
Earnings per share
in EUR



Property portfolio
in EUR million



Total assets
in EUR million



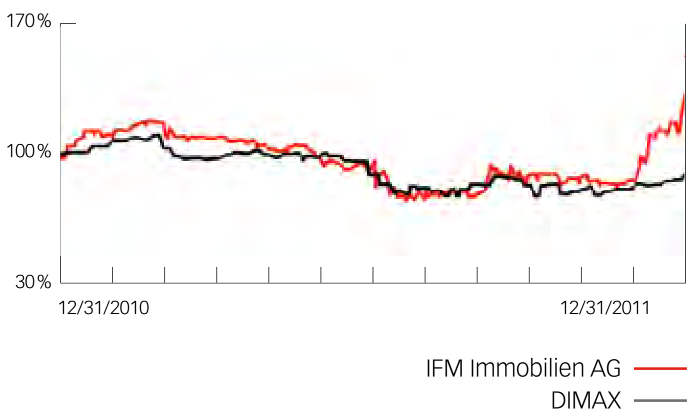
Equity
in EUR million

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, Düsseldorf, Berlin/Bremen, Xetra
Initial public offering	May 19, 2006
Number of share granted	9,364.599
Share price at December 31, 2011	8.6
Market capitalization at December 31, 2011	80.54
Annual high	10.57
Annual low	7.80
Shareholder structure	32,5 % in free float 49,6 % held by Norwegian consortium of shareholders 17,9 % held by Executive and Supervisory Board

Stock Performance 2011

IFM Immobilien AG vs. DIMAX



IFM IMMOBILIEN AG
Annual Report 2011

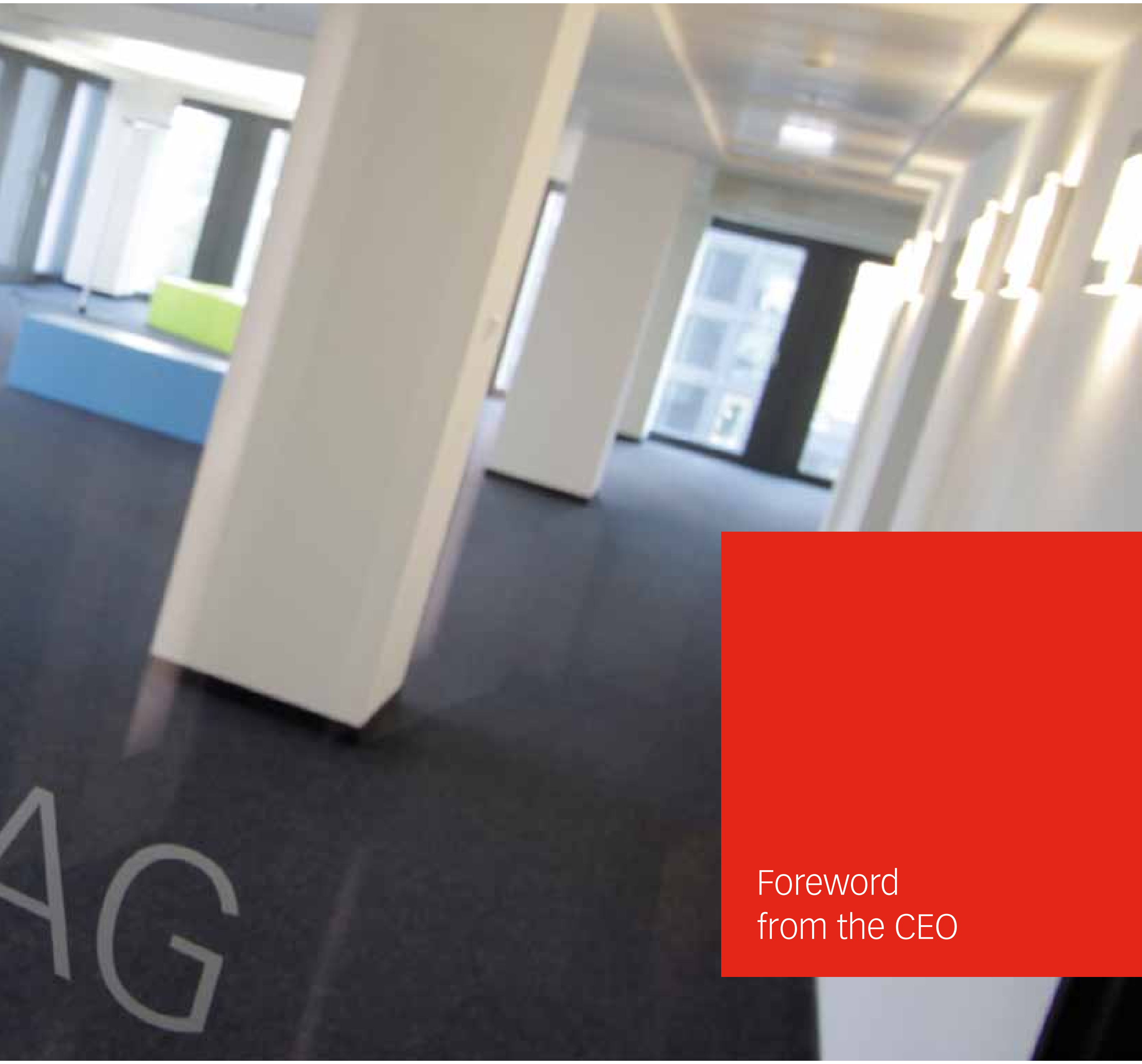
The English version of the annual report 2011 is a one-to-one translation of the audited German annual report and the individual financial statements of the IFM Immobilien AG. The English version is not audited.

Index

Foreword from the CEO	1
A dialog with the management	5
Report of the Supervisory Board	9
Business Model	16
Zeilgalerie - a new Highlight for Frankfurts City Center	21
Portfolio	25
Investor Relations	45
Corporate Governance	51
Report on the position of the company and the group	61
Consolidated Financial Statements (IFRS)	89
Group Balance Sheet	91
Group Cash Flow Statement	93
Group Income Statement	95
Group Changes in Equity	97
Notes to the Consolidated Financial Statements	99
Appendix to Notes to the Consolidated Financial Statements	165
Auditor´s Report to the Consolidated Financial Statements	169
Disclaimer	173
Imprint	175

„Since its foundation, IFM has been pursuing a clearly defined investment strategy. This consequent focus is one of our strengths."

Georg Glatzel, CEO



Foreword from the CEO

Foreword from the CEO

Dear Shareholders,

When we look back on the events in year 2011, we can say that results are quite contradictory. Taking a look at Germany we see that we experienced a year with an overall ongoing remarkable economic growth even though the momentum has deceased to the end of the year. The labor market has not been in such a good state for a very long time and the Germans are not only saving money, but they are also consuming again.

However, if we take a look at the global economic development, Germany appears to be quite an exception, since the USA as the world's leading economy has, despite all signs of recovery, not yet regained its old strength. And Europe continues to seriously struggle with some euro countries' high national debt. Problems in Greece and also in Italy, Portugal and Spain have caused uncertainty on the international financial and capital markets. It is obvious that the enormous rescue packages which have been put together by the governments in order to solve the debt crisis cannot be paid for by any country – not even by very robust, high-growth economies – without any consequences.

It is not surprising then that the economic outlook has been viewed ever more critical since mid-2011. Some leading economic researchers even did not exclude the possibility of a recession. We now already look further into the future and provided that the debt crisis does not get dramatically worse, what we are dealing with could indeed only be a slump in growth which we will overcome in the course of the year ahead. In any case, the business climate is encouragingly positive. However, should the crisis get worse, we have to expect much stronger impacts than before – even in Germany.

So what does this mean for a company like IFM? To begin with, we can report that the Group has successfully completed this year and that we were able to maintain our result at the level of the previous year. Our ongoing projects showed a positive development both with regard to our construction and revitalization measures as well as in terms of leasing. This is also reflected in corresponding value appreciations of our properties which – as is common with IFM – result from the measures we have undertaken and from the value potentials which were developed by this and not from the market environment's positive development alone.

In 2011, the development on the real estate markets of interest to us was in fact virtually unaffected by the global and European crisis scenarios. German office markets benefited from a surge in demand for space and the positive development in employment, income and consumption also had a positive effect on the retail market. Therefore, we faced a quite friendly market environment. In addition, Germany has become more attractive from the point of view of international investors who significantly intensified their activities on the investment market compared to the previous year. In terms of international competition, economic and political stability today represent a more important locational advantage than ever before and in this regard, Germany currently offers a much better investment environment than other eurozone countries.

Of course we know that certain changes in the economic trends impact the real estate markets with a noticeable delay. Therefore, we have to expect the development in 2012 to possibly be less dynamic than in 2011. Nonetheless, we might as well assume that Germany will continue to prove its relative strength in an international comparison and that this will also be reflected on the real estate markets. Thus we are confident that we can also expect a solid market environment in terms of leasing and investment in 2012. However, we do not ignore the fact that a further worsening of the crisis and a renewed drying up of the credit markets would have clearly noticeable effects especially on the real estate industry.

For IFM this means that we will continue to focus on projects in top locations in which we generate significant value appreciation and where we can expect a sustainable interest of investors and tenants. The last few years have shown that difficult market periods have had a below-average effect on these locations. At the same time, these locations have benefited disproportionately from rent and price increases during positive market cycles. We are convinced that we will continue IFM's successful development in 2012, provided we continue to let our investments be guided by this knowledge and if we do not succumb to the temptation of turning to other locations and segments, even if they seem to be more friendly now than two or three years ago. IFM's success is based on the consistent, continuous implementation of the business strategy which was already defined when the company was founded. We are also aware that, besides the great dedication of our staff, it is in particular our shareholders' trust in what we do that is a key factor in the company's long-term success.

Therefore I would like to sincerely thank you all for your loyalty to our company. I am looking forward to another year together!

Heidelberg, March 2012

Georg Glatzel
Executive Board

„Revitalization – understood as a holistic approach to property and not just as a simple renovation – is the core IFM competence.“

Tobias Sauerbier, General Manager and Head of Project Development

A dialog with the management

Tobias Sauerbier, General Manager and Head of Project Development

Georg Glatzel, CEO

How would you summarize IFM's development in 2011?

Glatzel: In 2011, our activities were mainly focused on our ongoing project developments Kureck in Wiesbaden, which we will continue to intensively focus on in 2012, as well as the completion of the construction work on the Zeilgalerie in Frankfurt am Main. Furthermore, we made good progress on all our properties through further leasing success. As far as the company's balance sheet is concerned, we can be pleased. We have worked on our profitability. Although our revenues were slightly lower due to the properties sold in the previous year, we were able to maintain our result at the level of the previous year.

Against the backdrop of the debt crisis, a possible deterioration of the financing conditions on the credit markets is also a topic of discussion. In this respect, is there any impact on IFM's business operations?

Glatzel: In general, no company can evade the effects of the international financial market. However, we were able to solve current refinancing issues in our company. The fact that IFM has earned the reputation as a successful company and a reliable business partner over the past years plays a key role here. In the meantime, we have also proved that we are in fact able to generate value appreciation, which we plan to achieve though our work on the properties, and realize it on the market.

You deliberately speak of revitalization, not just renovation, when you invest in existing properties in order to make them "fit for the market" again. Where do you see the difference?

Sauerbier: Renovation is necessary when the building structure is not in the required state. However, this alone is not sufficient. If we want to return a property back into a state where it can be used properly in an economic sense, and approach potential tenants with a market-oriented offer, a number of combined measures is necessary.

What does this mean in individual cases and how do you go about it?

Sauerbier: It depends on what we come upon. We need to take a different approach for each property and develop an individual concept. As a rule, we start with a complete core refurbishment of the building structure. In doing this, our goal is always to lastly obtain a building on par with any new development. This is followed by the restructuring and repositioning of the properties. In this way, we can optimize, for example, occupancy and tenancy structures, improve leasing flexibility and reorganize the technical and commercial property management.

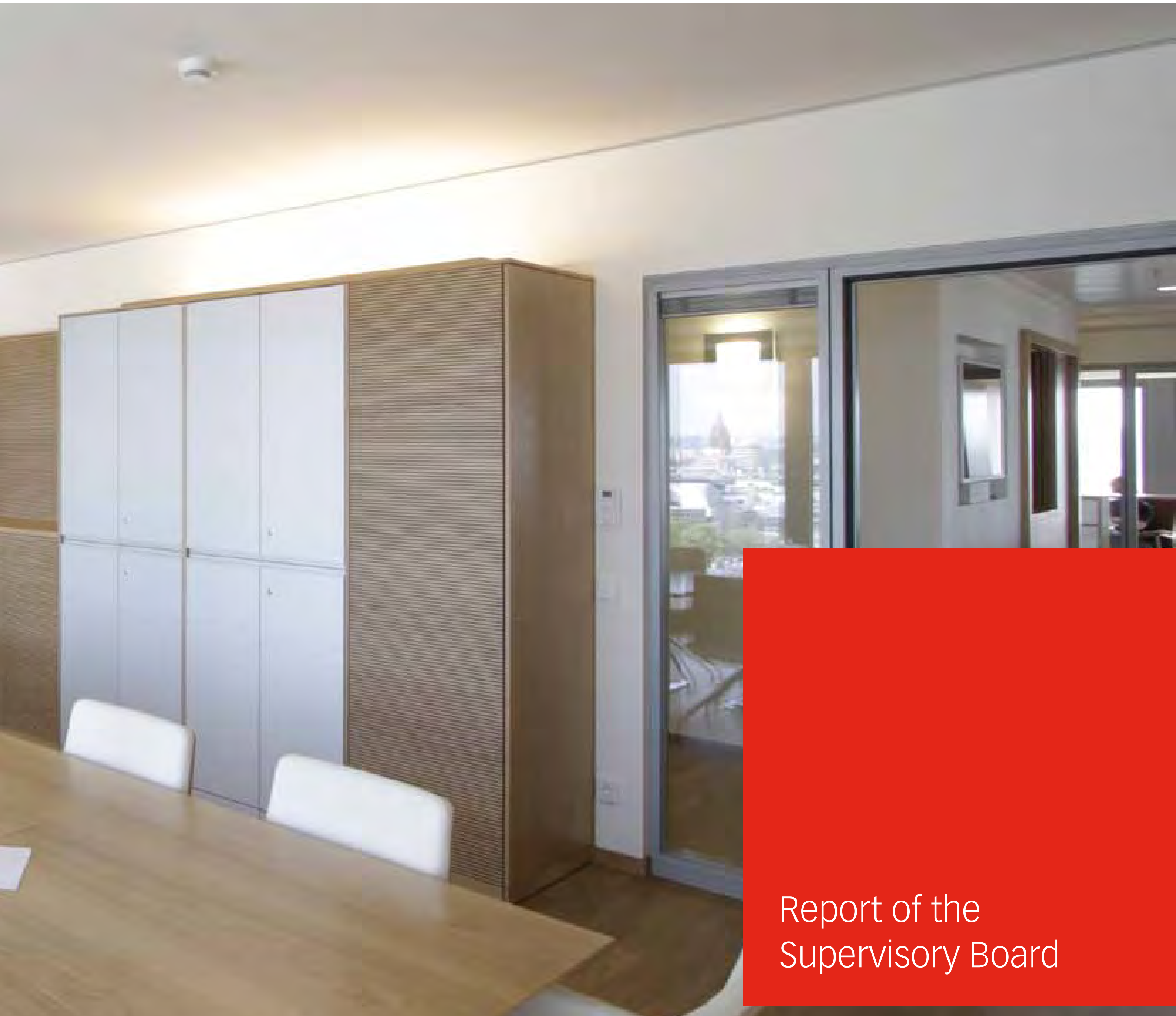
Doesn't this go far beyond what is understood as a revitalization of a building?

Glatzel: Not at all. On the contrary, making structural improvements on a building without repositioning would mean that you stop halfway. Our experience has shown that it is of invaluable importance to develop a building as a brand as well. This is not about superficial cosmetic issues, but about the realization of a further significant potential for value appreciation.

Sauerbier: Many buildings requiring a revitalization have a problematic image. If you don't change this, the market may not realize that it is in fact a new building at the old location.

What are your focuses and objectives for 2012?

Glatzel: Our aim is to increase IFM's efficiency and profitability. In addition, we want to explore exit opportunities as well as new opportunities for investment. In any case, we will continue to focus on our key competence: working on challenging properties in locations with sustainable value stability.



Report of the Supervisory Board

Dear Shareholders,

The IFM Immobilien AG can boast a successful and solid performance in the fiscal year 2011. The key economic figures as well as the visible progress in the ongoing projects of the company demonstrate this. A significant requirement for this was the close and confident co-operation between the company's Executive and Supervisory Board, whose activities are reported in the following.

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 eight meetings were held for this purpose in 2011.

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 supervisory board is aware of its responsibility to monitor the company concerning possible conflicts of interests relating to transactions between the company or other affiliated companies respectively on the one hand and its boards and related parties or companies on the other hand. Transactions with one board member or a related person or company being party to the contract with the IFM Immobilien AG are supervised particularly intensely. The consolidated accounts 2011 show a claim bearing interest of a SPV of the IFM Immobilien AG vis-à-vis a company controlled by the chairman of the management board which is a minority shareholder of this SPV. This claim relates to a preliminary withdrawal of the SPV's profit distribution which was calculated on a provisional basis and adjusted downward after the preparation of the financial statement. The return of the overpayment will be carried out by April 2012 at the latest. For the future the supervisory board will continue analyzing the situation regarding affiliated companies where minority shares are being held by board members directly or indirectly and will develop strategies to avoid conflicts of interests in case of need.

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. In the beginning of the fiscal year the members were Mr. Gordon Albert Rapp, Mr. Morten Bergesen, Mr. Luca Pesarini, Mr. Eberhard Hascher, Mr. Philipp J. N. Vogel and Mr. John Skogen. After Mr. Skogen has resigned from his position at the end of the 2011 annual shareholders meeting on May 24, 2011, Mr. Hans Furuholmen was elected through the 2011 annual shareholders' meeting as the successor to Mr. Skogen on the Supervisory Board. Mr. Hans Furuholmen is Investment Director of the Furuholmeninvest AS, Oslo, Norway.

At the beginning of the fiscal year, Mr. Luca Pesarini was Chairman of the Supervisory Board while Mr. Gordon Albert Rapp was Vice Chairman. Mr. Gordon Albert Rapp assumed the position of the Chairman as of May 24, 2011; Mr. Luca Pesarini was Vice Chairman of the Supervisory Board until Mr. Morten Bergesen took over the position on October 20, 2011.

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

The members of the Ruling and Personnel Committee are Mr. Gordon Albert Rapp, Mr. Luca Pesarini and Mr. Morten Bergesen. 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. In the fiscal year, the Committee particularly focused on the departure of the CFO at the end of 2011. As these matters were discussed in detail among all members, under consideration of Executive Board compensation too, only one separate meeting of the committee took place in the fiscal year.

The Acquisitions / Planning & Construction / Sales Committee was comprised of Mr. Gordon Albert Rapp, Mr. Philipp J. N. Vogel and, until his resignation, Mr. John Skogen in the fiscal year. During the Supervisory Board meeting of May 24, 2011, Mr. Hans Furuholmen accepted his election as member of the Acquisitions / Planning & Construction / Sales Committee. This committee was primarily concerned with reviewing potential opportunities for acquisitions and sales in the year concerned. The committee met four times during the year.

In the fiscal year, the Nominating Committee consisted only of Mr. Luca Pesarini and Mr. Philipp J.N. Vogel, so the committee was not quorate. The vacant position has not been filled yet. This committee did not meet in the fiscal year. The Supervisory Board will decide whether to find a replacement in due time or to close formally the committee.

The members of the Compliance and Audit Committee were Mr. Morten Bergesen, Mr. Gordon Albert Rapp and Mr. Eberhard Hascher in the fiscal year. The committee worked on preparing the annual financial report for the fiscal year 2011 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 Law to Modernize Reporting Requirements, the committee commissioned outside consultants to carry out a dedicated review of the internal control system. It also assigned the audit to the auditor and defined the main points of focus of the audit. The committee met eight times during the year.

Members of the Executive and Supervisory Board

The company's Executive Board consisted of Mr. Georg Glatzel (CEO) and Mr. Marcus Schmitz in the fiscal year. The appointment of Mr. Glatzel as CEO of the company was prolonged for five years until the end of 2015 within the fiscal year. Mr. Schmitz left the company after the end of the reporting period on 31.12.2011 and in this context also resigned from his position as member of the Executive Board.

The Supervisory Board of IFM Immobilien AG underwent the following changes during the year under review: After Mr. John Skogen had resigned from his position as member of the Supervisory Board with the end of the 2011 shareholders meeting on May 24, 2011, the company shareholders proposed Mr. Hans Furuholmen for election to the Supervisory Board and duly elected him. Mr. Hans Furuholmen is Investment Director of the Furuholmeninvest AS, Oslo, Norway. Furthermore, the aforementioned change in the position of the Supervisory Board as well as of the Deputy Chair of the Supervisory Board took place.

Annual Report 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 2011 prepared by the Executive Board, the consolidated financial statements and the management report and consolidated management report for 2011 as well as the Executive Board's proposed allocation of distributable profit or loss. The annual report for the fiscal year 2011, the consolidated financial statements and the management and consolidated management reports for 2011 have been audited by FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft of Heidelberg, the independent auditor and Group auditor chosen by the annual shareholders meeting. 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 auditors 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 26, 2012, 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 26, 2012. 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, 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 2011.

Frankfurt am Main, March 26, 2012

The Supervisory Board

Mr. Gordon Albert Rapp
Chairman

„A fundamental strength of IFM is the consequent implementation of measures to increase the value of properties in our portfolio.“

Georg Glatzel, CEO

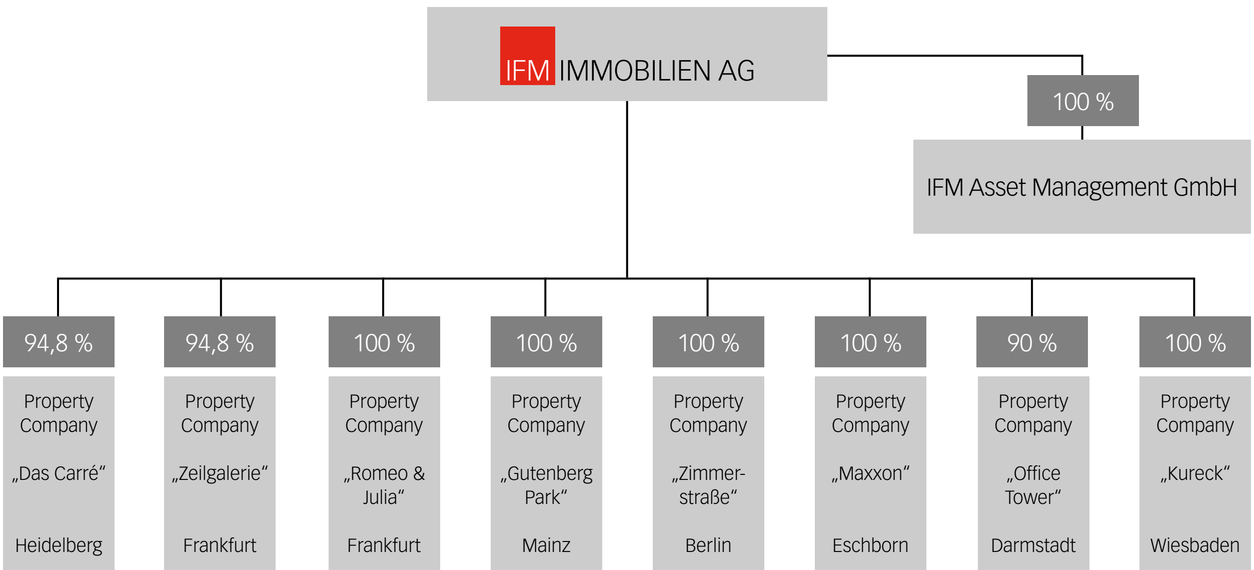
Business Model

IFM Immobilien AG – Project development and investments in premium locations

Experience has shown: where above-average demand of investors and potential tenants can be expected for the quality of a location and a property also in the long term, real estate investments are particularly promising. Properties that meet those criteria prove to be of significant value compared to properties in other locations – even in difficult phases of market cycles.

This is why IFM Immobilien AG has focused on this segment from the beginning. In view of the comparatively high rental rates and purchase prices in premium locations, investors and tenants also demand higher standards of building quality and facilities than elsewhere. It is therefore obvious for IFM to invest in properties which, due to imbalanced tenancy structures, high vacancy rates, construction defects or technical facilities which are no longer up-to-date, offer the possibility to tap unused value potentials and to realize significant value appreciation. Previous 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

Outstanding location, but unsatisfactory building condition – this means untapped economic opportunity. Suitable revitalization measures often allow for attractive value appreciation to be realized in the case of such properties. Eliminating investment hold-ups and optimizing tenancy structures create the ideal conditions for high, sustainable returns on investments in a property. This, however, requires well-founded knowledge of the relevant market as well as specialist expertise in the field of property revitalization.

This philosophy is exactly what IFM Immobilien AG has based its business model on and we have the necessary personnel resources, specialist expertise and many years of experience. As an investor and project developer, IFM is active in premium locations in metropolitan and urban regions in Germany. Projects undertaken by IFM include both revitalization of existing properties and new construction. In these activities, the main focus is on commercial real estate of the office and downtown retail segments. By actively developing our own properties, IFM ensures sustainable stability and generates value appreciation.

Developing and implementing 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 in particular by repositioning and professionally marketing the properties in question. An integral part of IFM's revitalization concepts always include the transformation of properties into lively brands and positioning them appropriately on the market

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.

Steady profits and rising property values as a goal

IFM invests both in existing properties with an attractive opportunity/risk profile and potential for value appreciation and in new construction projects. The company orients itself, in all its investments, 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 achieving 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. The basis is formed by consistent cash flow from rental income. Furthermore, 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.

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

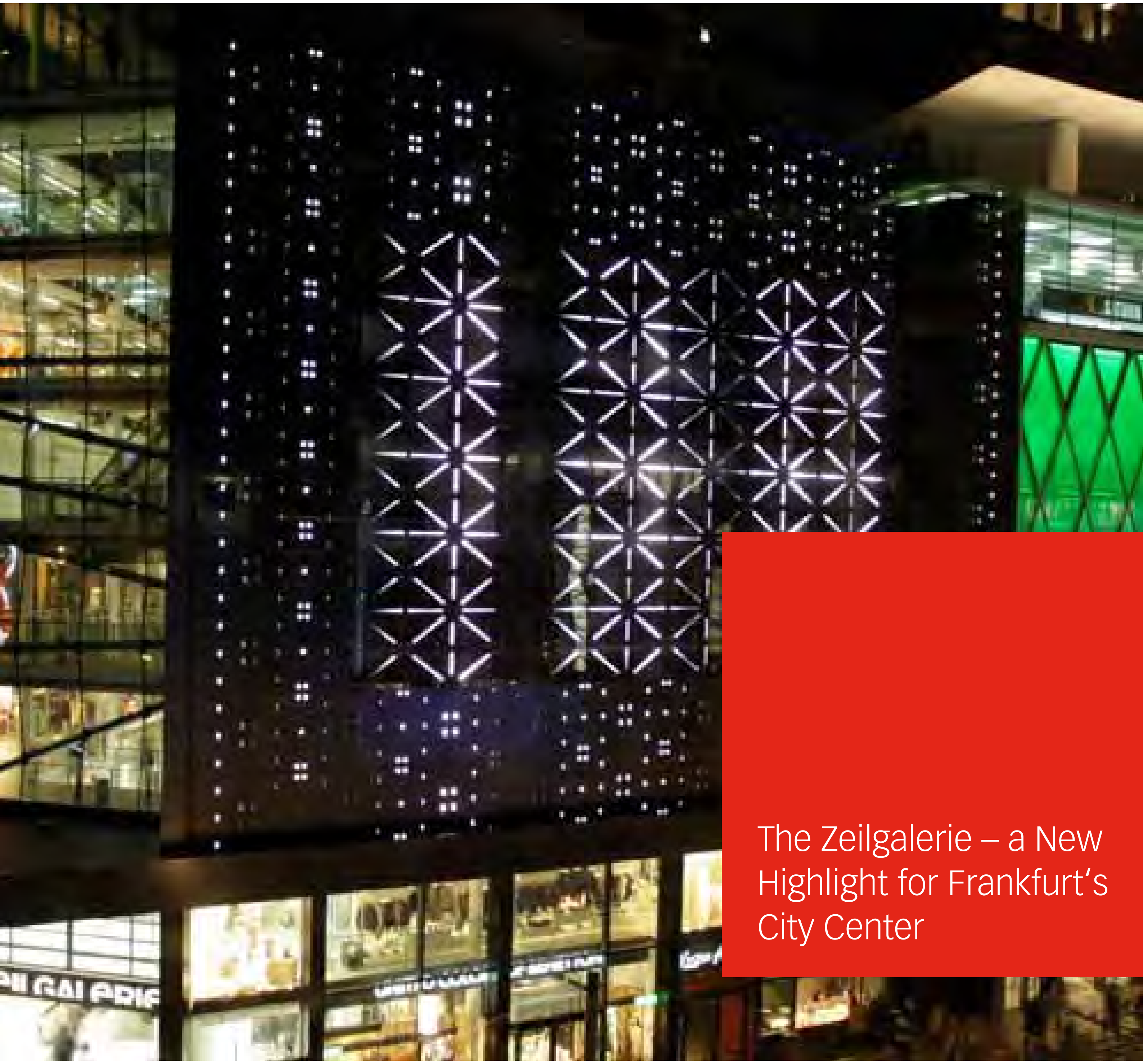
- Redevelopment IFM carries out structural alterations on buildings – even complete structural restoration. Premium facilities and an attractive architectural design rank highly in these measures. The decisive measure for IFM's activities is to ensure that the property offers the same quality as a brand 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.

„We were able to create a new architectural highlight right on Frankfurt‘s Zeil. This was confirmed, not least, by the red dot design award for the facade of the Zeilgalerie in 2011.“

Tobias Sauerbier,General Manager and head of Project Development



The Zeilgalerie – a New Highlight for Frankfurt's City Center

A New Highlight for Frankfurt's City Center

Obsolete building structures, unsatisfactory tenant structures and a less than appealing ratio between costs and income – this does not exactly sound like the description of a property that could be the dream of an investor or a tenant. However, it is such properties that IFM preferably invests in. The prerequisite is, however, that they are located in a location where significant value appreciation can be achieved through a professional and comprehensive revitalization.

Façade before revitalization

Façade during revitalization

Façade after revitalization

One such example is the Zeilgalerie in Frankfurt. Over the course of more than 20 years, the shopping mall has got a „shopworn" image. The building technology was obsolete and to some extent, the tenant structure did not correspond to the prominent location at the Zeil, right in Frankfurt's city center.

IFM purchased the building in 2008 and developed a comprehensive revitalization concept which envisaged a fundamental restoration while maintaining normal operations and followed by a repositioning of the Zeilgalerie. The fact that that building was not completely vacant during the construction period presented a great challenge, as all activities took place while maintaining normal operations.

Redesigning the exterior of the property into an ambitious media façade, combined with a striking new entrance area, represented the first substantial step of the revitalization. The quality of this façade was underlined by winning the international renowned design prize the „red dot design award" in 2011.
In the second stage of construction, IFM completely redesigned the interior and adjusted the obsolete building technology to meet today's requirements of a contemporary commercial property. Most of these measures were implemented and completed in 2011.

Furthermore, IFM began to adapt the tenant structure to the new Zeilgalerie in 2011. In this process, IFM followed the concept of positioning the „classic" retail tenants, the so-called „mainstream", in the lower floors. This is reflected in the two flagship stores Benetton and H&M. In the upper floors, individual shop concepts set particular accents which are intended to encourage customers to make purchases. It is IFM's aspiration to make sure that in the future the Zeilgalerie establishes itself in this extraordinary location as a special retail property in the city of Frankfurt. This should be achieved through the customized architecture combined with the different usage concepts ranging from flagship stores and concept stores to 3D cinemas and the food & beverage segment.

You can find more information on the project at
www.zeilgalerie.de

„IFM possesses a well-balanced mixture of premium properties in the asset classes office and downtown retail properties.“

Georg Glatzel, CEO

Portfolio

Portfolio

Portfolio – Locations

Over the past years, IFM Immobilien AG has established a profitable and sound portfolio of commercial properties. The focus lies on office as well as on downtown retail properties. As the company focuses on development measures involving its portfolio, IFM was able to generate significant value appreciation through working on a range of properties in the past.

The company concentrates 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. Geographically, IFM focuses its activities on the Rhine-Main area, the Rhine-Neckar metropolitan area and central Berlin. Management monitors the developments in other high-growth urban areas in Germany, such as Cologne/Düsseldorf, Munich and Hamburg, as these regions generally also fit into IFM's strategy. However, the established regions will remain the focus for the short to medium-term.

The company is aiming to further expand its portfolio. In this, each acquisition of a property is always preceded by intense 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.

Portfolio

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

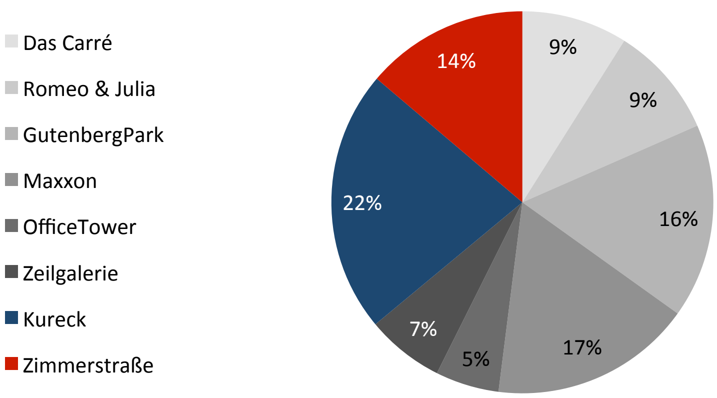
IFM locations

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 *(EUR million)
Assets						
Das Carré, Heidelberg	13,634	100 %	2.3	2.3	27.1	31.2
Romeo & Julia, Frankfurt	14,407	85 %	4.7	5.7	69.5	94.3
GutenbergPark, Mainz	25,054	86 %	2.1	2.3	22.6	25.8
Maxxon, Eschborn-Süd	26,040	83 %	3.3	4.0	47.5	53.0
OfficeTower, Darmstadt	8,195	**75%	0.7	1.0	10.8	13.0
Zeilgalerie, Frankfurt	11,029	74 %	2.9	> 4.8	67.4	67.5
Project developement						
Kureck, Wiesbaden****	***33,827	–	–	–	35.0	38.0
Zimmerstraße, Berlin	***21,000	–	–	–	15.6	16.0
Total	**153,186**		**16.0**	**20.0**	**293.9**	**338.8**

* IFM expects a significant raise of the values after finishing the project developements
** Excl. storage areas
*** Area planned (Project development)
**** Incl. acquisition „Schöne Aussicht“

Area according to sqm in %



Romeo & Julia
Frankfurt am Main

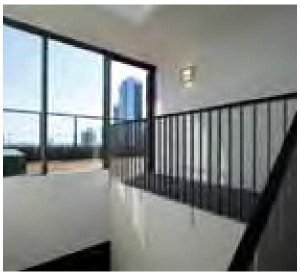
Romeo & Julia, Frankfurt am Main

ROMEO & JULIA

Description

The Romeo & Julia twin towers are among the most exclusive office spaces in Frankfurt's West End. In 2006, IFM assumed ownership of the then-vacant building, which was erected in the 1970s, and conducted comprehensive revitalization and structural restoration activities from 2007 until 2009. In the style of the Chicago School, Swiss architect Max Dudler created an elegant, timeless suspended metal and glass façade for Romeo & Julia. The windows can be opened and thus allow ventilation with fresh air. The building boasts an ecological double façade, climate controlled ceilings with single room control, a ventilation system with heat recovery and energy saving LED lighting technology. The lighting in the entrance area and the elevator cabs is setting standards.

In addition to the structural alterations, IFM repositioned the building and created a new brand under the name Romeo & Julia. The name reflects the architecture and can be understood as a hint to the twin towers which are connected via a shared core. In 2010, the building was nominated for the coveted MIPIM Award in the Modernized Office Buildings category.
The tenants include several renowned law firms, an auditing and consulting network, a private equity company and an investment bank. IFM also moved its Frankfurt corporate headquarters into the building at the beginning of 2012.


General information

Status Quo	Existing assets
Occupancy rate	85%
Type of use	Office
Space	14,407 sqm
On the Internet	www.romeoundjulia.ag

Investment

Total investment	EUR 69.5 million
Net annual rent	EUR 4.7 million (at December 31, 2011)
Gearing	EUR 52.5 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 94.3 million

Zeilgalerie
Frankfurt am Main

Zeilgalerie, Frankfurt am Main

Description

The Zeilgalerie is one of the most well-known German retail properties. IFM purchased the building in 2008 and carried out comprehensive revitalization activities while maintaining normal operation. In the first stage of construction until the end of 2010, carried out according to plans by 3deluxe, a design agency located in Wiesbaden, the Zeilgalerie received a spectacular façade with over 40,000 individually controllable LEDs creating a completely new image. In 2011, the Zeilgalerie received the coveted Red Dot Design Award for this newly-designed façade.

In a second stage of construction, which was completed in early 2012, IFM has upgraded the interior of the Zeilgalerie. Highlights of the interior, which is painted in white, are created by a new lighting concept and innovative LED elements.

Furthermore, IFM is actively steering the tenant mix to ensure sustainable success of the Zeilgalerie. To achieve this, individual space was strategically vacated. Parallel to this, the Zeilgalerie is repositioned and a new image will gradually be created thanks to innovative marketing concepts.

Benetton opened a flagship store in the Zeilgalerie in 2010 and further increased its store space in 2011. Other new stores which opened in 2011 include Essence, L´Tur and the Hello Kitty concept Minou. The reopening of the cult label Blutsgeschwister followed at the beginning of 2012. Additional tenants include H&M, L´Tur, Lush, Danny Shoes and Pizza Hut.

General information

Status Quo	Repositioning/leasing
Occupancy rate	74 %
Type of use	Retail
Space	11,029 sqm
On the Internet	www.zeilgalerie.de

Investment

Total investment	EUR 67.4 million
Net annual rent	EUR 2.9 million (at December 31, 2011)
Gearing	EUR 43.6 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 67.5 million

Maxxon
Eschborn-Süd

Description

Maxxon Business Park is located in easy-to-reach Eschborn-Süd, not far from the Main River metropolis Frankfurt. Three office buildings with a total rental space of around 26,000 square meters are located on one property. The highest-quality office space currently available has been created at this location thanks to the revitalization of two buildings from 2009 until 2010. They received a linear charcoal-colored façade composed of columns and beams with ceiling-to-floor window elements as part of the structural restoration. The third building's mirrored façade was kept, only its color scheme was adjusted to match the other two buildings. Not only the color scheme of the three buildings serves as a combining element, so does the shared outside area, a piazza, which provides tenants and visitors with a pleasant place to relax and enjoy the outdoors.

A high level of flexibility in dividing and designing the space makes the Maxxon Business Park stand out. This ensures great capacity to adapt to other uses and allows the space to be rented flexibly.

Current tenants include 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. The recruitment agency Manpower is a major tenant of Maxxon and has set up its German headquarters across 3,650 square meters and about 200 employees.

General information

Status Quo	Existing assets
Occupancy rate	83%
Type of use	Office
Space	26,040 sqm
On the Internet	www.maxxon-eschborn.de

Investment

Total investment	EUR 47.5 million
Annual net rent	EUR 3.3 million (at December 31, 2011)
Gearing	EUR 35.9 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 53.0 million

Kureck
Wiesbaden

Kureck, Wiesbaden

KURECK

Description

The Kureck is located at the heart of the capital of the state of Hesse. In 2007, as part of a sale and lease-back transaction, IFM assumed ownership of the property located directly across from Wiesbaden's Kurpark and vis-à-vis of the Hessian state chancellery.

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. A comprehensive revitalization of the existing tower, the Palais (Taunusstrasse 3) and the building at Sonnenberger Strasse 2, which is designated to be used as a hotel, is planned. The result will be a new premium district that will add significant value to the entire city center. In the upper section of the property, 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.

The planned mix of apartments, offices, hotel/restaurants and retail space will breathe a lot of life into the space, which has been used exclusively for commercial purposes up to now.



General information

Status Quo	Project development phase
Type of use	Office, hotel/restaurants, retail and premium residential
Space	33,827 sqm projected rental space

Investment

Total investment	EUR 35.0 million
Gearing	EUR 25.9 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 38.0 million

Das Carré
Heidelberg

Das Carré, Heidelberg

Description

Das Carré, located in the city center of Heidelberg, consists of a two storey commercial base connected to a 14 storey residential tower. This makes Das Carré the only tower in the city center of Heidelberg. Between 2003 and 2005, IFM re-positioned the property and transformed it into a unique landmark.

Das Carré offers a customer-friendly mix of retail, cafés and restaurants, health, fitness/wellness and services under one roof, which is unique in Heidelberg. It includes specialty stores that form an attractive variety of segments, such as food retailers, pharmacies, book stores, opticians, mobile phone shops and more.

With its large central atrium and glass dome as well as a premium flooring the shopping gallery offers an accommodating stay to customers.

General Information

Status Quo	Existing assets
Occupancy rate	100 %
Type of use	Downtown retail, restaurants, residential, fitness-wellness-health and offices
Space	13,634 sqm
On the Internet	www.dascarre.de

Investment

Total investment	EUR 27.1 million
Annual net rent	EUR 2.3 million (at December 31, 2011)
Gearing	EUR 16.4 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 31.2 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 façade stand out. Classical proportions and elegant simplicity are the main features of this exclusive office address with a total of over 8,000 square meters of space. The OfficeTower also satisfies the highest requirements on the inside: visitors are welcomed in an 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. Tenants include architects, engineers and attorneys.



General Information

Status Quo	Existing assets
Occupancy rate	75% (without utilities)
Type of use	Office, retail, restaurants
Space	8,195 sqm
On the Internet	www.officetower.ag

Investment

Total investment	EUR 10.8 million
Annual net rent	EUR 0.70 million (at December 31, 2011)
Gearing	EUR 7.70 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 13.0 million

GutenbergPark
Mainz

Description

The expansive business park GutenbergPark is located in Mainz-Hechtsheim, an economically dynamic commercial location close to Mainz city center. 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%.
The GutenbergPark stands out thanks to its particular flexibility regarding the range of uses. From classic offices to industrial mixed uses and production, through to modern warehouses - anything can be realized here. A public restaurant with a summer terrace and coffee lounge adds to the attractiveness of the business park.

In recent years, renowned companies such as Siemens and Deutsche Telekom AG have chosen the GutenbergPark as their location. About 300 employees work in the Deutsche Telekom's modern service center which was established at the end of 2010 and covers a total area of 3,850 square meters. This makes Deutsche Telekom the major tenant in GutenbergPark. The mix of tenants is supplemented, among others, by innovative companies active in renewable energies and research & development.

General Information

Status Quo	Asset im Bestand
Occupancy rate	86 %
Type of use	Gewerbe, Gastronomie
Space	25,054 sqm
On the Internet	www.gutenbergpark.de

Investment

Total investment	EUR 22.6 million
Annual net rent	EUR 2.1 million (at December 31, 2011)
Gearing	EUR 14.4 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 25.8 million

Zimmerstraße
Berlin

Zimmerstraße, Berlin

BERLIN
Zimmerstraße

Description

IFM purchased one of the last undeveloped lots in a top city location in central Berlin in 2006/2007. Directly between Checkpoint Charlie and the Federal Ministry of Finance, IFM plans a mix of offices, boarding house, premium residential space as well as art and culture. With the latter, IFM pay tribute to the direct surroundings which are already the home to numerous galleries and artists. The planning was created by renowned Swiss architect Max Dudler, who has already executed a number of successful projects such as the library of the Humboldt-Universität Berlin, the Grimm-Bibliothek.

The property allows a development project with a volume of 21,000 square meters.



General Information

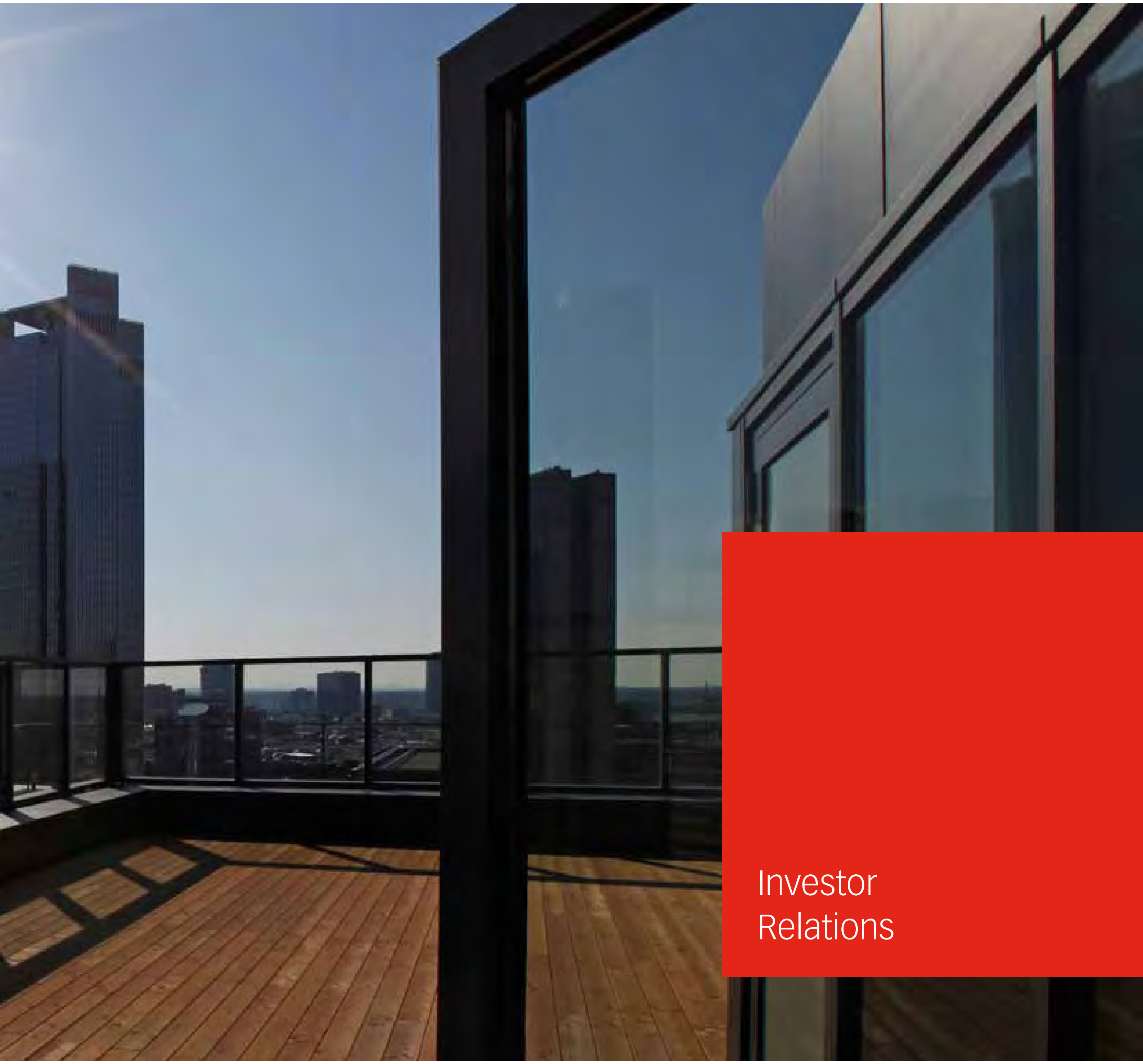
Status Quo	Planungsphase
Type of use	Gewerbe, Wohnen, Kultur
Entwicklungspotenzial	21,000 sqm
Grundstücksgröße	8,848 sqm

Investment

Total investment	EUR 15.6 million
Gearing	EUR 9.5 million (at December 31, 2011)
Value according to IFRS (at December 31, 2011)	EUR 16.0 million

„The success of our company would not be possible without the trust displayed by our shareholders.“

Georg Glatzel, CEO



Investor Relations

Dept crises causes uncertainty on stock markets

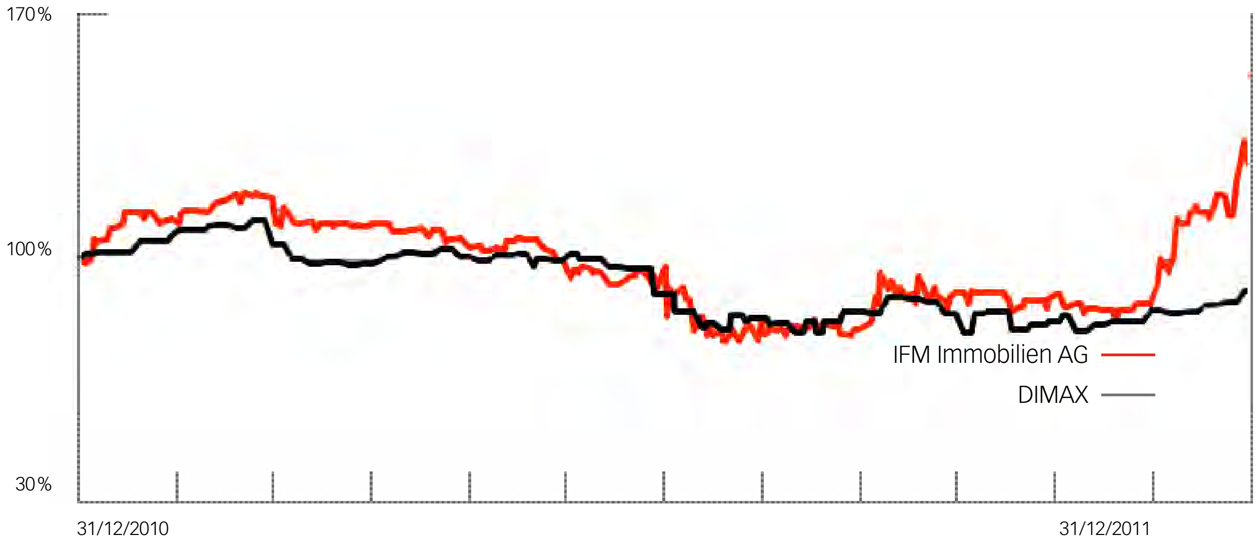
The discussions about the debt crisis, the development in several euro countries and the resulting uncertainty among many market participants had a significant influence on the stock markets in 2010 – particularly during the second half of the year. In the first six months of the year, the German stock index (DAX) was generally above 7,000 points, however, it then dropped significantly after the middle of the year, reaching its lowest level at just below 5,000 points. At year's end, the DAX closed at almost 5,900 points and thus recovered part of the loss, even though it did not reach the level of the first half year.

The real estate stock index DIMAX experienced a sideways trend in 2011; at the end of the year, however, the index also closed at a lower level than at the beginning of the year.

IFM stock

In the first few weeks of 2011, the IFM Immobilien AG stock first continued its clear upward trend of the final quarter of the previous year with the stock price rising to more than EUR 10.50. During the course of the second and third quarters, the stock was not able to elude the overall slowdown of the stock market environment and accordingly recorded declines in the price to below EUR 8.00. However, the stock price stabilized again in the fourth quarter and was able to compensate part of its losses, yet at year-end it closed significantly below the level of the beginning of January 2011. After the end of the reporting period, the stock price experienced a significant increase in February 2012 to values far above EUR 10.00.

IFM stock compared to the DIMAX



Shareholder structure

According to the information available to IFM Immobilien AG, there were no essential changes to the shareholder structure in the course of 2011.

As far as the company is aware, a share quota of 49.63% 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 8% of the subscription rights directly and indirectly, while the members of the Executive Board hold 9.9% 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	Close Brothers Seydler Bank AG

	2011	2010
No. of shares (at Dec. 31)	9,364.599	9,349.999
High (EUR)	10.57	9.45
Low (EUR)	7.80	7.35
Year-end close (EUR)	8.60	9.30
Market capitalization in EUR m*	80.54	86.95

* Calculated on basis of each year-end close

Transparency towards investors and the capital market

IFM Immobilien AG maintains a constant and open dialog with its investors and with the capital market. According to the management, this is a core element of the information policy pursued by IFM which aims at transparency and comprehensive information for all stakeholders. The corporation is listed in the Prime Standard of the German stock exchange and thus fulfills particularly rigorous transparency requirements for the report as well as disclosure obligations that significantly exceed the legal requirements.

The Executive Board mainly uses discussions and presentations at road shows in Germany and abroad as well as investor conferences and specialist congresses to regularly and promptly inform national and international investors in the corporation in detail about IFM's business performance. Furthermore, the Executive Board maintains regular contact with the media and analysts.

In 2011 IFM Immobilien AG attended several events of relevance to the capital market including the Real Estate Update on May 25, the SCR Forum on September 7, and the Real Estate Share Initiative on October 19.

SRC Research and CloseBrothers Seydler are just a two of the financial and research institutions that regularly track the company's performance.

In 2011, the Executive Board will continue to ensure that investors, potential shareholders and analysts receive comprehensive information on IFM's development and it will pursue its dialog with the different players on the capital market and with the media.

Net Asset Value (EUR million)

	2006	2007	2008	2009	2010	2011
Assets in total	**126.0**	**228.0**	**329.4**	**355.9**	**314.9**	**338.8**
westendFirst, Frankfurt	52.0	55.0	55.0	55.0		
Das Carré, Heidelberg	30.0	30.0	29.5	29.4	29.4	31.2
Romeo & Julia, Frankfurt	28.6	38.6	66.0	81.0	92.0	94.3
GutenbergPark, Mainz	15.0	19.0	20.7	21.3	25.6	25.8
Zimmerstr, Mauerstr., Berlin	0.4	4.6	15.0	15.0	15.0	16.0
Feldbergstrasse, Frankfurt		3.4	3.5	2.9		
Maxxon, Eschborn		26.6	30.2	39.3	46.0	53.0
OfficeTower, Darmstadt		10.8	12.8	12.8	12.8	13.0
Kureck, Wiesbaden		31.3	33.4	33.2	34.6	38.0
Ulmenstrasse 22, Frankfurt		8.7	9.9	11.0 [1)]		
Zeilgalerie, Frankfurt			53.5	55.0	59.5	67.5
Bank liabilities	-50.5	-155.0	-221.0	-239.6	-203.5	-207.9
Other assets/liabilities	-14.4	-2.4	-8.9	-4.3	-1.0	-5.1
Liquid funds	29.5	22.6	15.6	8.7	14.5	5.1
Net Asset Value (before deferred taxes and derivates)	90.6	93.2	115.1	120.7	125.0	130.9
NAV/share (EUR)	10.66	10.96	12.31	12.91	13.37	13.98

1) Sales price less transfer costs

Corporate Governance

General

IFM Immobilien AG believes that a solid and responsible administration and corporate governance represent an important foundation in order to, in the long run, maintain a confident relationship to the players on the capital market as well as to the group's business partners. Corporate governance mainly comprises the close, confident co-operation between the Executive and Supervisory Boards, respect for shareholders interests and transparency in corporate communication.

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 Friday, 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 April 29, 2008, the day its stock was entered for trading on the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange.

As in the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act issued Monday, March 26, 2012, 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 neither wish to participate in the annual shareholders meeting in person nor wish to exercise their voting rights by appointing an assignee can also submit votes in writing using an absentee vote. The documents necessary for the annual shareholders meeting as well as the absentee voting form and the meeting agenda are made available on the company website. There are no plans to broadcast the shareholders meeting live on the Internet due to the costs associated 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.

In the fiscal year 2011 the Executive Board had two members. Should the Executive Board consist of more than one member, the articles of incoporation of IFM Immobilien AG prescribe that the Supervisory Board can appoint a Chair This Chair shall represent the Executive Board before the Supervisory Board and its chairman. Mr. Georg Glatzel was the CEO in the fiscal year 2011.

Mr. Marcus Schmitz, second member of the Executive Board, resigned as of December 31, 2011. Since then Mr. Georg Glatzel has run the company as sole Executive Board member.

In the fiscal year 2011, both members of the Executive Board have managed the business areas assigned to each of them 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 has not relieved 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 fulfilling their duties.
The Supervisory Board has appointed a Ruling and Personnel Committee, an Acquisitions/Planning & Construction/Sales 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 report.

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 Monday, March 26, 2012, the Executive and Supervisory Boards of IFM Immobilien AG declared that in the last fiscal year they have complied and will also comply in future with the recommendations of the Government Commission on the German Corporate Governance Code in the version of May 26, 2010, with the following exceptions.

- Item 2.3.2 of the Code: The company considers publishing the convocation of 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 does not include a retained amount for the Supervisory Boards. A retained amount will continue to not be employed in future for the Supervisory Board, 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: In recruitment for management positions at the company, the professional expertise of candidates is the primary consideration (for both men and women). Attention is paid to diversity and including an appropriate number of women.

- Item 4.2.1 of the Code: In the fiscal year 2011 the Executive Board had two members. However, after the resignation of the member of the Executive Board Mr. Marcus Schmitz as of December 31, 2011, the Executive Board currently only consists of one person. The intention is to appoint a second member, so that in compliance with Item 4.2.1 of the Code, the Executive Board will again consist of more than one person. Until another member of the Executive Board has been appointed, Mr. Georg Glatzel heads the company as sole Executive Board member.

- Item 4.2.3 of the Code: The contracts of employment for Executive Board members 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.

- 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 meeting of Tuesday, 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 the 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.

  The compensation for members of the Supervisory Board contains a purely fixed compensation. The Executive and Supervisory Boards believe that the independence of the Supervisory Board is better served with purely fixed compensation than with performance-based compensation, and that such a compensation system can further reinforce the independence of the Supervisory Board.

- 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 an appropriate number of women in the members of the Executive Board. For any contract renewals of members of the Executive Board the Supervisory Board so far foremost considered the professional expertise of those persons and the continuity in the company's management. Due to the smaller size of the company's Executive Board, it can be assumed that these criteria remain a decisive factor in the future.

- 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: The Nominating Committee only consists of two members and thus no longer has a quorum. No new recruitments have been made. The Supervisory Board 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 Para. 2 and Para. 3 of the Code: According to Item 5.4.1 of the Code, the Supervisory Board shall propose specific 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-specific situation.

  The Supervisory Board has not formed a final impression yet 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 for the activities limited 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 is likely to propose such formal goals in future and to report on them, however, it has not made a final decision yet and thus reserves 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 to use these methods for selection of Supervisory Board members in future as well for reasons of efficiency. Candidates for election as the chairman of the Supervisory Board will not be announced so that the Supervisory Board can continue to elect a chairman 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 and/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. It is planned in future to perform internal tests on a regular basis to assess the Supervisory Board's work.

- 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 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. 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. At the beginning of the fiscal year 2011, 120,000 options were issued in total under SOP 2006 A and SOP 2006 B all of which expired during the fiscal year.

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. At the beginning of the fiscal year, a total of 730,000 options had been issued. Mr. Schmitz exercised a total of 14,600 of his options in 2011, his remaining options expired with his resignation. Thus, at the end of fiscal year 2011, 625,400 options under SOP 2007 were still available.

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


IFM
IMM

Report on the position of the company and the group

Report on the position of the company and the group

Fiscal Year 2011 (January 1 to December 31, 2011)

In the fiscal year 2011 – as in the previous year – the Consolidated Management Report deploys an exempting effect on the IFM Immobilien AG Management Report in accordance with § 315a of the German Corporate Governance Code (HGB) in conjunction with § 315 Para. 3 HGB and the provision of § 298 Para. 3 HGB.

A. Business Performance and Environment

1. Group Strategy and Business Activities

The IFM Group (hereinafter: IFM) consisting of IFM Immobilien AG (hereinafter: IFM AG) as well as its subsidiaries is 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. IFM's activities include both revitalizing existing commercial properties and the construction of new premium buildings for mainly commercial use in prime downtown locations.

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

- Redevelopment (e.g. structural alterations, structural restoration)
- Restructurierung (e.g. changing the tenancy structure) and
- Respositioning in the market (e.g. with innovative marketing and leasing concepts).

IFM's operations are focused geographically on 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.

The revenue generated by IFM AG comes primarily from leasing properties, as well as from earnings on interest from loans to subsidiaries and from business management agreements. In addition, IFM also achieves profits by selling shares in project companies (share deals) and by selling properties (asset deals) at the level of project companies.

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 subsidiaries. The properties in the company's portfolio are typically held by individual project companies that are subsidiaries of IFM AG. In general, each individual project company is responsible for financing their respective property. The creditors recourse is usually contractually limited to the assets of the individual project company (including shareholder loans and capital investments provided by IFM AG), otherwise known as non-recourse financing. In particular cases, IFM AG has also guaranteed the debt service or a limited cost overrun.

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.

IFM outsources business activities which do not fall under the company's core competences to outside service providers, such as architects, engineers or advertising agencies. Outsourcing these areas assures lean structures as well as high flexibility and efficiency within the Group.

3. Managing Bodies

3.1. Executive and Supervisory Boards

In the reporting year, the Executive Board of IFM Immobilien AG was comprised of the members Georg Glatzel (CEO) and Marcus Schmitz (CFO). Marcus Schmitz left the company's Executive Board at the end of the reporting period. After the resignation of Mr. Schmitz, the financial department has been temporarily headed by Mr. Glatzel.

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.

Variable compensation of the Executive Board results from agreed upon goals which can be measured with the use of balance sheet indicators as well as from benefits in kind in the form of the 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 appendices).

The compensation scheme for members of the Supervisory Board is governed by the company's articles of incorporation. Members of the Supervisory Board receive a purely fixed compensation. 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 appendices).

4. Material Factors Affecting Business

The business activities of IFM are subject to a number of legal regulations and other factors over which the Group companies has 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. This can also influence 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, IFM 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.

In the fiscal year 2011, the real estate industry was still faced with significantly higher financing margins than prior to the financial crisis. The interest rate level, which had increased slightly over the course of the year, was however lowered once again to an all-time low of 1.0% following the two key interest rate cuts in the last two months of the year, thereby compensating the higher financing margins.

However, IFM still expects to face higher borrowing costs for new acquisitions and follow-up financing compared to in previous financial years. This applies in particular in case the key interest rate is increased again or in case of another overall tightening in the credit market. Nevertheless, banks that have worked with the Group and its subsidiaries know

IFM's track record and are still prepared to finance 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, which it takes into account in the due diligence process.

5. Corporate Management and Performance Indicators

5.1. Financial Performance Indicators

The long-term success of IFM 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 10% to 20% before tax based on the equity employed (including 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:

Real estate market expertise: The economic success of IFM depends heavily on the management's 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. Besides the professional expertise and experience this also demands detailed knowledge of the regional markets. The CEO of IFM 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 in the real estate industry.

Project development know-how: 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: IFM 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 usually allows the Group to speed up the leasing process compared to its competitors and generate leasing success 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, IFM'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 2011

German economic recovery continued in the fiscal year 2011, although the growth dynamics decreased slightly in comparison to the previous year. According to the Federal Statistical Office (Destatis) the gross domestic product (GDP) rose by 3.0% (2010: 3.7%). It increased significantly more in the first half of the year than in the second half of the year. Thanks to the robust economic growth, price-adjusted GDP has now once again exceeded the level it had prior to the financial crises.

High domestic demand in 2011 was responsible for the material growth impulses. Private consumer expenditures rose by 1.5%. Significant increases were seen both in investment in equipment (+8.3%) and buildings (+5.4%). Foreign trade also increased strongly, whereby exports at 8.2% (price-adjusted) showed a slightly higher increase than imports at 7.2%. The foreign contribution to GDP growth in 2011 was 0.8 percentage points.

In 2011, the continuing positive economic development in Germany also had positive effects on the labor market. Here, according to the Federal Statistical Office, the number of employed persons rose to over 41 million for the first time. At the same time the number of unemployed persons declined by about 446,000 persons to 2.5 million. This was equal to an unemployment rate of 5.7%, which was thus significantly lower than in many other industrialized nations. Across Europe, for instance, only Austria, Luxembourg and the Netherlands registered lower unemployment rates in 2011. In comparison, the unemployment rates were higher in all other European countries than in Germany.

The fact that the increase in employment is primarily the result of the creation of jobs fully subjected to social insurance contributions, with – in absolute terms – full-time jobs constituting a larger share than part time jobs, is a particularly pleasant aspect of the German job market development in 2011. Experts believe that the present job market development will continue in 2012 despite the continuing national debt crisis and thus also positively affect private consumption.

Sources:
Press release published by the Federal Statistical Office on January 11, 2012
Publication on the labor market (STATmagazin) by the Federal Statistical Office on January 11, 2012

8. Trends in the Commercial Real Estate Market in 2011

The previous year's positive trend in the commercial real estate market in Germany continued in 2011, and the volume of transactions, capital value, rental rates as well as revenue from new leases increased. According to information by the real estate brokerage and consulting firm Jones Lang LaSalle (JLL), the transaction volume totaled EUR 23.5 billion which corresponds to an increase of 22% compared to the previous year. Demand among investors was especially high for retail property, which saw a total transaction volume of EUR 10.4 billion or 45%. Investors' demand focused mainly on core properties, while the willingness to take risks observed in the meantime was only temporary. JLL even registered a strong decline in demand in areas other than the core segment.

Compared to the previous year, the office rental markets of the seven largest German office real estate locations Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart experienced a significant improvement in 2011. Increasingly negative economic data has so far had no influence on the market. In fact, the demand for office space followed the labor market which continued its positive development. Overall, the space turnover increased by 18% to 3.4 million square meters compared to 2010.

Net absorption increased substantially to over one million square meters, six times more than in the previous year. Expansionary demand for spaces resulted in an across the board decrease of vacancies and an average drop of the vacancy rate in all of the seven largest office real estate locations to 9.5% (2010: 10,4%). Vacancies declined considerably in Düsseldorf, Hamburg and Stuttgart. Frankfurt sill had the highest rate of vacancies with 13.9%, however, it was also significantly lower than in the previous year (2010: 14.7%).

In total, around 880,000 square meters or 25% less new office space was completed in 2011 than in 2010 (approx. 1.1 million square meters). This means that in mathematical terms, the entire volume of space was fully absorbed by demand in 2011. Almost two thirds, or 570,000 square meters, of all completed spaces, was attributable in roughly equal parts to the locations Frankfurt, Hamburg and Munich.

In December 2011, prime rental rates in all seven locations rose on average by nearly 3% compared to the previous year. Prime rental rates in Berlin (4.9%), Hamburg (4.4%) and Düsseldorf (4.3%) experienced an above-average increase. Rental prices did not increase both in Frankfurt and Cologne and none of the locations investigated by JLL experienced a decline. The highest prime rental rates of EUR 33.00 per square meter and month are still paid in Frankfurt, while Munich ranks second at EUR 30.00 per square meter and month.

According to the experts' assessment, the analysis of the maximum rental rate in all cities in part documents a significantly higher number of contract signings. This is regarded as a confirmation that tenants clearly focus on quality and are willing to pay a rent surcharge for premium and prestigious spaces.

Sources:
Jones Lang LaSalle, Press Release of January 5, 2012
Jones Lang LaSalle, Office Market Overview – Q4 2011, January 2012

B. Profit and Loss, Assets and Liabilities, and Financial Position

1. General

IFM Immobilien AG's consolidated financial statements have been prepared for the fiscal year 2011 according to the International Financial Reporting Standards (IFRS) as prescribed for the reporting period in the European Union (EU). The previous years figures were also calculated according to IFRS, as prescribed in the EU.

At the beginning of the fiscal year 2011, IFM made changes that affect the allocation and the notation of individual positions in the consolidated income statement as well as the information shown within. These changes were made in accordance with the recommendations of the European Public Real Estate Association (EPRA), which are not only increasingly gaining acceptance as a „best practice" solution for stock listed real estate companies, but also pursue the goal of improving and unifying the presentation and transparency of financial statements. This means that the comparison figures from the fiscal year 2010 shown in this report have been adjusted accordingly and therefore differ partially from those in the 2010 report.

2. Overall performance

The IFM Immobilien AG Group developed successfully in the fiscal year 2011 and achieved a similar result compared with the previous year. The slight decline in rental income to EUR 14,126 thousand can be primarily explained by the reduction of rental income due to the sale of the westendFirst property in the previous year as well as to planned, revitalization-related vacancies, particularly related to the Kureck project in Wiesbaden. The operating profit (earnings before taxes) for the fiscal year 2011 amounted to EUR 8,934 thousand, remaining at about the same level as the previous year. After taxes, IFM achieved a consolidated profit of EUR 5,759 thousand, which equates to an increase of 8.2%.

3. Revenue and Results

In fiscal year 2011, IFM achieved rental revenues and revenues due to charge of incidental expenses amounting to EUR 17,613 thousand. This was primarily comprised of rental income and prepayments for utilities. The slight decline of around 1.8% compared with the previous year (EUR 17,938 thousand) is primarily due to the discontinuation of rental revenues from the sold property westendFirst in Frankfurt as well as to planned vacancies in connection with ongoing revitalization projects. The latter primarily concerns the Kureck project in Wiesbaden, where the tenant R+V Versicherung moved out in January 2011, and the Zeilgalerie in Frankfurt, where the scheduled de-leasing of space was necessary in connection with ongoing revitalization work. A portion of the resulting decline in rental revenues could be offset over the course of the year through the increase in rental revenues from other properties thanks to new leasing successes. This primarily applies to the properties GutenbergPark in Mainz, Romeo & Julia in Frankfurt and Maxxon in Eschborn.

In 2011, rental revenues totalled EUR 14,126 thousand, which is 4.4% lower than in the previous year (EUR 14.773 thousand). Revenues due to the charge of incidental expenses increased by 10.2% to a total of EUR 3,487 thousand (previous year: EUR 3,165 thousand), which can primarily be attributed to higher rental quotas in the aforementioned properties.

Rental costs of EUR 469 thousand in the fiscal year 2011 were significantly higher than in 2010 (EUR 245 thousand) because rental payments for the property used by IFM itself were, for the first time, payable for the entire reporting period, whereas in the previous year they had been paid pro rata.

Costs due to incidental expenses amounted to EUR 4,909 thousand. The increase compared with the previous years' figure of EUR 4,820 thousand resulted from increased leasing successes from several projects. This allowed for a considerable portion of the additional incurred costs shown in the report to be offset through cost reduction measures, which we achieved in our Zeilgalerie project through a complete overhaul of the cost structure.

Other real estate related income primarily included construction costs reimbursed by tenants, which amounted to EUR 859 thousand in 2011 (previous year: EUR 831 thousand).

Other real estate related expenses amounted to EUR 1,628 thousand in 2011, much lower than in the fiscal year 2010 (EUR 2,702 thousand). These mainly include costs for real estate brokers in connection with leasing activities, as well as non-recoverable expenses for maintenance and renovation work. This was primarily impacted by lower expenses for real estate brokers within the reporting period.

There was no income from the sale of properties in 2011.

Income from the market assessment of investment properties amounted to EUR 11,101 in fiscal year 2011 (previous year: EUR 12,564 thousand). This was predominantly the result of revaluation due to rental successes achieved at Maxxon in Eschborn, Carré in Heidelberg, and the Zeilgalerie in Frankfurt.

Administrative expenses amounted to EUR 3,141 thousand in 2011. The slight increase compared to the previous years' figure of EUR 3,036 thousand can be explained in particular by costs associated with the planned issuance of a convertible bond. Personnel expenses amounted to EUR 3,600, considerably lower than in the previous year (EUR 4,330 thousand). This reduction is attributable to the fact that in 2010, bonus payments were made to the members of the Executive Board in connection with the sale of properties.

Other operating income amounted to EUR 923 thousand in fiscal year 2011 (same period of previous year: EUR 720 thousand). This primarily includes compensation for asset management services provided to third parties as well as the reversal of provisions. Compared with the previous year, other operating expenses went down by EUR 1,913 thousand to EUR 915 thousand. This resulted from the decline in expenses for compensatory payments for derivatives and for expenses reported in the previous year for an issued rental guarantee.

Interest and similar expenses amounted to EUR 9,914 thousand in the fiscal year 2011.

The result from the market assessment of derivatives used to hedge interest rates amounted to EUR 3,208 thousand in 2011 (previous year: EUR 69 thousand). This sharp increase reflects both the change in the interest rate and the shortening of the maturity times.

The net finance result of the fiscal year 2011 amounted to EUR -6,609 thousand (previous year: EUR -8,479 thousand).

In fiscal year 2011, the IFM Group achieved an operating profit (earnings before tax) of EUR 8,934 thousand, which is nearly equal to the value of the previous year.

Income taxes amounted to EUR 3,175 thousand and deferred taxes amounted to EUR 3,323 thousand.
IFM achieved a consolidated profit of EUR 5,759 thousand after taxes in 2011. This represents an increase of 8.2% compared with the previous fiscal year (EUR 5,321 thousand). This resulted in undiluted earnings per share in the amount of EUR 0.61 (previous year: EUR 0.57) as well as diluted earnings per share in the amount of EUR 0.60 (previous year: EUR 0.55).

4. Net Assets

The balance sheet total of the IFM Group amounted to EUR 356,631 thousand as of December 31, 2011, representing an increase of 3.6% compared to the previous year's reporting date (December 31, 2010: EUR 344,399 thousand). This primarily resulted from the further development of IFM's real estate portfolio.

The value of non-current assets amounted to EUR 348,122 thousand as of December 31, 2011. The 6.7% increase during the reporting year (December 31, 2010: EUR 326,175 thousand) is primarily due to value appreciation from investment properties. This item amounted to EUR 338,800 thousand as of the reporting date, representing an increase of EUR 23,900 thousand or 7.6% compared with the previous year (December 31, 2010: EUR 314,900 thousand).

The item „Other non-current assets" decreased by EUR 2,306 thousand or 29.2% to EUR 5,583 thousand (December 31, 2010: EUR 7,889 thousand). It contains both cash items to which IFM – for example due to pledges – has no direct access and rent divided into periods, which result in accordance with IFRS in cases in which rent-free times are granted when a rental contract is concluded.

Current assets amounted to EUR 8,509 thousand as of December 31, 2011 (December 31, 2010: EUR 18,224 thousand).

The decrease of this item can be attributed to investments for which funds had previously been set aside and which IFM realized in 2011. This investment activity is also reflected in the item „Cash and Cash Equivalents," which went from EUR 11,316 thousand down to EUR 1,990 thousand.

Equity of IFM Immobilien AG Group amounted to EUR 115,852 thousand as of December 31, 2011, representing an increase of 5.9% compared with the previous year (December 31, 2010: EUR 109,441 thousand). The equity ratio, which was 31.8% on the reporting date 2010, increased to 32.5% during the reporting period.

Long-term borrowed funds increased from the previous reporting date by 15%, to EUR 129,369 thousand (December 31, 2010: EUR 112,496 thousand). This was due to the increase in liabilities to banks to EUR 111,697 thousand (December 31, 2010: EUR 97,992 thousand), which arose primarily in connection with financing extensions and higher deferred tax liabilities from reversals on investment properties.

Short-term liabilities went from EUR 122,462 thousand down to EUR 111,410 thousand. Liabilities to banks saw an 8.8% decrease, going from EUR 105,483 thousand to EUR 96,200 thousand. The value of derivative financial instruments fell by 54.0% to EUR 1,951 thousand (December 31, 2010: 4,238 thousand) as a result of adjustments in the market value which resulted from changes to the interest rate and the shortening of maturity times.

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 entered into interest rate hedges when acquiring a property to cover any such changes for the planned duration of a project.

5.2. Financial Position

Cash flow from operating activities amounted to EUR -2,680 thousand in the fiscal year 2011 in comparison with EUR -8,422 thousand as of December 31, 2010. With an increase in consolidated profit to EUR 5,759 thousand (previous year: EUR 5,321 thousand), neutralized non-cash income amounted to EUR -11,228 thousand (previous year: EUR -10,664 thousand). Neutralized profit or loss from the sale of real estate and possessions amounted to EUR 8 thousand (previous year: EUR -2,837 thousand).

The cash flow from investment activities amounted to EUR -13,407 thousand. In the previous year this item in the amount of EUR 54,242 thousand was strongly impacted by the sale of the westendFirst and Ulmenstrasse 22 properties and the resulting proceeds from the sale of investment properties and property, plant and equipment for EUR 69,256 thousand, which did not occur in the fiscal year 2011. Cash paid for investments in investment properties amounted to EUR -13,105 thousand in 2011 (previous year: EUR -14,559 thousand).

Cash flow from investment activities amounted to EUR 4,460 thousand (2010: EUR -36,847 thousand). This change can primarily be attributed to the ‚ahead of schedule' repayment of loans in connection with the aforementioned sale of properties.

6. Staff

Our employees' qualifications, motivation, commitment and experience are crucial factors that influence the success of IFM as an investor and project developer on the commercial real estate market – not least with regard to our competitors on the same market. Professional qualifications and employee motivation are therefore of great importance in our company.

IFM employed a staff of 37 (excluding the two members of the Executive Board) as of December 31, 2011. Of these employees, six were employed at IFM AG and 31 plus one apprentice were employed at IFM Asset Management GmbH as well as at individual project companies.

The compensation system for Group staff depends on the individual services they perform. High performers therefore receive a voluntary bonus in addition to their fixed salary. In addition, the staff voluntarily receives 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 Tz. 3041.

C. Events After the Reporting Date

No significant events, with the exception of the following prolongations, impacting the situation and development of IFM have occurred since the end of the reporting period on December 31, 2011. After the end of the reporting period, IFM was able to successfully prolong the loans for the properties Gutenbergpark, Kureck and Zimmerstrasse totaling EUR 51.15 million. Of the liabilities to banks recognized as short-term as of December 31, 2011, EUR 38.5 million could be extended after the reporting period in such a way that they are not due in the course of the fiscal year 2012.

D. Opportunity and risk 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 relevance to IFM:

3.1. Sector and Market Risks

<u>Influence of real estate cycles:</u> The demand for space in the two commercial real estate market segments that IFM concentrates on – office space and retail space – is in our experienced governed by cyclical development. In addition, this

market is influenced by a variety of factors that IFM has no influence on and which are difficult to predict. This includes economic developments in particular. 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 are subject to fluctuations in interest rates greater than the usual market fluctuations. The margins for new agreements with banks in particular have increased substantially, offsetting the overall low interest rate to some extent. This continues to play a role. The interest level is very low again after the European Central Bank once more lowered the key lending rate to 1% in the face of signs of an economic slow-down. However, if the debt crisis situation calms down and the economy begins to recover, a higher key lending rate will become more likely once again.

To safeguard existing loan agreements at variable interest rates, which are thus subject to market fluctuations, IFM employed derivative instruments to hedge against interest rate changes in 2011. Should it be necessary to enter into interest rate hedging upon conclusion of future credit financing agreements, high volatility and medium-term interest rate expectations could lead to interest rate hedges only being available significantly higher than the current money market interest rate.

Availability of financing: The repercussions of the financial crisis coupled with regulatory changes in the banking sector and a potential worsening of the debt crisis are factors which constrain the capacity of banks and lower their readiness to issue credit. In many cases, financing for investment in real estate and project development is possible only if the risks for the bank financing the loan can be kept to a minimum. This means that the overall availability of financing for real estate projects will continue to be impaired. This is accompanied by an expected increase in demand for financing, as a large volume of financing for real estate companies will expire in the next few years and has to be refinanced. This can further exacerbate the shortage of financing options. Furthermore, approved lines of credit are liable to be suspended or canceled by the bank, and capital requirements may be increased if banks adjust their business policies to deal with market developments.

IFM has reported short-term liabilities to banks amounting to EUR 96,200 thousand in the balance sheet. This includes loans for the Maxxon property in Eschborn, the Zimmerstrasse property in Berlin and the Kureck property in Wiesbaden. The company is in negotiations with several banks regarding financing. Extension of all loans for the existing properties Romeo & Julia, Gutenbergpark, Kureck and Zimmerstrasse, which expired on December 31, 2011, was concluded by the date of presentation of the report. Extension for Romeo & Julia was signed before December 31, 2011. Term sheets from the financing banks were at least available as of December 31, 2011 for the other loan extensions.

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 the recognition of losses.

As the Groups 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:

Limited management capacity: 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. Management shortages resulting from the departure of the CFO at the end of 2011 will be compensated by external support.

Lagging lease rates: 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 a potential economic slowdown or exacerbation of the federal debt crisis on the economic situation on the financial position of financial service providers and companies in other sectors too, could make leasing transactions more difficult and could result in liquid assets shortages for existing tenants leading to an increased risk of missed payments.

Dependence on outside service providers: IFM outsources activities that do not fall under the company's core areas of competence to professional outside service providers. Should these outside service providers 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. 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 the Note 43 in the Notes for further details on risks associated with financial instruments.

As a rule all group companies have entered into loan agreements only 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.

Liquidity Risk: In-depth financial planning is undertaken at corporate level spanning many planning periods, so that investments can be coordinated with credit flow. Cash as well as the freely disposable securities of the Group decreased from EUR 14,516 thousand to EUR 5,145 thousand in 2011. The Group had unexhausted credit approvals totalling around EUR 5,944 thousand as of December 31, 2011. 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. These credit approvals are valid for a term of up five years. Based on current financial planning, the Executive Board anticipates that current cash, freely disposable securities, unexhausted credit approvals, funds released as part of the refinancing activities of existing properties as well as the projected cash flows to be sufficient to cover the foreseeable liquidity needs of the group.

Interest Rate Risk: 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.

Legal risks: For IFM, such risks result particularly from structural restrictions and approval procedures of the competent authorities. In addition, legal risks may arise from potential legal disputes in relation to business operations. As of the reporting date, IFM had no knowledge of any such legal disputes that could have a substantial influence on the Group.

3.4. Other Risks

Environmental damage/legacy pollution: When purchasing properties, it cannot be ruled out completely that legacy pollution 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

Low interest rates: As interest rates had declined to a historic low by the end of the reporting period after a temporary increase, the company anticipates being able to somewhat reduce individual future financing costs in the case of upcoming refinancing or financing extensions, despite margins that have increased considerably.

Attractive acquisition opportunities: The company still anticipates that institutional investors who have acquired large property packages over the past years and are confronted with refinancing problems will be forced to sell properties due to the increasing shortage of financing options as well as the stricter requirements of the issuing banks. As a result, properties would come onto the market at potentially attractive prices and be suitable for revitalization and investment by IFM.

Geographical expansion: From the point of view of management, regions in which many offices are located, particularly in Cologne, Düsseldorf, Munich and Hamburg, continue to offer further long-term growth potential. This is why IFM monitors these markets intensely. However, 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, particularly in light of 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 Sec. 315 (2), No. 4 and Sec. 315 (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 Notes to the Annual Financial Statements.

Mr. Georg Glatzel has been authorized to participate in the 2006 stock option plan. Moreover, he participates in the 2007 stock option plan, the third tranche of which took place in April 2009. Mr. Marcus Schmitz also participated in the 2007 stock option plan until his departure from the company as of December 31, 2011. He received no further subscriptions or severance packages in connection with his departure. He exercised the stock options granted to him until the stock option plan 2007.

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 AG's articles of incorporation. Each member of the advisory body receives a fixed annual amount of EUR 27 thousand. The Chair of the Supervisory Board receives three times the fixed and variable amounts and the Vice-Chairman receives double the amount of ordinary Supervisory Board members. In addition, the Chair of the Supervisory Board is to receive monthly office expenses of EUR 500. Members of committees receive additional compensation in the amount of EUR 3.0 thousand per committee per year; the Chairman of a committee receives double this amount. Furthermore, the company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses.

Information about composition of issued capital (§ 315 Para. 4 No. 1 of the HGB): As of December 31, 2011, IFM AG's share capital was EUR 9,364,599, which was divided into 9,364,599 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: An amount of 49.63% is allocated to a Norwegian consortium of shareholders, consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS. Furthermore, CEO Georg Glatzel owns direct and indirect shares amounting to 9.89% and Supervisory Board member Luca Pesarini own shares amounting to 7.92%.

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 an agreement 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: IFM Immobilien AG originally had authorized capital of EUR 4,250,000, as decided by the annual shareholders meeting 2007 (Authorized Capital 2007). Of this, an installment of EUR 849,999 was used when the company's capital increase to EUR 9,349,999 was decided on July 18, 2008. At the annual shareholders' meeting on May 24, 2011, it was decided to completely cancel the remaining Authorized Capital 2007 in the amount of EUR 3,400,001 and to authorize the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by up to EUR 4,500 thousand in one or more transactions by April 30, 2016, by issuing up to 4,500,000 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 to guarantee shares for the purpose of purchasing companies, parts of companies or shares in companies, as well as land, property or shares in land or properties;
- if necessary, to allow the bearers or holders of convertible bonds issued by the company and/or warrants under warrant bond agreements subscription rights to new shares to the extent to which they would be entitled upon exercising option or conversion rights or upon fulfilling option or conversion obligations as shareholders; or
- if capital is increased in return for cash and the total proportional value of the share capital due for the new shares, for which subscription rights are excluded, does not exceed 10% of the share capital available when the new shares are issued and the issue value of the new shares is not significantly lower than the trading price of the already stock-listed shares with the same class and conditions at the time of the final definition of the issue value by the Executive Board in accordance with §§ 203 Para. (1) and (2), 186 Para. (3) Clause 4 AktG.

The authorized capital was not used in 2011. An amount of EUR 4,500 thousand remained unused as of December 31, 2011.

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. All of these stock option plans were fully granted in 2006. These option rights expired in the fiscal year under review.

- 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. The termination of an employment contract led to the expiry of 90,000 stock option plans. 14,600 stock option plans were exercised.

Conditional Capital:

- Conditional capital 2006: The company's share capital was conditionally increased by up to EUR 120 thousand 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. These option rights expired in the fiscal year under review.
- Conditional capital 2007 I: The company's share capital was conditionally increased by up to EUR 3,400 thousand 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 thousand 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. 14,600 stock option plans were exercised in fiscal year 2011. As of December 31, 2011, unexhausted conditional capital amounted to EUR 715 thousand.

Purchase of Own 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 share capital at the time of EUR 9,349,999. In this, it was stipulated that 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 §§71a ff. AktG, may at no point exceed 10% of the share capital. The authorization could 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 could not be undertaken for the purpose of trading in own shares. The authorization could 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 remained valid until September 21, 2011. The authorization was neither fully nor partially exercised during the period of its validity.

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 2011.

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

In January 2012 the International Monetary Fund (IMF) considerably reduced its growth forecast for the remaining course of the year due to factors including tensions in the eurozone, difficult financing conditions and the increasing risk of an economic downturn. It is said that a slowdown of global economic growth is faced with increasing financial risks. The IMF now only expects economic growth of around 3.25% for 2012, which is a decrease of 0.75 percentage points compared with their forecast from September 2011.

In regard to the economies of developed industrial countries, the IMF only expects growth of around 1.2%. Growth in emerging markets is expected to be 5.4%, which is considerably lower than in previous years. For 2013, however, IMF analysts once again expect higher global growth of 3.9%.

For the eurozone, the IMF has forecast growth rates of –0.5% for 2012 and 0.8% for 2013. It is likely that Germany can positively distance itself from this relatively weak trend. The IMF anticipates growth in the German economy for 2012, albeit only slight at 0.3%. This is expected to accelerate to 1.5% in 2013.

In its annual economic report for 2012, the German Federal Government predicts slightly higher growth of the German gross domestic product (+0.7%) but concurs with the IMF in predicting that Germany will grow somewhat more strongly than the eurozone as a whole. The German Federal Government expects, however, that the German economy, after overcoming a temporary economic downturn, will once again return to growing at a higher rate, whereby said growth will continue to shift towards internal economic demand.

Here we must emphasize, however, that these growth projections are made under the assumption that Europe will continues to make progress in solving the debt crisis and that market uncertainty will gradually decline. The aforementioned report names the worsening of the debt crisis as the number one risk for economic development in 2012. Despite the expected downturn in growth, the German Federal Government anticipates an annual average increase in the workforce of around 220,000 people. The increase in unemployment as reported by the Federal Employment Agency in February 2012 was attributed to seasonal factors.

In its monthly report from February 2012, the Deutsche Bundesbank also points out that the German labor market should continue to expand despite the temporary economic slowdown. In the report it was also stated that the outlook for the German economy recently cleared up considerably whereas the risks associated with the debt crisis continued to exist. It goes on to say that after external economic impediments continue to burden production in Germany during the first quarter of 2012, cyclical market trends should, however, take over once again starting in the spring. The assumption underlying their projection from December 2011 – namely that the growth process should once again start to proceed at a brisk pace – is now to be considered more likely. The Bundesbank names both strong demand for construction as well as private consumption as initiators for growth in Germany.

Sources:
International Monetary Fund, Update on the World Economic Outlook, January 24, 2012
German Federal Government, Annual Economic Report 2012 (Abridged version)
Deutsche Bundesbank, Monthly Report February 2012
Federal Employment Agency, press release from February 29, 2012

2. Projected Trends for the Commercial Real Estate Market

Although the economic slowdown has so far not had any appreciable impact on the development of the commercial real estate market in Germany, Jones Lang LaSalle (JLL) has stated that general conditions around the world have objectively worsened. The outlook for the real estate industry in 2012 will be strained by the effects on the financial sector, which provides the real estate industry with necessary loans. An increase in the supply of real estate is becoming apparent, but there is only enough corresponding demand in the „top quality" segment.

According to JLL, the transaction volume on the German real estate investment market is expected to remain on the same level as in 2011. Although shortages in financing pose an obstacle to investment activities and analyzing acquisitions takes significantly longer, analysts at JLL by no means foresee an „ice age" for investment. One positive stimulus for the German market could result from the simple fact that Germany is considered to be a „core country." Reasons include the relatively low national debt, stable growth, large and solvent real estate markets, good refinancing options, political stability and legal security.

Restrictive factors mentioned in the report are the reduced issuance of bank loans and the increase in the cost of borrowed funds on German investment markets. According to the report, „prime" and „core" products in all sectors should expect a lasting surplus in demand, which is why gains are only likely to be realized in the high-end sector. Conversely, a surplus in supply is expected outside of the prime and core segments due to more unfavorable refinancing conditions.

In particular, JLL expects a decrease in leasing revenue from the office leasing market in the second half of 2012. The space turnover is likely to once again amount to less than three million square meters, shifting toward the averages from 2007 to 2011. The volume of new buildings will probably reach a similar magnitude to that of 2011. A slight reduction in vacancies is once again possible, as only 36% of the expected 882,000 square meters are still available on the market.

For 2012, JLL anticipates that high-end office rentals will continue to grow due to the lasting demand for centrally-located office space with first-class features. However, the projected 2% growth rate is slightly lower than in the previous year.

Paribas Real Estate expects the German retail real estate market to experience a consolidation in 2012. A slump is not expected. A synopsis of the most important factors paints a thoroughly positive picture. Foreseeable losses from exports in EU countries can likely be partially compensated for through trade with the USA and countries in Eastern Europe, which has once again become an attractive option. At the same time, internal demand and private consumption are expected to have a stabilizing influence. An economic slump is therefore unlikely according to Paribas Real Estate, as long as the debt and currency crisis does not escalate.

In this context, the prospects for German retail can be considered overall quite positive. The foundation for increasing retail revenue is formed by anticipated growth in consumers' disposable income as well as continued consumer confidence. This is buttressed by the rapidly sinking inflation rates forecast for 2012 and 2013. This means that for 2012, the conditions for good space turnover and high investment volume in the retail property market have been met.

Sources:
Jones Lang LaSalle, Press Release of January 5, 2012
Jones Lang LaSalle, Office Market Overview Q4 2011
BNP Paribas Real Estate, Property Report Retail Market in Germany 2012

3. Strategic Focus of IFM

IFM will continue to remain true to its strategy, continuing to act as an investor and active project developer for commercial real estate properties with a focus on office and downtown retail use. Within this scope, the IFM Group particularly focuses on revitalizing existing properties as well as on the more classic development of new buildings. The focus is on activities that match our core competences in the areas of redevelopment, restructuring and repositioning.

In the future, the IFM Group 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 thus stand out from other offers on the market.

The IFM Immobilien Group and thus IFM Immobilien 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. Other attractive property locations in urban areas such as Hamburg, Munich or Cologne/Düsseldorf are closely monitored by management. For the short and medium term, however, the focus will remain on the Rhine-Main-region and on Berlin. Here, IFM plans to invest in both office real estate and downtown retail properties. An appropriate distribution of risks is ensured here because these two real estate market segments are subject to different cyclical developments and shaped by factors of influence specific to each segment.

IFM must carry out sales transactions in order to grow organically. The Executive Board therefore regularly monitors the market for opportunities that would allow for the desired value appreciation in the portfolio to be achieved through the sale of certain properties as long as this can be done with attractive conditions.

4. Financial Outlook

The Executive Board is confident that IFM's existing portfolio can be developed further in 2012 and 2013, thereby tapping opportunities for increasing rental income and the value of properties, which will once again have a positive effect on the Group's profit. However, it must be mentioned that the performance of the properties depends not only on factors which IFM can control, but also to a great extent on factors which the Group cannot influence, such as the general performance of the real estate market.

The Executive Board anticipates that in 2012 and 2013, IFM will once again achieve a result similar to that which was achieved in 2011. However, it must be pointed out that economic conditions in particular have considerable influence on the market assessment of properties, which therefore has an impact on IFM's consolidated profit.

Barring any unforeseen negative events with significant consequences for the company, IFM can, in the view of the Executive Board, continue to implement its previously successful business policies in the coming year as well.

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 to the annual report from December 31, 2011.

2. Net Assets

The balance sheet total of IFM AG as of December 31, 2011 declined slightly compared with that of the previous year, going down from EUR 97,056 thousand to EUR 96,239 thousand. Under non-current assets, the item „Land, rights and buildings similar to land including buildings and structures on third-party premises" within property, plant and equipment which had not been incurred as of the previous reporting date amounted to EUR 1,512 thousand as of December 31, 2011. The reason for this is the acquisition of the Schöne Aussicht property in Wiesbaden. The increase of shares in affiliated companies listed under financial assets to EUR 57,333 thousand mostly corresponds with the reduction of accounts receivable from affiliated companies to EUR 32,319 thousand, which reflects the inclusion of receivables into additional paid-in capital.

The liquid assets can be broken down as follows:

- Accounts receivable from affiliated companies: EUR 32,319 thousand (previous year: EUR 42,118 thousand).
- Other assets: EUR 2,054 thousand (previous year: EUR 3,707 thousand).
- Securities: EUR 2,401 thousand (previous year: EUR 2,401 thousand).
- Cash and cash equivalents: EUR 352 thousand (previous year: EUR 5,154 thousand).

The company's equity decreased from EUR 91,144 thousand to EUR 88,543 thousand. This was mainly due to the annual deficit in the amount of EUR 2,680 thousand, which overcompensated for payments into the company's capital in connection with the exercise of stock option plans. The equity ratio had thus decreased from 93.9% to 92.0% on the reporting date.

The reduction of other provisions to EUR 602 thousand can primarily be attributed to the fact that provisions for possible losses in connection with derivatives were no longer completely needed.

Liabilities can be broken down as follows:

- Liabilities to banks increased from EUR 128 thousand to EUR 1,462 thousand in connection with financing the acquisition of the Schöne Aussicht property in Wiesbaden.
- Trade accounts payable: EUR 310 thousand (previous year: EUR 202 thousand).
- Accounts receivable from affiliated companies: EUR 3,845 thousand (previous year: EUR 3,750 thousand).
- The increase in other liabilities from EUR 88 thousand in the previous year to EUR 751 thousand resulted from calculations made on the basis of detailed accounting documents which allowed for the transfer of other provisions into the item other liabilities.

3. Results of operations

The result of the IFM Immobilien AG decreased from an annual net profit of EUR 9,018 thousand to an annual deficit of EUR 2,680 thousand in fiscal year 2011. Revenue decreased to EUR 1,494 thousand (previous year: EUR 2,197 thousand) which was mainly the result from the cause-related distribution of allocations. The decline in other operating income from EUR 4,501 thousand to EUR 1,388 thousand is mainly due to the fact that the sale of the Ulmenstrasse 22 property still had an impact in 2010, whereas in 2011 this item mainly contained compensatory payments in connection with derivatives.

The cost of goods sold, which mainly resulted from rental costs and operating costs for the Ulmenstrasse 22 rental property, declined to EUR 330 thousand in the fiscal year 2011 (previous year: EUR 377 thousand). Personnel expenses declined to EUR 1,359 thousand (previous year: EUR 1,910 thousand), which can primarily be attributed to costs incurred for executive board compensation in 2010 in connection with the sale of the westendFirst and Ulmenstrasse 22 properties.

Depreciation and amortization amounted to EUR 49 thousand (previous year: EUR 70 thousand). Other operating expenses went down by EUR 4,216 thousand to EUR 3,977 thousand. Income from equity investments, which had increased to EUR 10,073 thousand in the previous year due to profit shares from shares in partnerships, particularly from the sale of the westendFirst property, amounted to EUR 139 thousand in 2011.

Interest income, which mainly related to interest on loans from IFM AG to its project companies, went down from EUR 1,131 thousand to EUR 806 thousand due to a reduction in loan volume. Interest and similar expenses increased to EUR 113 (2010: EUR 41 thousand). This mainly resulted from financing the acquisition of the previously mentioned property in Wiesbaden.

Expenses for transfer of losses were EUR 596 thousand (previous year: EUR 698 thousand). This was related to the losses of IFM Asset Management GmbH transferred under the profit and loss transfer agreement entered into with IFM AG.

4. Financial Position

IFM AG used mainly interest income from subsidiaries, cost allocations and liquid assets to finance itself in the fiscal year 2011. At the beginning of the fiscal year, the company had liquid assets of EUR 5,154 thousand, which decreased to EUR 352 thousand by the reporting date December 31, 2011.

In addition, securities from current assets were EUR 2,401 thousand (previous year: EUR 2,401 thousand).

In the year under review, borrowed funds increased from EUR 5,912 thousand to EUR 7,696 thousand, mainly due to financing the acquisition of property in Wiesbaden and to the increase in the item „other liabilities." The overall indebtedness of the company, however, increased from 6.5% in the previous year to 8.6% as of December 31, 2011.

5. Financial outlook for IFM AG

The current market situation is strongly influenced by insecurity within capital markets brought about by the continuing debt crisis. Although economists' predictions have recently become less pessimistic, this development could still have a strong impact on other areas of the economy, particularly on the real estate industry. IFM AG must also take into account the possibility that its business performance in 2012 could be thusly affected in an economic and financial sense.

As the result of the fiscal years 2012 and 2013 will strongly depend on future economic developments, the sale of additional properties and the legal form of the associated companies through which they are sold, we would like to refer you to the main statement on this matter in the Group's Financial Outlook.

Heidelberg, March 26, 2012

Georg Glatzel

Executive Board

Consolidated Financial Statements IFRS

Consolidated balance sheet of IFM Immobilien AG on December 31, 2011

Assets	Note	Dec 31, 2011 EUR 000	Dec 31, 2010 EUR 000
Non-current assets			
Investment properties	3000	338,800	314,900
Office and other eqipment	3001	638	693
Goodwill	3002	389	389
Other intangible assets	3003	306	159
Advance payment made		37	128
Other Non-Current Assets	3004	5,583	7,889
Derivative financial instruments		0	2
Deferred tax assets	3005	2,369	2,015
Total non-current assets		**348,122**	**326,175**
Current assets			
Trade accounts receivable	3010	1,763	1,879
Inventory		34	0
Other current assets and deferred income and accrued expenses	3011	682	580
Tax receivables	3012	885	1,249
Securities	3013	3,155	3,200
Cash and cash equivalents	3014	1,990	11,316
Total current assets		**8,509**	**18,224**
Total current assets		**356,631**	**344,399**

Consolidated balance sheet of IFM Immobilien AG on December 31, 2011

Liabilities	Note	Dec 31, 2011 EUR 000	Dec 31, 2010 EUR 000
Equity			
Issued capital	3020	9,365	9,350
Additional paid-in capital	3020	79,536	79,431
Other reserves	3021	7,977	7,506
Retained earnings	3022	18,590	12,915
Equity attributable to Group shareholders		115,468	109,202
Minority interests	3023	384	239
Total equity		**115,852**	**109,441**
Long-term liabilities			
Liabilities to banks	3040	111,697	97,992
Other long-term liabilities	3041	2,082	1,195
Derivative financial instruments	3042	877	2,474
Deferred tax liabilities	3043	14,713	10,835
Total long-term liabilities		**129,369**	**112,496**
Short-term liabilities			
Provisions for taxes	3050	2,477	2,579
Other provisions	3051	3,900	3,692
Liabilities to banks	3052	96,200	105,483
Trade accounts payable	3053	4,396	4,392
Derivative financial instruments	3054	1,951	4,238
Other short-term liabilities and Deferred income and accrued expenses	3055	2,486	2,078
Total short-term liabilities		**111,410**	**122,462**
Total short-term liabilities		**356,631**	**344,399**

Group Statement of Comprehensive Income for the period from Jan 1 to Dec 31, 2011

	Note	2011 EUR 000	2010 EUR 000
Total income before EBIT		**30,496**	**34,713**
Total expenses before EBIT		**-14,953**	**-17,337**
1. Rental income	311	14,126	14,773
2. Revenues due to charge of incidental expenses	311	3,487	3,165
3. Rental expenses	312	-469	-245
4. Expenses from incidental expenses	312	-4,909	-4,820
5. Other real estate related income	313	859	831
6. Other real estate related expenses	314	-1,628	-2,702
Result from property management		**11,466**	**11,002**
7. Profit from the sale of properties		0	66,500
8. Carrying amounts and expenses from the sale of properties		0	-63,840
Result due to sale of investment properties		**0**	**2,660**
9. Profit from market assessment of investment properties	315	11,101	12,564
10. Expenses from market assesssment of investment properties		0	0
Result from market assessment of investment properties		**11,101**	**12,564**
11. Administrative expenses	316	-3,141	-3,036
12. Personnel expense	317	-3,600	-4,330
13. Depreciation and amortization	318	-291	-291
14. Other operating income	319	923	720
15. Other operating expenses	320	-915	-1,913
Other operating result		**-7,024**	**-8,850**
Earnings before interest and taxes (EBIT)		**15,543**	**17,376**
16. Other interest and similar income	321	97	424
17. Interest and similar expenses	321	-9,914	-8,972
18. Gain or Loss on market assessment of derivates	321	3,208	69
Net finance result		**-6,609**	**-8,479**

Group Statement of Comprehensive Income for the period from Jan 1 to Dec 31, 2011

	Note	2011 EUR 000	2010 EUR 000
Earnings before taxes (EBT) - operating profit		**8,934**	**8,897**
19. Income taxes	322	-3,175	-3,576
(including: deferred taxes)		(-3,323)	(-1,213)
Consolidated profit after taxes		**5,759**	**5,321**
attributable to minority interests	323	84	30
attributable to IFM AG shareholders		**5,675**	**5,291**
Undiluted earnings per share (in EUR)	33	0.61	0.57
Diluted earnings per share (in EUR)	33	0.60	0.55
Income and expenses recognized directly in total equity			
20. Cash flow hedges Fair value adjustments recognized in total equity		672	1,811
21. Deferred taxes		-201	-151
Result of income and expenses recognized directly in total equity		**471**	**1,660**
Total comprehensive income		**6,230**	**6,981**
attributable to minority interests		84	30
attributable to IFM AG shareholders		**6,146**	**6,951**

Group Changes in Equity for the period from Jan 1 to Dec 31, 2011

		Reserves		
	Issued capital EUR 000	Capital reserve EUR 000	Other reserves EUR 000	Retained earnings/ distributable profit EUR 000
As of January 01, 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**
As of January 01, 2011	**9,350**	**79,431**	**7,506**	**12,915**
Stock option plans		41		
Total comprehensive income			471	5,675
Changes to the scope of consolidation				
Capital increase with stock options	15	64		
Contribution paid-in capital minority interests				
As of Dec 31, 2011	**9,365**	**79,536**	**7,977**	**18,590**

Group Changes in Equity for the period from Jan 1 to Dec 31, 2011

	Group shareholders attributable equity EUR 000	Minority interests shares EUR 000	Equity total EUR 000
As of January 01, 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**

As of January 01, 2011	**109,202**	**239**	**109,441**
Stock option plans	41	0	41
Total comprehensive income	6,146	84	6,230
Changes to the scope of consolidation	0	7	7
Capital increase with stock options	79	0	79
Contribution paid-in capital minority interests	0	54	54
As of Dec 31, 2011	**115,468**	**384**	**115,852**

Group Cash Flow Statement on December 31, 2011

Group Cash Flow Statement	2011 EUR 000	2010 EUR 000
1. Consolidated result	5,759	5,321
2. + Depreciation and amortization of other intangible assets and equipment	291	291
3. -/+ Other non-cash income / expenses	-11,228	-10,664
4. - Profit/ loss from the sale of property, plant and equipment	8	-2,837
5.- Increase / + decrease in trade accounts receivable, other short and long term assets and other assets	451	-458
6. - Decrease / + increase in trade accounts payable and other liabilities	2,039	-75
7. = Cash flow from operating activities (total of 1 to 6)	**-2,680**	**-8,422**
8. - Cash paid for investments in investment properties	-13,105	-14,559
9. - Cash paid for investments in intangible assets and property, plant and equipment	-335	-478
10. + Proceeds from the sale of investment properties and properties recognized as tangible fixed assets	0	69,256
11.- Proceeds from investments in intangible assets and property,		
plant and equipment	33	23
12. + Proceeds from selling securities	0	0
13. = Cash flow from investing activities (total of 8 to 12)	**-13,407**	**54,242**
14. + Proceeds from the issuance of shares	79	0
15. - Cash paid to minority shareholders	0	-750
16. + Proceeds from bank loans	6,728	8,047
17. - Cash repayments of bank loans and other loans	-2,347	-44,144
18. = Cash flow from financing activities (total of 14 to 17)	**4,460**	**-36,847**
19. Cash changes in cash and cash equivalents (Total of position 7, 13, 18)	-11,627	8,973
20. Other changes in cash and cash equivalents	2,301	-2,700
21. + Cash and cash equivalents at beginning of period	11,316	5,043
22. = Cash and cash equivalents at the end of period (total of pos 19, 20, 21)	**1,990**	**11,316**


IFM IMMOBILIEN AG

A General Information

01 IFM Immobilien AG Consolidated Financial Statements

IFM Immobilien AG (also referred to as: "IFM AG," or the "parent company") has its registered office and principal place of business in Heidelberg, Germany. The fiscal year 2011 is the same as the calendar year at all Group companies.

The preparation date for the consolidated financial statements as of December 31, 2011 was March 26, 2012, 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 thousand).

IFM Immobilien AG discloses its consolidated financial statements in accordance with § 264 Para. 3 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 of the German Commercial Code.

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. However, they have not greatly affected the Group:

- IAS 32: Rating of Subscription Rights: As per IAS 32, subscription rights as well as options and warrants to a fixed number of own shares in exchange for a fixed amount in an optional currency shall now be listed as equity instruments if they are granted to all existing shareholders of the same class on a pro rata basis (to be applied to fiscal years beginning after February 1, 2010).

- IFRIC 19: Repayment of Financial Liabilities Using Equity Instruments: Here, accounting is governed by the debtor if newly negotiated contract conditions of a financial liability allow the debtor to repay the financial liability in full or in part by issuing own equity instruments and if the creditor is an independent third party (to be applied to fiscal years beginning on or after July 1, 2010).
- IAS 24: Information about Relationships with Related Parties (revised 2009): With the amendment of this stan-

dard, especially the definition of related parties has been fundamentally revised. Additionally, relief provisions for companies which are under the control, shared management or significant influence of the public sector have been introduced (to be applied to fiscal years beginning on or after January 1, 2011).

- IFRIC 14/IAS 19: Advance Payments Within the Framework of Minimum Funding Requirements: The economic benefits of advance contribution payments of the company, which minimize the future contribution payments due to the minimum funding requirements, is now capitalized as asset (to be applied to fiscal years beginning on or after January 1, 2011).

- IFRS 3: Business Combinations: These amendments concern a) transitional regulations for contingent payments, b) valuation of non-controlling shares and c) accounting of non-replaced and voluntarily replaced share-based payment awards. The corresponding provisions are to be applied to fiscal years beginning on or after July 1, 2010. These amendments are not applicable since the Group has no business combinations to report in the current fiscal year.

- IFRS 7: Information on the Type and Extent of Risks Associated with Financial Instruments: As per IFRS 7, among other things, information about the type and extent of risks associated with financial instruments are necessary. During the annual improvement process, different clarifications and amendments in terms of content were included in the standard (to be applied to fiscal years beginning on or after January 1, 2011).

- IAS 1: Presentation of Financial Statements: A clarification of IAS 1 was made, which states that the required breakdown of other results into its individual items at the reconciliation of equity components from the carrying amount at the beginning of period to the carrying amount at the end of period can optionally be listed in the notes and does not necessarily have to be listed in the Group Changes in Equity statement.

- IAS 27: Consolidated and Individual Financial Statements: This concerns timely implementation requirements for amendments to IAS 21 Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Venture which were released as a result of the amendments to IAS 27 (to be applied to fiscal years beginning after July 1, 2011).

- IAS 34: Explanatory Notes to Material Events and Transactions: The amendments to the wording of IAS 34 make clear that such events and transactions, which are material for an understanding of any changes since the reporting date of the company's asset position, financial position, and results of operations, shall be published in the interim financial report (to be applied to fiscal years beginning on or after January 1, 2011).

- IFRIC 13: Kundenbindungsprogramme: Customer loyalty programs: The amendments to IFRIC 13 pertain to a clarification on the valuation of award credits. There is clarification that the fair value of an award credit shall generally be listed as the amount at which the award credit could be sold separately. (to be applied to fiscal years beginning on or after January 01, 2011.)

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 at an early stage. The ultimate effects on the consolidated financial statements of IFM AG have not been fully determined for issued standards which are not yet mandatory. In particular these are the following regulations:

- IAS 19, Employee Benefits was changed in June 2011. The corridor approach is abolished and all actuarial profits and losses are recorded on their occurrence in other results. Past service costs are recorded immediately, interest expenses and expected income on plan assets are determined taking into account the interest rate underlying the defined benefit obligation. This regulation does not affect the Group.

- IFRS 9, Financial Instruments deals with the classification, recognition and measurement of financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010. This standard replaces those sections of IAS 39 Financial Instruments: Recognition and Measurement that deal with the classification and measurement of financial instruments. As per IFRS 9, financial assets are classified in two measurement categories: those, measured at the fair value and those that are measured at amortized cost. Definition is carried out at initial recognition. Classification depends on the way the Group has managed its financial instruments and on the contractually agreed payment flows which are connected to the financial instruments. Most of the regulations of IAS 39 for financial liabilities were retained. The main change is that in case of the exercising of the measurement at fair value, the changes to the value which result from the company's own risk are recorded in other results instead of in the statement of comprehensive income, unless this results in an inaccurate presentation. According to the latest knowledge, these regulations are required to be applied for the first time for fiscal years beginning on or after January 1, 2015.

- IFRS 10, Consolidated Financial Statements is based on existing principles. The focus of IFRS 10 is on the introduction of a uniform consolidation model for all companies which considers the subsidiary being controlled by the parent company. Furthermore the standard includes additional guidelines that support the determination of an existing control, particularly for difficult cases. The provisions are to be applied to fiscal years beginning on or after January 01, 2013.

- IFRS 12, Disclosure of Interests in Other Entities combines the revised reporting requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11 as well as IAS 28 in one standard. The Group has not yet evaluated the complete effects of IFRS 12 and will apply IFRS 12 at the latest in the fiscal year beginning on January 1, 2013.

- IFRS 13, Improving the measurement continuity and reducing the complexity are the objectives of IFRS 13 Fair Value Measurement. It describes how to define the fair value, how to determine the measurement and the tasks which need to be performed. The regulations, bringing with them an approximation of IFRS and US GAAP, do not expand the measurement's scope of application on the fair value, but in such cases where this is already required or allowed by the standard, the regulations explain how the fair value is to be applied. The Group will apply IFRS 13 in the fiscal year beginning after January 1, 2013 at the latest.

There are no further standards or interpretations which are not yet mandatory and which could materially affect the Group.

B Summary of Material Accounting Principles

10 Consolidated Accounting Principles

100 Presentation Principles

The Group statement of comprehensive income has been preparedbased on the recommondations of EPRA (European Public Real Estate Association). 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 either directly or indirectly holds more than half of the voting rights. This means that IFM AG governs the financial and operating policies of these companies. The scope of consolidation generally 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, Heidelberg	„westendFirst“, Frankfurt; sale of the property in the fiscial year 2010; company still exists
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	General partner in IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg
IFM Property Project Ulmenstraße GmbH, Heidelberg	„Romeo & Julia“, Frankfurt
IFM Property Project Mainz GmbH, Heidelberg	„GutenbergPark“, Mainz
IFM Property Project Zimmerstraße GmbH, Heidelberg	„Zimmerstraße/Mauerstraße“, Berlin
IFM Property Project Eschborn GmbH, Heidelberg	„Maxxon“, Eschborn-Süd
IFM Property Project Feldbergstraße GmbH, Heidelberg	„Feldbergstraße“, Frankfurt; sale of the property in the fiscial year 2010; company still exists
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	Shareholder in IFM Property Project Darmstadt GmbH, Heidelberg

NEWCOM Property Verwaltungs GmbH, Heidelberg	General partner in NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
IFM Property Project Darmstadt GmbH, Heidelberg	"OfficeTower", Darmstadt
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	Shareholder in the following entities: IFM Property Project - Adolfsberg GmbH & Co. KG - Hochhaus GmbH & Co. KG - Sonnenberger Straße 2/2a GmbH & Co. KG - Sonnenberger Straße 2b GmbH & Co. KG - Taunusstraße 1 GmbH & Co. KG - Taunusstraße 3 GmbH & Co. KG
IFM Property Project IX GmbH, Heidelberg	General partner in IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg, and the following individual project companies of the property Kureck
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	„Kureck", Wiesbaden
IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg	Shareholder in IFM Property Project Frankfurt-Zeil GmbH, Heidelberg and Sankthorst Concept Store GmbH, Heidelberg
IFM Property Project VIII GmbH, Heidelberg	General partner in IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg
IFM Property Project Frankfurt-Zeil GmbH, Heidelberg	„Zeilgalerie", Frankfurt
IFM Asset Management GmbH, Heidelberg	Asset Management
Sankthorst Concept Store GmbH, Heidelberg	Service company for the management of retail, restaurant and event space

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 wholly owned 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 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.

The Sankthorst Concept Store GmbH, Heidelberg, was acquired and fully consolidated for the first time in the current fiscal 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 offsetting the investment book value 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.

The general 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 generate rental income and/or for capital appreciation (cf. IAS 40.5). This item also includes property under construction or development as per IAS 40 (rev.).

Properties that are in part held to generate rental income and/or for capital appreciation and in part for the company's own use, are accounted for separately as far as the requirements of IAS 40.10 are available. Otherwise these properties only represent investment properties and are accounted for as such, if the part held for the company's own use or for administrative purposes on the whole is insignificant.

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. A fair value can be reliably determined for all properties of the Group to the end of 2011.

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. (for details refer to Note 20)

1302 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.

1303 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.

1304 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.

1305 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 ("LAR") 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 the profit and loss ("HFT") 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.

- Derivatives used for hedging. Subsequent gains and losses are recognized in Group equity with no impact on comprehensive income.

- Financial assets available-for-sale ("AFS") 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:

- Liabilities at fair value through the profit and loss ("HFT") held for trading, the subsequent profits and losses of which are given under the net finance expense. These are primarily derivatives.

- Liabilities through the profit and loss used for hedging (derivatives used for hedging) for which changes in market value are recognized in equity with no effect on profit or loss.

- Other financial liabilities at amortized cost ("AMC") 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 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.

Profits and losses from other derivative financial instruments are recorded in other operating income and expenses.

1306 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 2011
- 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.

1307 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 compensation for future work performed, selected employees of the company 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). 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 canceled, the resulting disposal relevant to profit or loss is canceled from the books.

1308 Realization of Income

Rental income, revenues due to charge of incidental expenses and other real estate related income include all income from the Groups 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.

1309 Depreciations

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.

13010 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.

13011 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 lessors 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 lessees 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.

13012 Changes in Reporting and Accounting Principles

At the start of the fiscal year 2011, changes were made in the information shown, the allocation and the notation of the consolidated income statement in order to provide better presentation and transparency, based on the recommendations of the EPRA (European Public Real Estate Association). The figures from the previous year were adapted accordingly. Changes in allocation are shown in the explanatory notes on the points in the consolidated income statement.

There were no additional material changes in the reporting and accounting principles used in this fiscal year.

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.

In accordance with IAS 40, the fair value of investment properties amounting to EUR 338,800 thousand (previous year: EUR 314,900 thousand) is assessed in appraisals prepared by independent, external experts. These appraisals are based on the income capitalization approach according to the property valuation regulation taking into account current market data. Underlying assumptions and estimates in these cases relate especially to sustainable annual net income, management costs and property yields. Investment costs still to be made and differences of the gross annual earnings currently obtainable according to the lease agreement to the gross annual earnings usual in the market are recognized through special values. Similar to the resulting fair values, the underlying assumptions and estimates may fluctuate greatly over time and affect profits accordingly.

The main assumptions underlying the calculation of fair values by the expert are summarized below:

	31.12.2011		**31.12.2010**	
	Average	**Margin**	**Average**	**Margin**
Property yield in %	5.67	4.50 - 6.75	5.66	5.00 - 6.75
Maintenance costs in % gross annual rental earnings	5.87	2.50 - 9.30	6.02	2.50 - 8.96
Administration costs in % of gross annual rental earnings	3.12	2.00 - 4.00	2.79	2.00 - 4.00
Remaining period of use in years	46.92	34 - 57	47.96	35-58
Risk of loss of rent in % of gross annual rental earnings	4.14	3.50 - 5.50	4.12	3.50 - 5.50

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 12,800 thousand (previous year: EUR 12,750 thousand) or increased by approximately EUR 13,350 thousand (previous year: EUR 13,100 thousand), respectively.

C Explanatory Notes to the Consolidated Financial Statements

30 Explanatory Notes to the Consolidated Balance Sheet

300 Non-Current Assets

3000 Investment Properties

The line item for investment properties represents properties held to generate rental income and/or for capital appreciation, in 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. Additions comprise subsequent costs of acquisition and creation.

This refers to the following properties:

	As of Jan 01, 2011 EUR 000	Additions / Reclassifications EUR 000	Changes in fair value EUR 000	As of Dec 31 2011 EUR 000
„Das Carré“ Heidelberg	29,400	0	1,800	31,200
„GutenbergPark“, Mainz	25,600	151	49	25,800
„Kureck“, Wiesbaden	34,600	3,368	32	38,000
„Office Tower“, Darmstadt	12,800	89	111	13,000
„Romeo & Julia“, Frankfurt	92,000	1,583	717	94,300
„Zeilgalerie“, Frankfurt	59,500	4,182	3,818	67,500
„Maxxon“, Eschborn	46,000	3,426	3,574	53,000
„Zimmer- / Mauerstraße“, Berlin	15,000	0	1,000	16,000
	314,900	12,799	11,101	338,800

The properties Kureck and Zeilgalerie are currently being developed and the number of tenants at Maxxon is being further increased. The property Schöne Aussicht was purchased as part of the development of the Kureck project in Wiesbaden and is recorded in the additions with EUR 1,350 thousand. The market value of the property Zimmerstrasse has increased due to significantly higher land prices in Berlin. For the property Das Carré, further long-term leasing contracts were concluded in the current fiscal year after comprehensive maintenance work which led to an increase of the market value.

The carrying amounts of investment properties have changed since 2010 as shown below.

	As of Jan 01, 2010 EUR 000	Additions EUR 000	Reclassifications EUR 000	Changes in fair value EUR 000	As of 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	0	0	43,568	2,432	46,000
	232,700	11,068	43,568	12,564	299,900
Properties under developement					
„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
	287,034	**15,302**	**0**	**12,564**	**314,900**

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 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 lots of 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. Further lots of land were burdened with a land charge held by a bank to the total amount of EUR 1,350 thousand in the current fiscal year.

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. In addition, lease claims and receivables from land purchase contracts were assigned to the bank as well.

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% interest and 5% one-time incidental payment.

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.

The land in Wiesbaden Schöne Aussicht is burdened with a land charge held by a bank at a nominal sum of EUR 1,350 thousand plus 15 % interest and plus a 5% one-time incidental payment.

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

	2011 EUR 000	2010 EUR 000
Rental income and income from incidental costs	18,472	18,769
Operating expenses for the generation of rental income	-7,006	-7,767

3001 Office and Other Equipment

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

3002 Goodwill

As of December 31, 2011, 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, 2011; 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 2012-2014 fiscal years. Cash flow was projected for the periods thereafter as a perpetual annuity.

3003 Other Intangible Assets

Other intangible assets include software and licenses amortized over three to six 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).

3004 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 3,271 thousand (previous year: EUR 6,099 thousand), security deposits to a sum of EUR 647 thousand (previous year: EUR 476 thousand), and non-current receivables from rental installments and incentives in the amount of EUR 1,665 thousand (previous year: EUR 1,314 thousand). Due to restrictions on availability, the term deposits and rental income accounts do not represent cash and cash equivalents.

3005 Deferred Tax Liabilities

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

		12/31/2011	12/31/2010
		EUR 000	EUR 000
Deferred tax assets			
	Carried forward	8,919	7,718
	Derivative financial instruments	734	1,376
	Investment properties	458	412
	Other	80	80
		10,191	9,586
Offset against deferred tax liabilities		-7,822	-7,571
Total		**2,369**	**2,015**

		12/31/2011	12/31/2010
Deferred tax liabilities			
	Investment properties	-21,611	-17,631
	Other	-924	-775
		-22,535	-18,406
Offset against deferred tax assets		7,822	7,571
Total		**-14,713**	**-10,835**
Deferred taxes, net		**-12,344**	**-8,820**

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 1,478 thousand (previous year: EUR 1,287 thousand) on loss carry-forward of IFM AG and deferred assets with other companies of EUR 435 thousand (previous year: EUR 397 thousand).

No deferred tax assets were recognized for unused tax loss carry-forward in the amount of EUR 3,519 thousand (previous year: EUR 2,091 thousand) for local business income tax, or EUR 1,306 thousand (previous year: EUR 1,923 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 0 thousand (previous year: EUR 604 thousand).

301 Current Assets

3010 Trade Accounts Receivable

At EUR 1,763 thousand (previous year: EUR 1,879 thousand), trade accounts receivable pertain primarily to receivables under leases, from invoices for incidental costs, for incidental cost estimates which have not yet been invoiced and the differentiation of rental income installments. Receivables are usually assigned to the banks in question under loan agreements.

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

	12/31/2011 EUR 000
Differentiation of rental income installments	343
Neither overdue nor impaired	704
Not overdue and impaired	234
Thereof with individual allowances	-163
Overdue	
up to 1 month	88
up to 3 months	100
up to a year	406
over a year	527
Thereof with individual allowances	
up to a year	-136
over a year	-340
	1,763

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

	12/31/2010 EUR 000
Differentiation of rental income installments	519
Neither overdue nor impaired	285
Not overdue and impaired	695
Thereof with individual allowances	-190
Overdue	
up to 1 month	101
up to 3 months	146
up to a year	314
over a year	364
Thereof with individual allowances	
up to a year	-77
over a year	-278
	1,879

3011 Other Current Assets and Deferred Income and Accrued Expenses

	12/31/2011 EUR 000	12/31/2010 EUR 000
Other current assets	487	397
Deferred income and accrued expenses	195	183
	682	**580**

At EUR 487 thousand (previous year: EUR 397 thousand), other current assets mainly result in receivables to a minority shareholder (EUR 210 thousand, previous year: EUR 200 thousand) and outstanding sales price receivables in the sum of EUR 100 thousand (previous year: EUR 100 thousand).

3012 Tax Receivables

Current tax receivables are recognized at EUR 885 thousand (previous year: EUR 1,249 thousand). This item includes value added tax receivables in the amount of EUR 726 thousand (previous year: EUR 1,090 thousand), receivables from the local business income tax in the amount of EUR 51 thousand (previous year: EUR 66 thousand) and receivables of EUR 108 thousand (previous year: EUR 93 thousand).

3013 Securities

The Group invests free cash in investment funds. The fair value of these securities was EUR 3,870 thousand at the reporting date (previous year: EUR 3,936 thousand). Because part of the account is pledged, EUR 715 thousand (previous year: 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 1,990 thousand (previous year: EUR 11,316 thousand). This pertains to highly liquid financial assets which the Group can use at short notice. The decline mainly results from the reduction of cash and cash equivalents used for the development of properties.

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	capital reserve EUR 000
As of December 31, 2009 / January 1, 2010	9,350	79,215
Stock option plans	0	216
As of December 31, 2010 / January 1, 2011	9,350	79,431
Issuing shares from stock option plans	15	64
Stock option plans	0	41
As of December 31, 2011	**9,365**	**79,536**

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. Security identification number (WKN): A0JDU9, ISIN: DE000A0JDU97. The first quotation was on May 19, 2006. As of April 30, 2008, IFM AG stock began trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. As of December 31, 2011, the share capital equals EUR 9,365 thousand and is divided into 9,364,599 non-par shares. The 14,600 shares issued from the conditional capital in the current fiscal year are the result from the exercising of subscription rights on the basis of the existing stock option plan. In this context, 14,600 shares were issued for a strike price of EUR 5.40. The amount of EUR 64 thousand which exceeded the nominal value of EUR 15 thousand was added to the additional paid-in capital.

An expense of EUR 41 thousand (previous year: EUR 216 thousand) was incurred by the stock option plans. This amount was recognized as an increase in additional paid-in capital.

b) Authorized Capital

Authorized capital (Authorized Capital 2011) in the amount of EUR 4,500 thousand was issued by the annual shareholders' meeting on May 24, 2011. The Executive Board was authorized with the consent of the Supervisory Board to increase the company's share capital by up to EUR 4,500 thousand in one or more transactions until April 30, 2016 by issuing up to 4,500,000 new non-par shares of common stock in return for cash contributions and/or contributions in kind.

The remaining Authorized Capital 2007, amounting to EUR 3,400 thousand was suspended with the coming into force of the Authorized Capital 2011.

c) Authorization to Issue Convertible Bonds and Creation of 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.

On August 1, 2011, the Executive Board of IFM Immobilien AG decided to issue a convertible bond with a total nominal value of up to EUR 18.0 million with a maturity in 2017 and an interest rate of 6.5% and prepared for this issue. The shareholders were called upon to exercise their subscription rights for the convertible bond in the period from August 5 to August 18, 2011. Given the market conditions at that time and in consultation with the supporting banks, the Executive Board decided to terminate the issue and the private placement of the convertible bond and not to issue it. The termination of the transaction causes the subscription rights already exercised to expire; subscription orders underwent reverse transactions.

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. 14,600 new shares were issued from this capital by exercising options in the current fiscal year.

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	10/6/2006	10/6/2006	9/13/2007	2/19/2008	4/3/2009
Stock 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 maturity time remaining as of 12/31/2011 (in years)	0.0	0.0	0.7	1.1	2.3
Outstanding options at start of 2011 reporting period	60,000	60,000	292,000	292,000	146,000
Options granted or expired in reporting period 2011	60,000	60,000	30,000	60,000	14,600
Outstanding options at the end of the 2011 reporting period	0	0	262,000	232,000	131,400
Options eligible for exercise at the end of 2011 reporting period	0	0	0	0	131,400

Conditions of Exercise for Tranche 1 and Tranche 2

- Options of Tranche 1 and 2 have expired due to time lapse.

Conditions of Exercise Tranches 3, 4 and 5

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

- Subscription ights 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.

- As a consequence of the termination of an employment, a total of 90,000 options of Tranche 3 and 4 expired. 14,600 options of Tranche 5 were exercised for a subscription price of EUR 5.40 per share. The share's average market value at the date of issue was EUR 8.247 per share.

The fair values of the remaining stock options issued under Tranche 3 through 5 are shown below:

	Issue Date	Option value in EUR
Tranche 3	9/13/2007	2.11
Tranche 4	2/19/2008	2.70
Tranche 5	4/3/2009	2.23

The total value of stock options measured and granted as per IFRS was EUR 1,472 thousand as of December 31, 2011 (previous year: EUR 2,278 thousand).

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

Due to a lack of relevant historical data, the anticipated term of Tranche 3 was determined based on the managements 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 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 options 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. Tranche 3, 4 and 5 were only granted to members of the Executive Board; fluctuation was not expected for these members at the valuation 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, 2011:

	12/31/2011 EUR 000	12/31/2010 EUR 000
Total expense for equity-based compensation	2,278	2,237
thereof stock-based compensation settled using equity instruments	2,278	2,237
Expense for equity-based compensation in the reporting period	41	216

3021 Other Reserves

At a sum of EUR 7,977 thousand (previous year: EUR 7,506 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 471 thousand (previous year: EUR 1,660 thousand) in the fiscal year.

3022 Retained Earnings

Retained earnings are shown below:

	EUR 000
Retained earnings January 01, 2010	7,624
Annual net Group profit for 2010 without minority interests	5,291
Retained earnings December 31, 2010/ January 1, 2011	**12,915**
Annual net Group profit for 2011 without minority interests	5,675
Retained earnings December 31, 2011	**18,590**

3023 Minority Interests

Minority shareholders hold 5.2% of subsidiary GP Properties GmbH. The minority interests recognized are particularly 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 borrowings 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.

30% minority interests in the Sankthorst Concept Store GmbH arose in the current fiscal year.

Changes in minority interests in the Group are presented in the Group Changes in Equity statement. Minority interests were EUR 384 thousand at the reporting date (previous year: EUR 239 thousand).

303 Borrowings

Borrowings recognized in the consolidated balance sheets as of December 31, 2011 can be broken down as follows:

	long-term capitalshort-term EUR 000	short-term borrowings EUR 000
Liabilities to banks	111,697	96,200
Trade accounts payable and other liabilities	2,082	4,396
Derivative financial instruments	877	1,951
Other short-term liabilities and Deferred income and accrued expenses	0	2,486
Provisions for taxes	0	2,477
Other provisions	0	3,900
Deferred tax liabilities	14,713	0
	129,369	111,410

Borrowings recognized in the consolidated balance sheets in the previous year can be broken down as follows:

	long-term capital EUR 000	short-term borrowings 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	0	2,078
Provisions for taxes	0	2,579
Other provisions	0	3,692
Deferred tax liabilities	10,835	0
	112,496	**122,462**

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

304 Long-Term Borrowings

3040 Liabilities to Banks

A breakdown of the contractual maturity of existing liabilities to banks as of December 31, 2011 is presented below:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	96,200	95,495	705
1 to 2 years	44,838	44,149	689
2 to 3 years	948	220	728
3 to 4 years	52,839	52,069	770
4 to 5 years	13,072	0	13,072
	207,897	**191,933**	**15,964**

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**

Loan liabilities with banks that expired at the end of 2011, for which prolongation requirements were already largely available, but the contracts were not signed until after the reporting date, were all as short-term, i.e. up to one year. According to the present terms of the prolongation, the maturities of the loans granted at short-term as of December 31, 2011 would amount to EUR 24,769 thousand for 1 to 2 years, EUR 339 thousand for 2 to 3 years and EUR 13,369 thousand for 3 to 4 years.

The fixed interest rate period will expire in 2013 for existing loan liabilities in the amount of EUR 42,664 thousand respectively. Loans will only need to be repaid at this point if no agreement can be reached with the banks concerning the further terms of the loan. Nevertheless, the loans in question have been presented for maturity in 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 4.61 % (previous year: 4.41 %) 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, 3-month EURIBOR or EONIA 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 679 thousand (previous year: EUR 502 thousand). In addition, construction cost subsidies are listed here with their non-current proportion to the amount of EUR 1,021 thousand (EUR 443 thousand).

With the introduction of a staff compensation program, liabilities corresponding to the share-based compensation are also listed under this item, amounting to EUR 62 thousand (previous year: EUR 7 thousand). In the 2010 fiscal year, the company concluded a plan to issue virtual staff shares and communicated this to the staff. As the time the virtual shares are issued, those eligible receive a cash payment linked to the performance of the shares. Further appreciation rights were granted in the fiscal year 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 canceled nor modified in fiscal year 2011.

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 be exercised after a waiting period of 3 years. The program runs for an unlimited period. For the value appreciation rights granted in 2010, an exercising to December 1, 2013 was assumed, and for value appreciation rights granted in 2011 to August 5, 2014.
- 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 2011 fiscal year:

	2011	2010
Outstanding virtual shares at start of reporting period	14,190	0
Virtual shares granted in the reporting period	2,200	14,190
Virtual shares forfeited in the reporting period	3,000	0
Virtual shares exercised in the reporting period	0	0
Virtual shares expired in the reporting period	0	0
Outstanding virtual shares at end of reporting period	13,390	14,190
Exercisable virtual shares at end of reporting period	0	0

The weighted average remaining term expected for the value appreciation rights granted in 2010 is 1.9 years and for those granted in 2011 2.6 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 newly calculated 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 8.60. The following parameters were used for the assessment at December 31, 2011:

Parameters	12/31/2011	12/31/2010
Dividend return (%)	0.00	0.00
Expected volatility (%)	18.82 % - 23.77 %	37.89 %
Risk-free interest rate (%)	0.10 % - 0.26 %	1.13 %
Expected remaining term (years)	1.9 Jahre - 2.6 Jahre	3 Jahre
Share price at the reporting date (EUR)	8.60	9.30
Model applied	Binomial	Binomal

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 55 thousand (previous year: EUR 7 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 EUR 000	Average purchase amount EUR 000
Floor	IFM Immobilien AG	-141	4,192
Floor	IFM Immobilien AG	-320	50,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-2,148	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-132	2,600
Swap	IFM Property Project Ulmenstraße GmbH	-55	20,000
Swap	IFM Property Project Ulmenstraße GmbH	-26	9,726
Swap	IFM Property Project Ulmenstraße GmbH	-6	2,143
Total		**-2,828**	

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 borrowings according to the anticipated amortization.

As of December 31, 2011, long-term liabilities resulting from derivative financial instruments corresponded to EUR 877 thousand (previous year: EUR 2,474 thousand) and short-term liabilities to EUR 1,951 thousand (previous year: EUR 4,238 thousand).

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

Type	Group company	Fair Value EUR 000	Average purchase amount 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 Frankfurt GmbH & Co. KG	-758	20,000
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-377	10,223
Swap	IFM Property Project Frankfurt GmbH & Co. KG	-85	2,242
Summe		**-6,712**	

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 3005 for further information.

305 Short-Term Borrowings

3050 Provisions for Taxes

At a sum of EUR 2,477 thousand (previous year: EUR 2,579 thousand), provisions for taxes pertain to local business income tax in the amount of EUR 1,765 thousand (previous year: EUR 1,867 thousand) as well as corporate income tax and the solidarity surcharge in the amount of EUR 712 thousand (previous year: EUR 712 thousand).

3051 Other Provisions

At EUR 3,900 thousand (previous year: EUR 3,692 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 368 thousand (previous year: EUR 156 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 4,396 thousand (previous year: EUR 4,392 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:

	12/31/2011 EUR 000	12/31/2010 EUR 000
Liabilities for the compensation for members of the Supervisory Board	257	0
Other liabilities to the tax office	990	836
Deferred income and accrued expenses	439	488
Net assets of minority interests	188	164
Liabilities for wages and salaries	131	106
Liabilities for value-added tax	280	142
Other	201	342
	2,486	**2,078**

Third-party shares in partnerships which can be classified as borrowings are recognized as net assets of minority interests. In the previous year the liabilities for the compensation for members of the Supervisory Board contained a variable compensation part and were listed under other provisions.

306 Leases

3060 Operating Leases (Group as Lessor)

The Group generates most of its rental income, revenues due to charge of incidental expenses and other real estate related income 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 338,800 thousand (previous year: EUR 314,900 thousand) was reported for leased completed investment properties Lease agreements of various forms and of varying terms have been signed with both commercial and non-commercial 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:

	12/31/2011 EUR 000	12/31/2010 EUR 000
Up to 1 year	15,383	12,779
1 to 5 years	47,070	39,346
Over 5 years	25,566	21,729
	88,019	**73,854**

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.

In this, liabilities from the sale and lease back agreement from the sale of Ulmenstrasse 22 in 2010 are EUR 653 thousand for one year (previous year: EUR 653 thousand), EUR 2,182 thousand for two to five years (previous year: EUR 2,775 thousand) and EUR 0 thousand for over five years (previous year: EUR 60 thousand). The leasing contract was concluded until January 31, 2016.

The rental income generated each year from the sub-leasing amounts to EUR 187 thousand (previous year: EUR 169 thousand).

For a part of the rental space in the sold property westendFirst, a leasing contract with a maturity of four years was concluded at the start of the fiscal year. Correspondingly, a leasing contract with a maturity of two years was concluded for sub-leasing the same space. The liabilities for one year amount to EUR 284 thousand (previous year: EUR 0 thousand), EUR 632 thousand for two to five years (previous year: EUR 0 thousand).

The rental income generated each year from the sub-leasing amounts to EUR 316 thousand (previous year: EUR 0 thousand).

31 Explanatory Notes to the Consolidated Income Statement

At the start of the fiscal year 2011, changes were made in the information shown, the allocation and the notation of the consolidated income statement in order to provide better presentation and transparency, based on the recommendations of the EPRA (European Public Real Estate Association). The figures from the previous year were adapted accordingly.

310 Total Income and Total Expenses EBIT

	2011 EUR 000	2010 EUR 000
Total income EBIT	30,496	34,713
Total expenses EBIT	-14,953	-17,337
EBIT	**15,543**	**17,376**

For a better overview, this summarized item now precedes the items of the consolidated income statement.

311 Rental Income and Revenues Due to Charge of Incidental Expenses

The rental income and revenues due to charge of incidental expenses essentially correspond to the revenue from the financial statements for the previous year and are divided here into two points to increase transparency

The rental income is a result from the following properties:

	2011 EUR 000	2010 EUR 000
„Romeo&Julia", Frankfurt am Main	3,520	2,977
„Zeilgalerie", Frankfurt am Main	2,849	2,922
„Maxxon", Eschborn-Süd	2,355	1,620
„Das Carré", Heidelberg	2,190	2,167
„GutenbergPark", Mainz-Hechtsheim	1,788	1,281
„OfficeTower", Darmstadt	665	634
„westendFirst", Frankfurt am Main	295	478
„Kureck", Wiesbaden	208	2,500
„Ulmenstraße 22", Frankfurt am Main	194	164
„Zimmerstraße", Berlin	43	30
„Schöne Aussicht", Wiesbaden	20	0
	14,126	**14,773**

The changes in the rental income are due to recently entered leasing contracts or those agreed with better conditions. The omission of rental income from the Kureck property is due to the current revitalization of the existing properties.

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

Revenues due to charge of incidental expenses are as follows:

	2011 EUR 000	2010 EUR 000
„Zeilgalerie", Frankfurt am Main	906	1,128
„Das Carré", Heidelberg	725	616
„Romeo & Julia", Frankfurt am Main	716	481
„GutenbergPark", Mainz-Hechtsheim	518	341
„Maxxon", Eschborn-Süd	392	276
„OfficeTower", Darmstadt	140	173
„Ulmenstraße 22", Frankfurt am Main	36	43
„westendFirst", Frankfurt am Main	35	73
„Zimmerstraße", Berlin	13	34
„Schöne Aussicht", Wiesbaden	6	0
	3,487	**3,165**

312 Rental Costs and Expenses from Incidental Costs

Rental costs and expenses from incidental costs contain all expenditure made by external parties from IFM Group properties and predominantly listed under the Cost of Goods Sold in the financial statements for the previous year.

For the property Ulmenstrasse 22, the rental costs amounted to EUR 214 thousand (previous year: EUR 245 thousand) and for the property westendFirst, rental costs amounted to EUR 255 thousand (previous year: EUR 0 thousand).

Expenses from incidental expenses can be broken down as follows:

	2011 EUR 000	2010 EUR 000
„Zeilgalerie“, Frankfurt am Main	1,562	2,001
„Romeo & Julia“, Frankfurt am Main	784	684
„Das Carré“, Heidelberg	733	725
„Maxxon“, Eschborn-Süd	665	370
„GutenbergPark“, Mainz-Hechtsheim	516	521
„Kureck“, Wiesbaden	232	13
„OfficeTower“, Darmstadt	200	210
„Zimmerstraße“, Berlin	97	114
„Ulmenstraße 22“, Frankfurt am Main	72	92
„westendFirst“, Frankfurt am Main	34	83
„Schöne Aussicht“, Wiesbaden	7	0
Other	7	7
	4,909	**4,820**

313 Other Real Estate Related Income

Income from benefits as part of increases in the number of tenants (EUR 508 thousand; previous year: EUR 308 thousand) the depreciation of specific valuation allowances in the fiscal year amounting to EUR 158 thousand (previous year: EUR 257 thousand) as well as marketing income connected to the leasing of usable space amounting to EUR 119 thousand (previous year: EUR 0 thousand) are predominantly listed here.

314 Other real estate related expenses

Expenditure which occurred in connection with project development on individual properties is listed under this item. This includes costs for increasing the number of tenants which cannot be capitalized and other non-recoverable maintenance (EUR 446 thousand; previous year: EUR 947 thousand) as well as costs for marketing (EUR 421 thousand; previous year: EUR 562 thousand) and costs for real estate brokers (EUR 215 thousand; previous year: EUR 444 thousand). The allocations to the corrections of specific valuation allowances for receivables and estimates of incidental expenses amounting in total to EUR 346 thousand; previous year: EUR 646 thousand) are also listed here.

Other operating expenses are as follows:

	2011 EUR 000	2010 EUR 000
„Zeilgalerie", Frankfurt am Main	443	881
„Das Carré", Heidelberg	289	108
„Maxxon, Eschborn-Süd	262	567
„Romeo & Julia", Frankfurt am Main	145	75
„westendFirst", Frankfurt am Main	118	124
„OfficeTower", Darmstadt	106	248
„Ulmenstraße 22", Frankfurt am Main	98	11
„Kureck", Wiesbaden	77	49
„GutenbergPark", Mainz-Hechtsheim	70	639
„Zimmerstraße", Berlin	17	0
„Schöne Aussicht", Wiesbaden	3	0
	1,628	**2,702**

315 Profit from market assessment of investment properties

The fair valuation of investment properties in accordance with IAS 40 yielded an income of EUR 11,101 thousand in 2011 (previous year: EUR 12,564 thousand). Please refer to Note 3000 for further details.

316 Administrative Expenses

Administrative expenses, the costs for which were listed under other operating expenses in the previous year, predominantly include the purely administrative management of all Group companies. These costs include rent for space used themselves, car costs, insurance, compensation for Supervisory Board members and general costs for accounting and consultancy.

	2011 EUR 000	2010 EUR 000
Legal counsel, consultants, accounting and annual financial statements	1,089	934
Rental expense for own-used space	435	429
Compensation for members of the Supervisory Board	304	368
Trade fair and marketing costs	215	198
Vehicle costs	210	213
Travel, catering and representation costs	114	149
Costs of investor relations and AGM	116	80
Other costs and expenses	658	665
	3,141	**3,036**

317 Personnel expenses

Personnel expenses can be broken down as follows:

	2011 EUR 000	2010 EUR 000
Wages and salaries	2,982	3,603
Payroll deductions	407	447
Stock-based compensation	41	216
Employee compensation based on virtual shares	55	7
Voluntary and other payments	115	57
	3,600	**4,330**

318 Depreciation and amortization

Reported at EUR 291 thousand (previous year: EUR 291 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).

319 Other Operating Income

Other operating income predominantly includes income from the write-back of provisions (EUR 368 thousand; previous year: EUR 156 thousand), income from property management of third-party properties (EUR 156 thousand, previous year: EUR 143 thousand) as well as from other calculations in expenses, remuneration and other compensation.

320 Other Operating Expenses

Other operating expenses predominantly include expenses which are not related directly to property. This predominantly includes expenses from compensation liabilities for derivatives in the amount of EUR 200 thousand (previous year EUR 818 thousand), costs for property sales amounting to EUR 206 thousand (previous year: EUR 50 thousand, non-deductible input tax of EUR 112 thousand (previous year: EUR 178 thousand) as well as other cost allocations and non-period expenses. In the previous year, the expense for rent guarantees issued amounting to EUR 554 thousand was listed here.

321 Net finance result

The net financial result can be broken down as follows:

	2011 EUR 000	2010 EUR 000
Other interest and similar income	97	424
Interest and similar expenses	-9,914	-8,972
Gain or Loss on Market Assessment of Derivatives	3,208	69
	-6,609	**-8,479**

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 and interest rate hedges. Reported at EUR 176 thousand (previous year: EUR 281 thousand), capitalized financing costs have already been taken into account as a reduction in the interest expense.

322 Income taxes

Income taxes can be broken down as follows:

	2011 EUR 000	2010 EUR 000
Current income taxes	148	-2,364
Deferred taxes	-3,323	-1,212
Total income tax	**-3,175**	**-3,576**

See Note 3008 “Deferred taxes” for additional details.

Reported at EUR -3,323 thousand (previous year: EUR -1,212), the expense from deferred taxes pertains to:

	2011 EUR 000	2010 EUR 000
Temporary differences from the valuation of properties	-3,979	-2,332
Deferred tax loss carry forward	1,201	511
Deferred taxes on derivatives	-442	651
Other temporary differences	103	-42
	-3,323	**-1,212**

When the prescribed tax rate of 29.8% (previous year: 29.8%) is applied, the tax expense for the fiscal years 2011 and 2010 deviates from the effective values as follows:

	2011 EUR 000	2010 EUR 000
Profit (loss) for the period before income tax	8,934	8,897
Expected tax expense based on prescribed tax rate	-2,662	-2,646
Non-deductible expenses	-102	-301
Tax-free income	540	0
Loss of tax credits for companies with operating losses	-774	-426
Extended local business tax property deduction not taken into consideration	0	-660
Tax effects from losses carried forward	-167	0
Revaluation of deferred tax loss carried forward from previous year	0	600
Corporate income tax additions/reductions	-43	0
Other	3	-143
Income tax according to income statement	**-3,175**	**-3,576**

323 Minority Interests

Minority interests amounted to EUR 84 thousand in the fiscal year (previous year: EUR 30 thousand). Minority interests are the minority shareholders stake in the company's equity.

33 Earnings per Share

	2011	2010
Consolidated profit after minority interests (EUR 000)	5,759	5,291
Weighted average number of shares for the undiluted result	9,364,999	9,349,999
Stock options	178,099	192,113
Weighted average number of shares for the diluted result	9,542,698	9,542,112
Undiluted earnings per share (EUR)	0.61	0.57
Diluted earnings per share (EUR)	0.60	0.55

Stock options that were issued within the scope of a capital increase (cf. Note 3020) in the Tranches 3 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 2011.

34 Events after the Reporting Date

Since the end of the reporting period on December 31, 2011, with the exception of the following prolongations, there have been no significant events with effects on IFM's position or development. After the end of the reporting period, IFM was successful in prolonging loans for the properties Gutenbergpark, Kureck and Zimmerstraße totalling EUR 51.15 million. Thus, from the short-term liabilities to banks as of December 31, 2011, an amount of EUR 38.5 million could be prolonged after the reporting date in such a way that they are not due in the course of the fiscal year 2012.

35 Group Changes in Equity Statement

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.

36 Cash Flow Statement

The Groups 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:

	2011 EUR 000	2010 EUR 000
Received interests	137	159
Interest payments	9,824	9,101
Income taxes paid less income taxes received	15	-21

Cash flow from operating activities after interest and taxes was EUR -2,680 thousand (previous year: EUR -8,422 thousand).

At EUR -11,228 thousand (previous year: EUR -10,664 thousand), non-cash income includes income from the market assessment of properties in the amount of EUR -11,101 thousand (previous year: EUR -12,564 thousand), income from the market assessment of derivatives in the amount of EUR -3,208 thousand (previous year: EUR -69 thousand) and expenses from deferred taxes at EUR 3,323 thousand (previous year: EUR 1,212 thousand) in particular. In addition, non-cash changes in provisions were recognized with EUR -326 thousand (previous year: EUR 1,686 thousand).

Other changes in cash and cash equivalents in the amount of EUR 2,301 thousand (previous year: EUR -2,700 thousand) include term deposits, rental income accounts, the restrictions on availability of which were suspended in the fiscal year. Thus, the accounts are part of the cash and cash equivalents again.

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

37 Segment reporting

No segment report as per IFRS 8 was prepared in fiscal year 2011 or for the comparison period since the Group companies operate in a single business segment.

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 annual 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 May 24, 2011, the articles of incorporation of IFM AG (Para. II, item 4) were changed. These changes refer to the authorization for authorized capital 2011. Furthermore, the compensation for members of the Supervisory Board was restructured.

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 the redeveloping, restructuring and developing of 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 2011 remaining difficult. In particular for the properties Romeo & Julia, Maxxon, GutenbergPark and Zeil-Galerie, long-term leasing contracts were concluded with tenants with high credit ratings.

The market is under constant assessed for possible exits. As part of this, three properties were sold in 2010. 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 to protect tenants rights. Correspondingly, a restricted deposit account was pledged. 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 Rhine-Main and Rhine-Neckar as well as central Berlin. In addition, the IFM Group regularly explores new opportunities to establish a presence in other metropolitan areas in Germany. 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 Groups business model is not geared towards presenting the Group as a buyer of large property portfolios. IFM Immobilien is much more selective; making 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 preferred 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 particular in identifying suitable properties and assessing their potential for value appreciation. 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, 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 Groups 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 shareholders 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.

The Group had unexhausted credit approvals totaling around EUR 5,944 thousand as of December 31, 2011 (as of December 31, 2010: EUR 7,992 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 an explanation on total equity.

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.

Further information can be found in the Management Report of the Company and the Consolidated Management Report.

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 varying effectiveness, such as SWAPS and COLLAR constructions (CAPS and FLOORS). More details on this area 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, 2011, the consolidated profit (before tax) would have been EUR 40 thousand (previous year: EUR 240 thousand) above what it is. If market interest rates had been 25 base points lower, the consolidated profit would have been EUR 40 thousand below the actual amount (previous year: EUR 261 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, 2011, equity would have been EUR 152 thousand higher (previous year: EUR 241 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 151 thousand (previous year: EUR 246 thousand) (without taking tax effects into account).

Other Information About Financial Instruments:

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2011

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Calculated from trading prices EUR 000
Trade accounts receivables	1,763	1,420	LAR	1,420	–
Other non-current assets	5,583	3,918	LAR HFT	3,203 715	715
Other current assets	682	487	LAR	487	–
Securities	3,155	3,155	HFT	3,155	3,155
Cash and cash-equivalents	1,990	1,990	LAR	1,990	–

* Measurement categories according to IAS 39

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2011

Liabilities	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Calculated from trading prices EUR 000
Liabilities to banks	207,897	207,897	AMC	210,058	–
Trade accounts payable	4,396	4,396	AMC	4,396	–
Other long-term liabilities	2,082	980	AMC	980	–
Derivatives not included in the scope of hedge accounting	680	680	HFT	680	–
Derivatives included in the scope of hedge accounting	2,148	2,148	–	2,148	–
Other current assets	2,486	1,211	AMC	1,211	–

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**)

The information from the previous year is given in the following table:

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

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Calculated from trading prices EUR 000
Trade accounts receivables	1,879	1,360	LAR	1,360	–
Derivatives not included in the scope of hedge accounting	2	2	HFT	2	–
Other long-term liabilities	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	–

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

Assets	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to 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	–

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, 2011

Assets	Carrying amounts EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Measurement hierarchy
Securities	3,155	3,155	HFT	3,155	1
Other non-current assets	715	715	HFT	715	1
Liabilities					
Derivatives not included in the scope of hedge accounting	680	680	HFT	680	2
Derivatives included in the scope of hedge accounting	2,148	2,148	–	2,148	2

The values for the previous year are as follows:

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

Assets	Carrying amounts EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement categories according to 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

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 4.7 million as of December 31 2011 (previous year: about EUR 7.4 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:

	2011 EUR 000	2010 EUR 000
Financial instruments held for trading (HFT)	196	-3,051
Loans and receivables (LAR)	-77	-228
Financial liabilities measured at amortized cost (AMC)	-5,928	-4,768
Total	**-5,809**	**-8,047**

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 129 thousand in 2011 (previous year: EUR 161 thousand).

The total interest expenses from financial liabilities not measured at fair value with an effect on profit or loss was EUR 7,081 thousand in 2011 (previous year: EUR 6,453 thousand).

Derivative Financial Instruments and Hedge 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 market values of all derivatives (given) was EUR -2,828 thousand at the reporting date (previous year: EUR -6,710 thousand). In the consolidated financial statements, derivatives yielded an income of EUR 3,208 thousand (previous year: income of EUR 69 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 471 thousand (previous year: EUR 1,660 thousand).

Reserves from cashflow hedging performed as follows:

	2011 EUR 000	2010 EUR 000
At beginning of year	**-1,978**	**-3,638**
Profit/loss from cashflow hedges		
Interest rate derivatives (incl. reduction due to ineffectiveness)	-501	-708
Income tax due on income expenses recognized in total equity	149	407
Transfer to statement of comprehensive income		
Interest rate derivatives	1,174	2,519
Income tax due income and expenses recognized in total equity	-350	-558
At end of year	**-1,506**	**-1,978**

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. A collar, which is a combination of two options (cap and floor), is 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. At December 31, 2011, existing hedging transactions were included under cash flow hedges with a term of up to 2 years.

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 24 thousand (previous year: EUR 103 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 thousand in the following tables.

	Carrying amount Dec 31, 2011	Cashflows 2012		Cashflows 2013		Cashflows 2014-2016	
		Interest	Principles	Interest	Principles	Interest	Principles
Underlying financial liabilities							
Liabilities to banks	(207,897)	(4,502)	(96,200)	(2,468)	(44,838)	(4,511)	(66,859)
Other financial liabilities	(6,338)	–	(5,607)	–	–	–	(731)
Derivative financial liabilities							
Interest rate derivatives without hedge relationships	(680)	(692)	–	(82)	–	–	–
Interest rate derivatives as cash flow hedges	(2,148)	(1,227)	–	(975)	–	–	–

The variable interest payments were identified on the basis of the yield curves valid at December 31, 2011.

The previous years' figures were as follows:

	Carrying amount Dec 31, 2011	Cashflows 2011 Interest	Principles	Cashflows 2012 Interest	Principles	Cashflows 2013-2015 Interest	Principles
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)	–
Derivatives financial assets							
Interest rate derivatives without hedge relationships	2						

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

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 Groups 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 178% as of December 31, 2011 (previous year: 176%).

45 Description of Business Combinations

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

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:

	2011 EUR 000	2010 EUR 000
Fee for audit of the financial statements	120	134
Tax consulting services	0	6
Other services	31	76
Total	**151**	**216**

47 Supervisory Board and Executive Board

470 Supervisory Board

The Supervisory Board of IFM AG comprised the following members in 2011 and 2010:

Mr. Gordon Rapp (Chair of the Supervisory Board as of May 24, 2011, previously Vice Chairman), Attorney-at-Law

Mr. Morten Bergesen, Vice Chairman (from June 22, 2010) and Chief Executive Officer (from October 20, 2011)

Mr. Luca Pesarini (Chair of the Supervisory Board until May 24, 2011, Vice Chairman until October 20, 2011), graduate in business administration (Diplom-Kaufmann)

Mr. Eberhard Hascher, Tax Consultant

Mr. Philipp Vogel, Entrepreneur

Mr. Hans Furuholmen, Investment Director (from May 24, 2011)

Mr. John Skogen, Chief Executive Officer (until May 24, 2011)

Mr. Pål Berg, Investment Officer (until June 22, 2010)

Mr. Gorden Rapp, previously Vice Chairman of the Supervisory Board, was elected as the Chair of the Supervisory Board in May 2011. He assumed the position from Mr. Luca Pesarini. Mr. John Skogen resigned from his position on the Supervisory Board at the end of the 2011 annual shareholders meeting. Mr. Hans Furuholmen, Investment Director, was elected as his successor by a decision of the shareholders meeting of May 24, 2011.

The total amount for fixed and variable compensation for members of the Supervisory Board was EUR 304 thousand (previous year: EUR 368 thousand).

At the shareholders meeting of May 24, 2011, a decision was made to change the compensation for the Supervisory Board. In future, there will be only one fixed compensation; the performance-related components have been suspended.

a) Each member of the Supervisory Board receives fixed annual compensation of EUR 27 thousand. The fixed compensation is paid out on a pro rata basis at the end of each quarter.
b) The Chair of the Supervisory Board receives three times the fixed and variable amounts and the Vice-Chairman receives twice this amount in accordance with Para. (a). In addition, the Chair of the Supervisory Board receives monthly office expenses of EUR 500.
c) Member of the Supervisory Board who belong to a committee receive additional compensation of EUR 3 thousand per committee and year. The Chair of the respective committee receives twice this.

The following members of the Supervisory Board are also members of other advisory bodies:
Mr. Morten Bergesen is Chairman of the Board at the company Bergehus Holding AS, Norway, and a member of the Board of the Norwegian companies Arendals Fossekompani ASA, Cogen AS, Agrinos AS, Selvaag Bolig ASA, Løren AS/KS, Havfonn AS, Snefonn AS, Solfonn AS, Langfonn AS and Breifonn AS, as well as the Danish companies Hafonn AS and HM2 AS.

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, as well as holding the same function 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 acts as the Chair of the Supervisory Board of 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 Corix Capital AG.

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

Mr. Hans Furuholmen is the Chairman of the Board of the Norwegian company HF Capital AS as well as board member of the Norwegian companies Storstein AS, Furuholmeninvest AS, Furuholmen Eiendom AS, Taiga Fund Management AS, Taiga Fund Partners AS, Fr. Nansensvei 17-19 AS, Sørkedalsveien 24 AS, NRP Fleetfinance IV AS, Dyviships XI AS, De Kommunale Funktionærers Byggeselskap AS and NRP Eiendom 2010 AS

471 Executive Board

The Executive Board of IFM AG comprised the following members in 2011 and 2010:

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 (until December 21, 2011).

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

	2011 EUR 000	2010 EUR 000
Executive Board salaries	686	566
Other compensation and salaries	0	793
Stock option plans	41	216
	727	**1,575**

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 fiscal year 2011, no performance-based renumeration was paid to the members of the Executive Board.

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

No variable compensation of this kind was paid in the current business year. 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 previous year.

No share options were granted to the members of the Executive Board in the current fiscal year. Stock options with a nominal value of EUR 14,600 were exercised by one Executive Board member.

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 as well as the NEWCOM Real Estate Network GmbH, which is held by a member of the Executive Board (Georg Glatzel).

During the fiscal year 2011, transactions totaling EUR 113 thousand (previous year: EUR 813 thousand incl. profit shares paid in advance) were completed by IFM AG and its subsidiaries in the course of normal business activities. In 2011, these activities pertained to the payments for services performed by IFM Immobilien-Finanz-Management GmbH.

Result from property management include EUR 78 thousand (previous year: EUR 78 thousand) in rental income from services performed for IFM Immobilien-Finanz-Management GmbH. Furthermore, an interest income of the IFM Immobilien-Finanz-Management GmbH amounting to EUR 15 thousand (previous year: EUR 0 thousand) as well as interest expenses amounting to EUR 2 thousand (previous year: EUR 2 thousand) payable to NEWCOM Real Estate Network GmbH were reported.

As of December 31, 2011, the Group had receivables of EUR 256 thousand from IFM Immobilien-Finanz-Management GmbH (previous year: EUR 267 thousand) incl. a reclaim of profit shares paid in advance. Furthermore, there are liabilities to NEWCOM Real Estate Network GmbH amounting to EUR 58 thousand (previous year: EUR 56 thousand).

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 2011 (previous year: EUR 15 thousand).

IFM AG invests some 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, in which Luca Pesarini, the Chairman of the Supervisory Board of IFM AG, is the managing partner. As of December 31, 2011, IFM AG had invested EUR 3,870 thousand in investment funds (previous year: EUR 3,936 thousand). No shares in the funds were sold in 2011.

In 2010, a purchase agreement for the lot was concluded for the property Feldbergstrasse with a company, in which the former chairman (Luca Pesarini) holds a management position. The sale price of the property was EUR 2,875 thousand.

49 Other Financial Liabilities

Other financial liabilities from rental, leasing, maintenance and repair contracts amounted to EUR 5,140 thousand in total as of December 31, 2011 (previous year: EUR 4,510 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 1,868 thousand as of December 31, 2011 (previous year: EUR 1,108 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 WpHG:

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Ethenea Independent Investors S.A., Munsbach, Luxembourg informed IFM Immobilien AG on January 3, 2011 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the threshold of 3% and 5% on January 1, 2011. On the day of this notification, they held 9.999% of the voting rights (934,976 voting rights).

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Ethenea Independent Investors S.A., Munsbach, Luxembourg informed IFM Immobilien AG on January 3, 2011 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the threshold of 3%, 5% and 10% on November 1, 2011. On the day of this notification, they held 10% of the voting rights (934,976 voting rights).

Pursuant to § 21 Para. 1 of the German Securities Trading Act, LRI Invest S.A., Munsbach, Luxembourg informed IFM Immobilien AG on January 3, 2011 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) fell below the thresholds of 5% and 3% on January 1, 2011. On the day of this notification, they held 0.35% of the voting rights (50,000 voting rights).

Mr. Luca Pesarini of Switzerland issued the following statement to IFM Immobilien AG on Monday, January 24, 2011:

Pursuant to § 21 Para, 1a of the German Securities Trading Act, I hereby declare that my share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) exceeded the thresholds of 10% and 15%. On the day of this notification, I held 17.92% of the voting rights (1,675,068 voting rights). Of this holding, 13.21 %

(1,234,976 shares) of voting rights were 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
- Ethenea Independent Investors S.A.

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Haron Holding, Zug, Switzerland informed IFM Immobilien AG on January 24, 2011 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the threshold of 5% and 10% on January 1, 2011. On the day of this notification, they held 13.2% of the voting rights (1,234,976 voting rights).

According to § 22 Para. 1 No. 2 of the German Securities Trading Act, 9.999% of the voting rights (934,976) were assigned to the company by Ethenea Independent Investors S.A.

Mr. Luca Pesarini of Switzerland issued the following statement to IFM Immobilien AG on January 28, 2011:

Pursuant to § 21 Para, 1a of the German Securities Trading Act, I hereby declare that my share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) fell below the thresholds of 10% and 15% on January 25, 2011. On the day of this notification, I held 7.92% of the voting rights (740,092 voting rights). Of this holding, 3.21 % (300,000 shares) of voting rights were 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

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Haron Holding, Zug, Switzerland informed IFM Immobilien AG on Friday, January 28, 2011 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) fell below the thresholds of 5% and 10% on January 25, 2011. On the day of this notification, they held 3.21% of the voting rights (300,000 voting rights).

Heidelberg, March 26, 2012

The Executive Board
Georg Glatzel

Appendix to the Notes of the Consolidated Financial Statements

Appendix 1

Changes in Consolidated Non Current Assets as of December 31, 2011

	Costs of acquisition or creation					Depreciation and amortization	
	Jan 1,2011 EUR 000	Additions EUR 000	Disposed EUR 000	Reclassification EUR 000	Dec 31, 2011 EUR 000	Jan 1, 2011 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	274,878	12,793	0	6	287,677	604	0
II. Office and other equipment	1,234	188	38	-14	1,370	541	196
III. Goodwill	389	0	0	0	389	0	0
IV. Other intangible assets	350	120	0	122	592	191	95
V. Advance payments made	128	23	0	-114	37	0	0
	276,979	**13,124**	**38**	**0**	**290,065**	**1,336**	**291**

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

	Costs of acquisition or creation					Depreciation and amortization	
	Jan 1,2010 EUR 000	Additions EUR 000	Disposed EUR 000	Reclassification/ Reorganization IFRS 5 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, 2011

	Depreciation and amortization		Changes in fair value per IAS 40			Carrying amount	
Appreciation EUR 000	Disposed EUR 000	Dec 31, 2011 EUR 000	Jan 1, 2011 EUR 000	Additions EUR 000	Dec 31, 2011 EUR 000	Dec 31, 2011 EUR 000	Dec 31,2010 EUR 000
-604	0	0	40,626	10,497	51,123	338,800	314,900
0	5	732	0	0	0	638	693
0	0	0	0	0	0	389	389
0	0	286	0	0	0	306	159
0	0	0	0	0	0	37	128
-604	**5**	**1,018**	**40,626**	**10,497**	**51,123**	**340,170**	**316,269**

* DThe appreciation is reflected in the income statement in profit from market assessment of investment properties

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

	Depreciation and amortization		Changes in fair value per IAS 40			Carrying amount	
Appreciation EUR 000	Disposed EUR 000	Dec 31, 2011 EUR 000	Jan 1, 2011 EUR 000	Additions EUR 000	Dec 31, 2011 EUR 000	Dec 31, 2011 EUR 000	Dec 31, 2010 EUR 000
0	0	604	28,062	12,564	40,626	314,900	287,034
0	73	541	0	0	0	693	611
0	0	0	0	0	0	389	389
0	16	191	0	0	0	159	205
0	0	0	0	0	0	128	0
0	**89**	**1,336**	**28,062**	**12,564**	**40,626**	**316,269**	**288,239**

Appendix 2

List of interests held as of December 31, 2011

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:

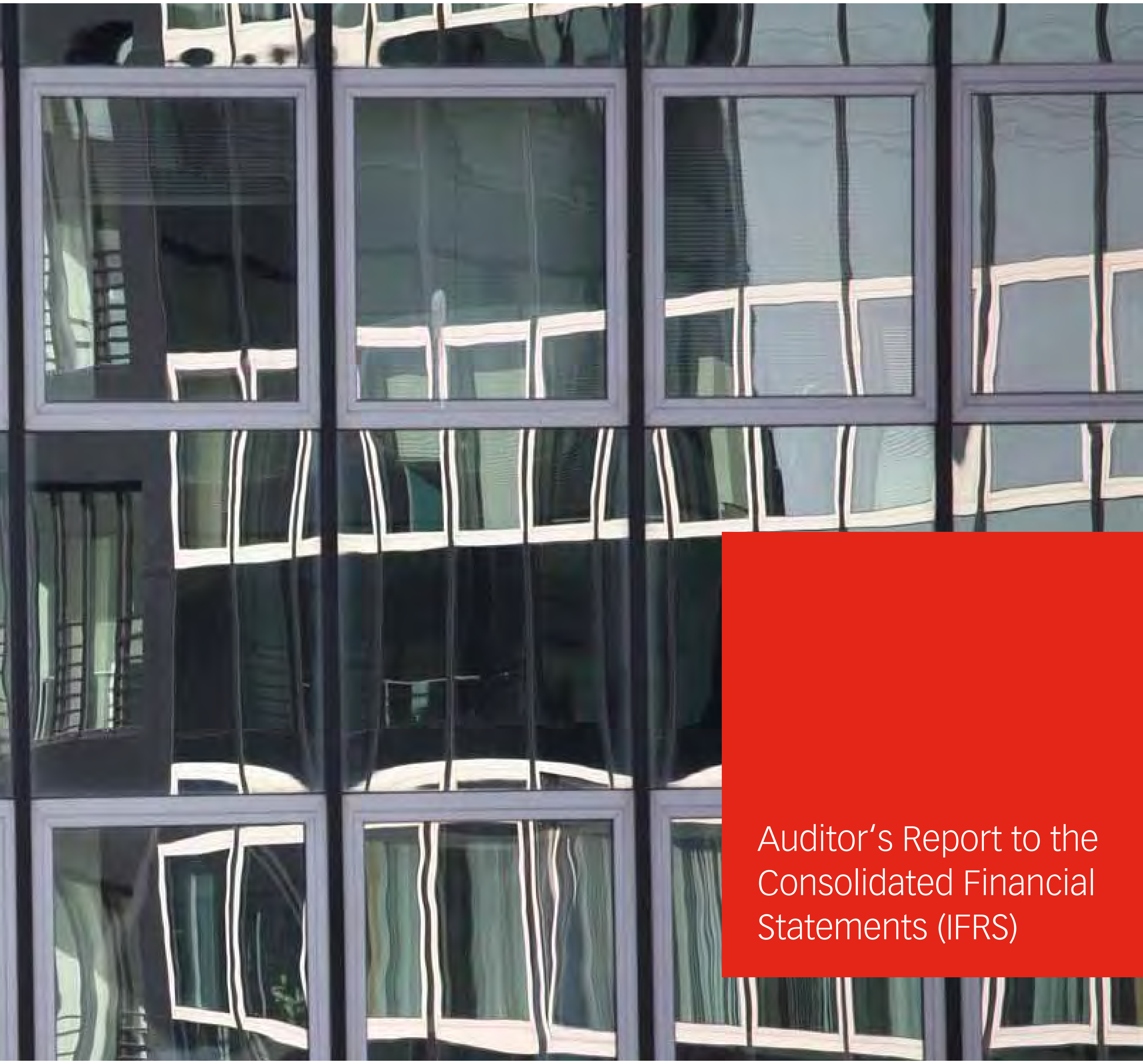
Company	Interests held in %
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	100%
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	100%
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	Interests 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	Interests held in %
IFM Property Project Frankfurt-Zeil GmbH, Heidelberg	94.8%
Sankthorst Concept Store GmbH, Heidelberg	70 %



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 finan- cial statements, together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2011. 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 (Ger-man 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 pri- marily 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.

Financial calender 2012	
Annual Stockholders Meeting, Deutsche Nationalbibliothek Frankfurt am Main	May 15, 2012
Release Q2 Report	August 2012
SRC Forum Financial Services, Hilton Frankfurt am Main	September 12, 2012
EXPO Real, Munich	October 8-10, 2012
Release Q3 Report	November 2012
Deutsches Eigenkapitalforum, Frankfurt am Main	November 20112

In our opinion, based on the findings of our audit, the consolidated financial Statements of IFM Immobilien AG, Heidelberg as of December 31, 2011 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 26, 2012

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.

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