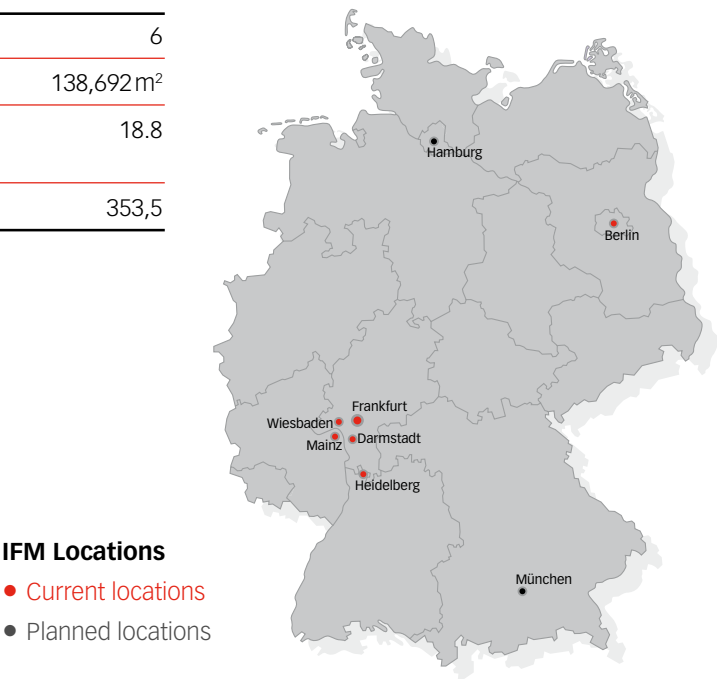




2009

Annual Report

Locations invested in	6
Total space in portfolio	138,692 m ²
Annual net rent in EUR million (at December 2009)	18.8
Value as per IFRS (EUR million)	353,5



Highlights 2009

Financial

- ▶ Revenue up to EUR 19.5 million in 2009
- ▶ Consolidated profit: EUR 1.8 million
- ▶ Further growth to EUR 353.5 million for the property portfolio

Strategy and operations

- ▶ 03/2009 Completion of revitalization of Romeo & Julia, Frankfurt am Main
- ▶ 10/2009 About 70 % of office space in Romeo & Julia, Frankfurt am Main leased
- ▶ 12/2009 Agreement signed with Deutsche Telekom for over 4,000 m² at GutenbergPark, Mainz-Hechtsheim
- ▶ 12/2009 westendFirst, Frankfurt am Main sold
- ▶ 12/2009 Ulmenstraße 22, Frankfurt am Main sold

Headlines 2009

- ▶ IFM AG breathes new life into properties (Rhein-Neckar-Zeitung 03/2009)
 - ▶ Value creation even in a difficult economy – futuristic shopping to come to Frankfurt (SRC Research 05/2009)
 - ▶ IFM Immobilien – higher rental fees in view (Euro am Sonntag 06/2009)
 - ▶ Two law firms lease space at Romeo&Julia (Immobilienzeitung 07/2009)
 - ▶ IFM wants to turn the Zeilgalerie into a city district (Börsenzeitung 12/2009)
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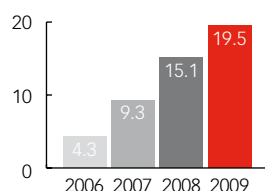
2009 in Numbers

Key performance figure (EUR million)	2009	2008	Change in %
Revenue	19.5	15.1	29 %
Gain or loss on fair valuation of investment properties	10.1	13.7	-26 %
Operating profit	3.6	4.8	-25 %
Profit after taxes and minority interests	1.8	0.3	515 %
Earnings per share (undiluted in EUR)	0.19	0.03	533 %

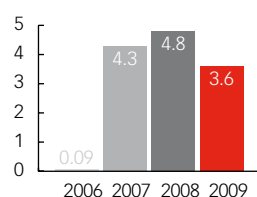
Balance sheet key figures (EUR million)	December 31, 2009	December 31, 2008	Change in %
Total assets	372.6	355.4	5 %
Non-current assets	294.0	334.4	-12 %
including investment properties	287.0	274.3	5 %
including: properties under development	0.0	45.2	-100 %
Equity	102.2	100.6	2 %
including issued capital	9.4	9.4	0 %
Equity ratio (in %)	27.4	28.3	n/a
Liabilities	270.3	254.8	6 %
including financial liabilities	239.6	221.0	8 %

Other key figures	2009	2008	Change in %
Cash flow from operating activities (EUR million)	-5.2	-1.3	n/a
Staff	45	34	32 %
NAV	12.91	12.31	4.9 %

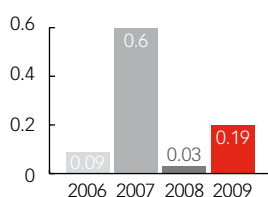
Performance 2006 (IPO) – 2009



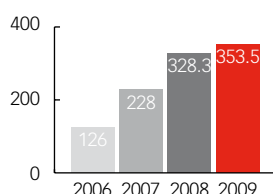
Revenues
in EUR million



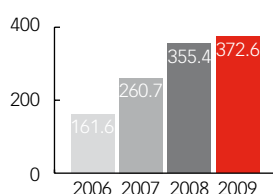
Operating profit
in EUR million



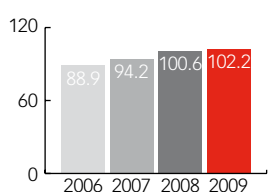
Earnings per share
in EUR



Property portfolio
in EUR million



Total assets
in EUR million



Equity
in EUR million

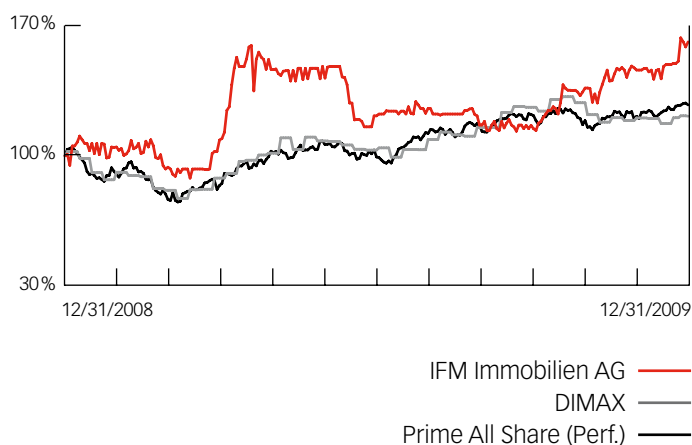
IFM Common Stock

Key Figures

Sector	Real estate
Security identification number (WKN)	A0JDU9
ISIN	DE000A0JDU97
Stock symbol	IFM
Bloomberg	IFM GR
Reuters	IFM.DE
Market segment	Prime Standard
Designated sponsor	Close Brothers Seydler Bank AG
Stock exchange listings	Frankfurt, Stuttgart, Hamburg, Duesseldorf, Berlin/Bremen, Xetra
Initial public offering	May 19, 2006
Number of shares granted	9,349.999
Share price at December 31, 2009	8.47
Market capitalization at December 31, 2009	79.19
Annual high (December 23, 2009)	8.58
Annual low (March 13, 2009)	4.52
Shareholder structure	35% in free float, 45% held by Norwegian consortium of shareholders, 20% held by Executive and Supervisory Board

Stock Performance 2009

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





Annual Report 2009

The English version of the annual report 2009 and the individual statement of the IFM Immobilien AG is a one-to-one translation of the audited German annual report and the individual financial statements of the IFM Immobilien AG. The English version is not audited.



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“IFM was able to swim ag

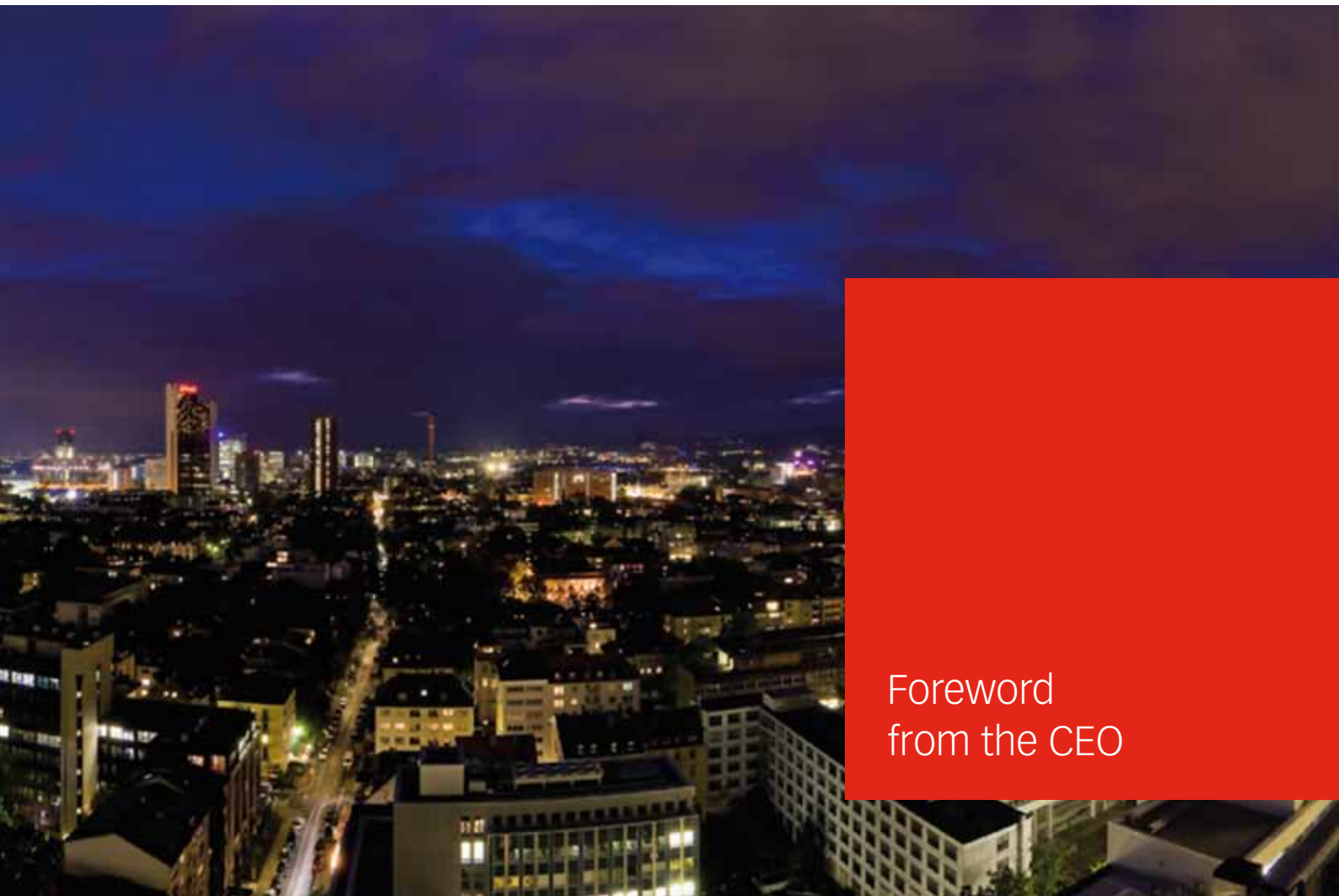
“IFM was able to swim against the tide in 2009,
ending the fiscal year successfully.”

Georg Glatzel, CEO of IFM Immobilien AG

successfully.”



against the tide in 2009,
scal year



Foreword
from the CEO

Foreword from the CEO

Dear Shareholders,

The year 2009 was filled with many challenges for IFM in a very difficult economic environment. However, if we look at the year overall, it is clear that IFM was able to swim against the tide, resisting the general trend so that we can now look back on a successful fiscal year 2009.

A quick recap: the year 2009 was awaited by many with skepticism, but the German economy pulled through in the fall of 2008 and in the first months of 2009 during the toughest recession since the Federal Republic of Germany was founded. The volume of transactions in the real estate investment markets dropped dramatically, with many voicing concerns of declining demand in the leasing markets and rising vacancy rates. It seemed that in the midst of this turmoil, quite a few shareholders were literally paralyzed in the markets in face of the horrors they expected.

But at IFM, we refused to take notice of such fears. We kept a clear head while analyzing the markets of interest to us, coming quickly to the conclusion that our business model would hold strong even in the midst of a crisis. We asked ourselves, what do we do differently to our competitors? Next, we chose not to be affected by the negative attitude in the markets and got straight down to work. We were convinced that our tried and tested business model and a great deal of dedication would lead us to success, even in a difficult economic environment. And we knew: if the conditions were to get worse in the markets, we would just have to work harder to achieve that success. Of course, a crisis cannot just be dismissed with a few positive thoughts. What counts is the approach you take in tackling problems, and whether you employ a clear strategy that will stand the real test of a crisis.

The crisis may bring with it problems for many. However, it has served as a real benchmark for the countless different business models employed by companies, effectively cleaning up the market in the end. Those who want to survive the crisis and still enjoy success despite the general trend need a business model that works in fair weather or foul. For one, that means not focusing too heavily on opportunities that offer great rewards in certain market situations, but upon which you cannot establish sustainable business in the mid to long-term. At the same time, a foundation is required in the form of steady income from continuous cash flows.

IFM has fulfilled both of these requirements. We take advantage of opportunities in the markets by identifying potential for value appreciation, purchasing properties that have it, further developing this potential through comprehensive revitalization measures, and finally turning the potential we initially recognized into real value appreciation. All the while, we do not just focus on "flipping" properties fast. The value appreciation that we want to achieve is not just based on raising the purchasing price on the market – it depends on the added value we create in real properties. Unlike many financial investors active in the German market over the past years, our business model does not depend primarily on the ups and downs of the markets. On the contrary – it is based on our own competences and performance in real estate project development. At the same time, however, we generate rental income by managing our portfolio of premium commercial properties which we have established over recent years. Focusing on the quality and earning potential of properties, instead of just quantity and quick growth, has proved successful for us during the crisis.

We are aware that the final proof that a business model like ours works is delivered once the value appreciation created and reported in the balance sheets is actually realized in the form of sales. And I am proud to announce that this is just the case for the fiscal year 2009. By selling the office properties westendFirst and Ulmenstraße 22 in Frankfurt, we have proven that our business model works throughout all phases of the investment cycle of a property. These two properties have passed the decisive test – prices that actually matched the value we had in our books were paid in the market. With these sales, we have proven that our strategy can withstand tough market conditions.

We have demonstrated that, although our goals may be ambitious, we can actually achieve them. That does not just go for our project development activities, but also for our company overall and our strategic claims. We believe in our strengths while remaining conservative in our predictions. Because of this, we have no reason to hide when approached about our claims at the time we went public on the stock exchange. On the contrary – we have consistently achieved the goals that we set for ourselves back then, be it switching to the Prime Standard sector, successfully developing projects underway, realizing the value we create, or even continuing to grow our portfolio without allowing setbacks in quality. We are proud of this, and it gives us a reason to look forward to the coming years.

I would like to thank you warmly for your trust in our company and in our work. I am confident that IFM will continue to meet your expectations as shareholders in the future, too.

Heidelberg, March 2010

Georg Glatzel
CEO

selling westendFirst and

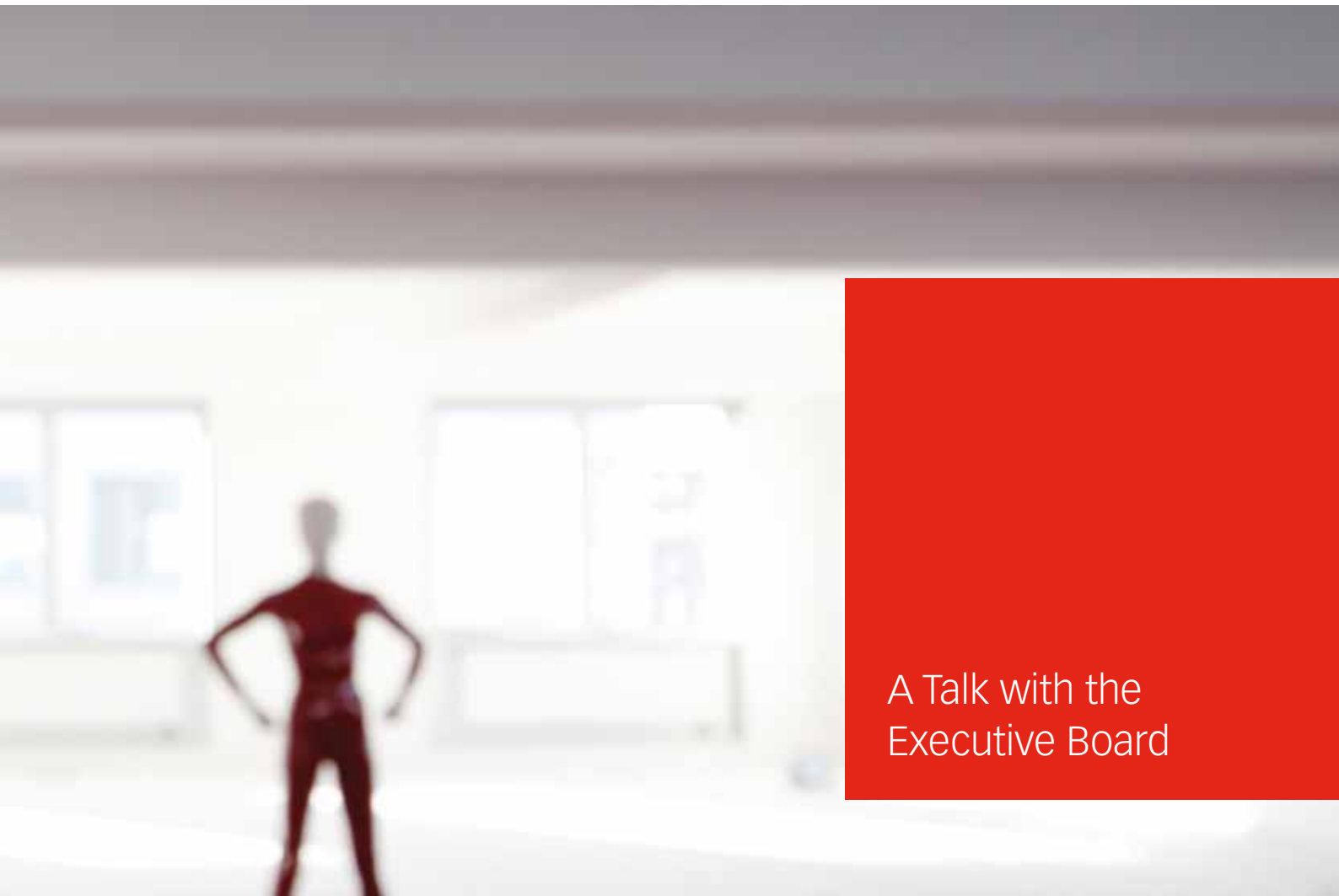
"By selling westendFirst and the office tower
at Ulmenstrasse 22, we have laid the foundation
for further successful growth."

Georg Glatzel, CEO of IFM Immobilien AG

successful



the office tower at
we laid the foundation for future
growth."



A Talk with the
Executive Board



In your opinion, what were the key milestones in the fiscal year 2009?

Glatzel: The most important message is that IFM has enjoyed further growth and we have proved that our business model works. Considering the challenges the market faced in 2009, this was certainly not a given. On the one hand, we enjoyed further leasing success with our projects Romeo & Julia in Frankfurt and GutenbergPark in Mainz in particular. We were able to lease about 70% of the office space in Romeo & Julia. On the other hand, we were able to sell the properties westendFirst and Ulmenstrasse 22 at attractive prices. The new funds we have gained will serve as an important building block for our further organic growth. And all the while, we continued to turn over solid profits by leasing the properties in our portfolio. All in all, we increased our revenues by more than a quarter on the previous year at EUR 19.5 million and achieved a consolidated profit of about EUR 2 million – a huge increase from the previous year as well.

In past years, a great deal of your earnings came from property appreciation. How was this affected by the market performance in the past year?

Schmitz: A large part of our profits certainly do come from value appreciation in our properties. We are also aware of the fact that the market takes a close look and asks whether this appreciation can be justified in such cases. And in our case, we can assert in good conscience that it can. We generally proceed rather cautiously with valuations. Once a development project is completed, we adjust the value recognized in profit or loss based on reports of external experts and according to the actual rate of occupancy. The figures in our balance sheets therefore do not reflect our expectations, but rather actual occupancy rates and the value created.

Glatzel: Through our sales of westendFirst and Ulmenstrasse 22, we certainly have proof to back that up. For westendFirst, we received an amount equal to the market value in the balance sheet. With this, we were able to prove that the value appreciation we reported can withstand a dire market environment overall.

You mentioned further leasing successes – but the market reports of the past months contained numerous forecasts for rising vacancy rates. Can you explain?

Glatzel: It is true that lessors are faced with greater challenges in the leasing markets today than they were two or three years ago. We, too, have noticed that the market has become trickier and that it generally takes longer for prospective tenants to decide on a space to lease. Despite all the forecasts of lower demand for spaces for lease and rising vacancy rates in the commercial real estate market, it is still possible to gain tenants if the offer is right. For us, it has paid off to concentrate exclusively on premium properties in prime locations. Demand is much more robust in this market sector than in peripheral locations or for properties of average to basic quality. Add to this the fact that we work hard on marketing our properties. We do not just settle for ordinary media and methods – we strive to develop innovative marketing concepts that play on the emotions of future clients. If you know that your company and staff will be spending every day in a certain office building over the coming years, you are not just interested in the financial aspects of the lease. You want to be able to envision the environment and surroundings you will find there. You want to be sure that you and your staff will feel at home in this space. We focus very heavily on these aspects in our marketing activities, allowing us to reach out directly to our target audience.

You reported relatively high costs for financing. What is the reason for this?

Schmitz: We finance our development projects to a great extent using borrowed funds. Upon completing a property, we can no longer capitalize the costs as interest during construction; they are then recognized in our net finance expense. However, rental income cannot fully offset this expense in the first year following completion. You can see this in our Statement of Comprehensive Income. With rising rates of occupancy, interest expenses are offset with rental income accordingly.

What are the most important goals for IFM in 2010?

Glatzel: We want to continue to grow as a company. This initially means generating higher revenues and profits again this year. In doing so, we will focus primarily on leasing the remaining space in Romeo & Julia and Maxxon in Eschborn-Sued, as well as completing the revitalization of the Zeilgalerie. For our project in Wiesbaden, we need to get official consent from the building authorities for our master plan, and push on with our plans for erecting new buildings and with revitalization measures. We will also continue to be on the lookout for opportunities to further expand our portfolio through new investments. But as always, quality comes before quantity. We do not want to buy up a big portfolio as quickly as possible; we want to progressively expand our existing portfolio to include suitable properties, and only if they meet our investment criteria. In any case, we will only invest in properties with potential for value appreciation and from which we can expect to turn over steady profits in the long term.





Report of the
Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

In spite of the challenging economic environment, which put many companies in a difficult situation, IFM Immobilien AG can again boast a successful and solid performance in the fiscal year 2009.

The year's highlights included the successful leasing of the Frankfurt office towers Romeo & Julia and the profitable sales of the office properties westendFirst and Ulmenstrasse 22, also located in Frankfurt am Main. The respective agreed sale prices of EUR 55 million and EUR 11.5 million provide proof of the marketability of properties held and developed by IFM.

IFM Immobilien AG saw a clear increase in its revenue and result on the previous year. Revenues grew by about 29% compared with 2008. The profit after taxes amounting to EUR 1.8 million has been EUR 1.5 million higher than in the previous year.

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 nine meetings were held for this purpose in 2009.

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 chairman of the Supervisory Board maintained regular contact with both members of the Executive Board.

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

At its meetings, the Supervisory Board regularly discussed business developments, plans and corporate strategy with the Executive Board. It also addressed the current situation of the company, in particular current developments in its business, the assets and liabilities, financial position and profit or loss of both the parent company and the Group, as well as any major business events. The main focus of deliberations was the performance of the Group's real estate portfolio as well as decisions on the purchase or sale of properties in IFM Immobilien AG's portfolio.

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

The sale of westendFirst and Ulmenstrasse 22 was preceded by the consent of the Supervisory Board following appropriate discussion. The Supervisory Board also became involved in other decisions on matters of consequence for the company from an early stage.

Committees and Rules of Procedure

The Supervisory Board has six members who are selected by the annual shareholders' meeting. At the beginning of the fiscal year, its members were Mr. Luca Pesarini (Chairman), Mr. Gordon Albert Rapp (Vice Chairman), Mr. Eberhard Hascher, Mr. Martin Lechner and Mr. Philipp J. N. Vogel. Upon the company's application, Mr. Pål Berg was officially named a member of the Supervisory Board by the court on January 9, 2009, succeeding Dr. Opitz, who resigned from the Supervisory Board in 2008. At the 2009 shareholders' meeting, the shareholders duly elected Mr. Berg as a member of the Supervisory Board. Mr. Pål Berg is an investment officer with Norway's Havfonn AS, which holds a significant share in IFM Immobilien AG.

Martin Lechner resigned on the Supervisory Board of IFM Immobilien AG for personal reasons on July 8, 2009. With a resolution of the Local Court of Mannheim of October 28, 2009, Mr. Jøhn Skogen, CEO of Furuholmen Eiendom AS, Oslo, was named as a new member of the Supervisory Board of IFM Immobilien AG. The articles of incorporation require that the Supervisory Board consist of six members. This requirement was thus fulfilled. At the annual shareholders' meeting in 2010, Mr. Skogen will be nominated for election by the shareholders to the Supervisory Board.

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

The members of the Presiding and Personnel Committee are Luca Pesarini, Gordon Albert Rapp and Eberhard Hascher. They address matters such as the regular review of the compensation system for the Executive Board, including the material terms of contract, and also discuss human resource planning for members of management. As these matters were discussed in detail among all members, under consideration of Executive Board compensation too, a separate conference was not seen as necessary in the year under review.

The Acquisitions/Planning & Construction/Sales Committee consists of Mr. Luca Pesarini, Mr. Gordon Albert Rapp and Mr. Philipp J.N. Vogel. This committee was primarily concerned with the sales of the properties westendFirst and Ulmenstrasse 22 in the year under review and reviewing potential opportunities for acquisitions and sales. The committee met once during the year.

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

The members of the Compliance and Audit Committee were Mr. Gordon Albert Rapp and Mr. Eberhard Hascher in the year under review. Pål Berg joined the committee as decided by the Supervisory Board on March 18, 2009. The committee worked on preparing the annual financial report for the fiscal year 2008 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 and risk management system. It also assigned the audit to the auditor and defined the main points of focus of the audit. The committee met a total of seven times during the year.

Report of the Supervisory Board

Members of the Executive and Supervisory Board

There were no changes to the members of the company's Executive Board in 2009.

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

With a resolution of the local court of Mannheim on January 9, 2009, Pål Berg was named a member of the Supervisory Board of IFM Immobilien AG (as the successor to Dr. Opitz, who resigned in 2008). At the 2009 shareholders' meeting, the shareholders duly elected Mr. Berg as a member of the Supervisory Board. Mr. Martin Lechner resigned on the Board on July 8, 2009, during the year under review. In agreement with the Supervisory Board, the Executive Board decided to petition Mannheim Local Court to appoint Mr. Jøhn Skogen as a new member of the advisory body. This was decided to fill the position until the 2010 annual shareholders' meeting, at which Mr. Skogen will be nominated for election by the shareholders to the Supervisory Board. Based on the application, Mr. Skogen was appointed as a member of the Supervisory Board by the court on October 28, 2009. Mr. Skogen is the Chief Executive Officer of Furuholmen Eiendom AS of Oslo, Norway, which holds a significant share in IFM Immobilien AG.

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 2009 prepared by the Executive Board, the consolidated financial statements and the management report and consolidated management report for 2009 as well as the Executive Board's proposed allocation of distributable profit or loss. The annual report for the fiscal year 2009, the consolidated financial statements and the management and consolidated management reports for 2009 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 auditor's audit report were sent in advance to all members of the Supervisory Board with sufficient time for preparation and review.

The auditor attended the financial review meeting of the Supervisory Board on March 25, 2010, 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 25, 2010. 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).

Part of the shareholders of the Company are the three Norwegian companies Havfonn AS, Oslo, Skips AS, Oslo, and Furholmen Eiendom AS, Oslo, which act in concert in connection with the exercise of their voting rights on the general assembly of the Company on the basis of a pooling agreement concluded between them. While these three companies do not control more than 50 % of the total voting rights of the company, taking into account the attendance of the last general assembly of the Company they controlled de-facto in the year 2009 the majority of the voting rights present at the general assembly. Against this background, the Board of Management has prepared a report on its relationship with affiliated companies (dependent company report) for the business year 2009 pursuant to sec. 311 of the German Stock Corporation Act and has submitted this report to the supervisory board together with the audit report prepared in this regard by FALK GmbH & Co. KG. Wirtschaftsprüfungsgesellschaft, Heidelberg, as independent auditor pursuant to sec. 313 of the German Stock Corporation Act. Based on the audit that was completed with no course for objections, the independent auditor issued the following audit opinion:

„Based on our audit and assessment in accordance with professional standards, we confirm that:

- ▶ the actual disclosures contained in the report are correct,
- ▶ the payments made by the Company in connection with transactions detailed in the report were not unreasonably high.“

The supervisory board has reviewed and approved the dependent company report and the audit report on it. The supervisory board does not raise any objections to the concluding statement of the Board of Management contained 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 2009.

Frankfurt am Main, March 25, 2010

The Supervisory Board

Luca Pesarini
Chairman

“We create lasting value
through active project development.”
Georg Glatzel, CEO of IFM Immobilien AG



westendFirst, Frankfurt am Main

value active project



Business Model

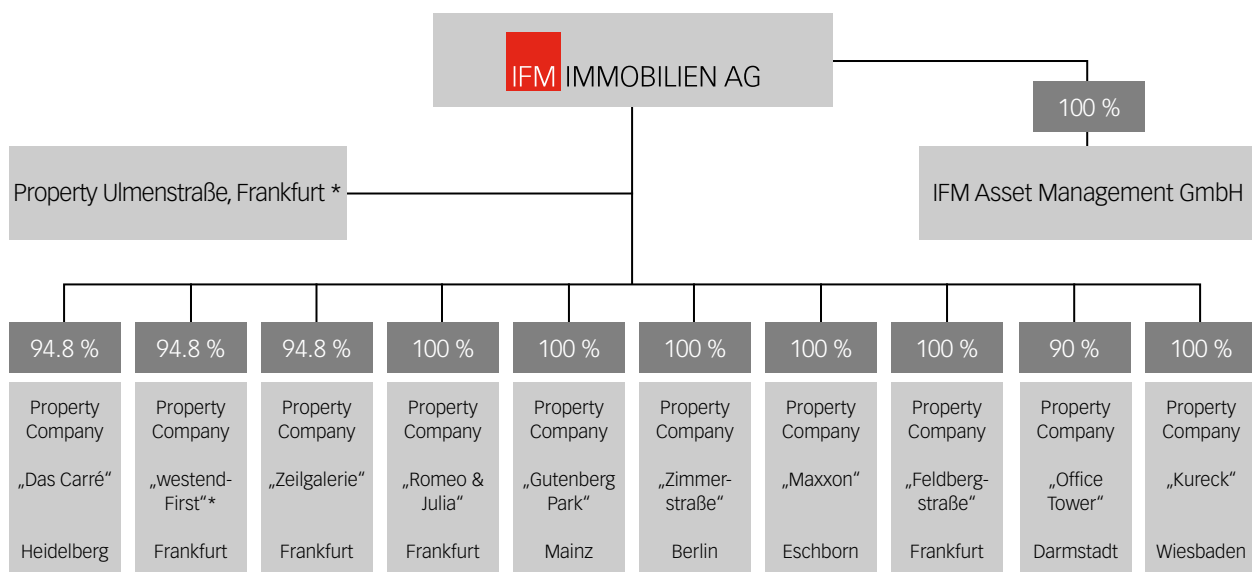
Business Model

Prime locations in German metropolises: IFM Immobilien AG's target sector

Land and buildings in prime locations open up opportunities for sound property investments. The reason: the demand among potential tenants and investors is more sustainable than in other locations, even when faced with challenging market conditions.

However, even buildings in excellent locations are not always able to keep up with the competition. The cause might be an imbalanced tenant structure, a building's poor condition, or outdated facilities, leading to high vacancy rates. A lack of expertise in asset management on the owner's behalf or a lack of feel for any special aspects the micro-environment has to offer often play a role in this.

Group structure of IFM Immobilien AG



* Sold in December 2009

Identifying and grasping opportunities

The aforementioned constellation – where an excellent location is combined with an unsatisfactory building condition – means untapped economic opportunity, and sometimes even great potential for value appreciation. When an investor with the right expertise is able to tackle an investment holdup and optimize tenant structures, the stage is set for high, sustainable returns on investments in the property.

IFM Immobilien AG has based its business model on this philosophy. As an investor and project developer, the company revitalizes existing properties and erects new buildings. In these activities, the main focus is on commercial real estate for office and downtown retail use. IFM creates lasting value through active project development.

A decisive factor in the success of a revitalization project is not just taking the right construction measures, but also repositioning and professionally marketing the property. For IFM, that means above all transforming properties into living brands. That is why developing and implementing innovative marketing concepts is of top importance to IFM.

Behind this is the fact that the company is confident that establishing a property as a brand creates significant added value for prospective tenants, from which investors will also benefit in the end in the form of value appreciation. Apart from the hard facts about the property, such as the location and price, soft facts such as architecture, design and image are consciously included in marketing efforts, offering clear individual added value for potential clients. In this way, tenants and potential buyers develop a strong, lasting identification with the property and their location.

Focusing on stable earnings and value appreciation

IFM invests both in existing properties which it believes to have an attractive risk/opportunity profile and potential for value appreciation and in new buildings. In both cases, the company proceeds in its investments with the strategy of establishing a premium portfolio of 'landmark properties', which it holds as an asset to achieve rental profits in the middle term. Property sales, also part of the company's portfolio management, are also planned in order to achieve and encourage organic growth of the value appreciation generated.

As a result, the company has a structure of earnings based partly on continual cash flow from rental income, and which utilizes additional earning potential from sales revenue. This sets IFM's business model apart from the rest, which generally focus on classic project development services. About 50% of IFM's portfolio comprises project development. As the other 50% consists of assets, continual rental income can be generated, which is not the case for classic project developers.

Business Model

When identifying suitable properties and making investment decisions, IFM uses its expertise in the field, gained from many years of experience, and an established network in the real estate market. Above all, the company relies on its core competencies in the following areas:

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



“westendFirst is a

“westendFirst is a powerful example
that our business model works perfectly.”

Georg Glatzel, CEO of IFM Immobilien AG

works perfectly.”



westendFirst, Frankfurt am Main

powerful example our business mode



„westendFirst“ –
Creating Value through
Revitalization

„westendFirst“ – Creating Value through Revitalization

„westendFirst“ – Creating Value through Revitalization

By selling the Frankfurt property westendFirst in December 2009, IFM proved that the company's business model works perfectly. For the first time, a property in the portfolio underwent the entire property life cycle, from purchase through to revitalization all the way to a successful exit.

IFM assumed ownership of the building, which was vacant when purchased, in 2004 for a price of EUR 20.4 million. The building was erected in the 1970s. The property's excellent location was the selling point for the project; the West End is one of the top office addresses in Frankfurt. Gründerzeit villas and green spaces add to the district's image – which is rich in history yet modern. From 2004 to 2006, IFM submitted the property to a comprehensive revitalization, putting its three core competences of redevelopment, restructuring and repositioning into action. An additional EUR 20.7 million was invested beyond the purchase price, so that IFM invested a total amount of EUR 41.1 million. IFM financed EUR 6.6 million using equity, and the remaining EUR 34.5 million was financed using borrowings.

Structural Restoration and Sophisticated Architectural Design

The existing building first underwent a structural restoration. The company was able to snap up Max Dudler, one of today's best-known architects, to come up with a sophisticated new architectural design for the office complex. He created a curtain wall facade inspired by the Chicago School with a modern edge, in which a multifaceted relief exhibits the main attributes of classic urban architecture. In addition to the structural measures, IFM came up with a concept to reposition and market the building, which it then pursued consistently.

westendFirst before revitalization



westendFirst during revitalization



westendFirst after revitalization

westendFirst Becomes A Brand

As part of the repositioning process, IFM renamed the building in order to reflect the property's premium quality. westend-First was developed into a brand that could be established among the relevant target groups with a professional brand image. The building's signature icon is three cow sculptures in front of the entrance that stand out due to their glowing red appearance.

The innovative marketing approach played a big role in the fast, successful leasing of the building following completion of the revitalization work. Just over nine months later, westendFirst was fully leased out. Tenants include the German Football League (DFL) and Fortis.

Nominated for 2008 MIPIM Award

The property came under the ownership of the IFM Group in 2006. IFM became very well-known in the real estate industry for its revitalization and repositioning of westendFirst. The company's nomination for a MIPIM award – the Oscars of the real estate industry – in 2008 is further evidence of this fact.

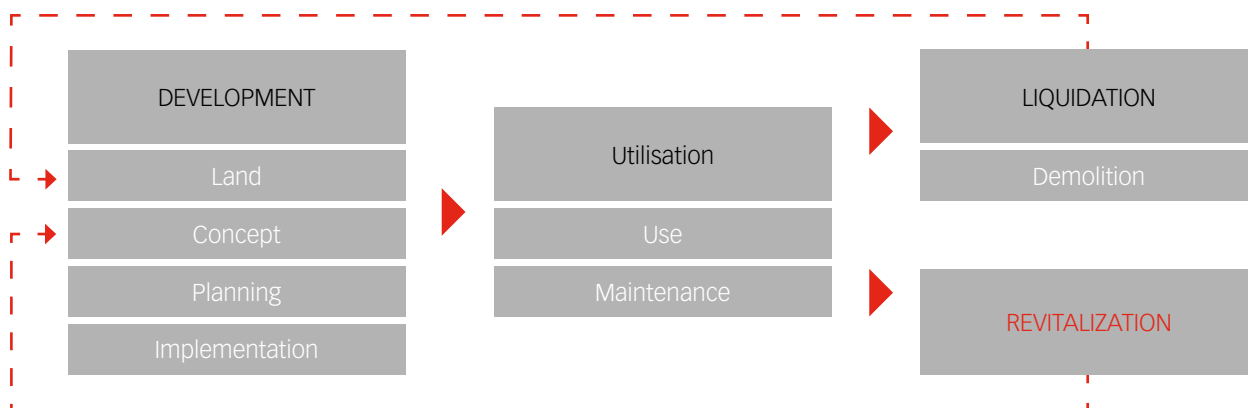
Exit Proof of Investment's Recoverability

After the value creation process was completed, IFM sold the property to Bayerische Apothekerversorgung in December 2009, turning over a profit of EUR 55 million. After repayment of financing of over EUR 33 million, EUR 22 million was left for IFM (before taxes and minority interests).

After subtracting IFM's prior investments from the profit on the sale, the result is capital appreciation to the sum of EUR 13.9 million. In relation to the equity used, this is equal to a 211% recovery of capital. That works out as a return on equity of 23% p.a. for the investment period of five and a half years.

westendFirst is a compelling example: IFM's business model works, despite the difficult economic environment. In the end, IFM was able to realize the value appreciation recognized in the financial statements to the full extent in the market, which can be seen in the market values calculated as per IFRS. IFM hopes to demonstrate this process again and again in future projects.

IFM-real estate cycle





Romeo & Julia, Frankfurt am Main



Portfolio

Portfolio

Portfolio – Locations

Over just a few years, IFM Immobilien AG has established a transparent, profitable portfolio of commercial real estate properties.

IFM focuses exclusively on investing in properties in prime locations in regions with high growth rates. The company specializes in real estate for office and downtown retail use. Up to this point, the focus has been on the Rhine-Main region, the Rhine-Neckar metropolitan area and central Berlin.

Before making a purchase, IFM always inspects a property thoroughly and sets the bar high for its investment decisions. IFM plans to further expand its portfolio in the future. In the mid to long-term, investments are being considered in regions with high growth rates – Munich and Hamburg in particular. However, growth in IFM's current markets takes priority over expanding into new target regions.

Portfolio

- ▶ Romeo & Julia, Frankfurt am Main
- ▶ Zeilgalerie, Frankfurt am Main
- ▶ Maxxon, Eschborn-Süd
- ▶ Kureck, Wiesbaden
- ▶ Das Carré, Heidelberg
- ▶ Office Tower, Darmstadt
- ▶ GutenbergPark, Mainz
- ▶ Zimmerstraße, Berlin
- ▶ westendFirst*, Frankfurt am Main
- ▶ Ulmenstraße 22*, Frankfurt am Main
- ▶ Feldbergstraße, Frankfurt am Main

* Sold in December 2009



Portfolio overview

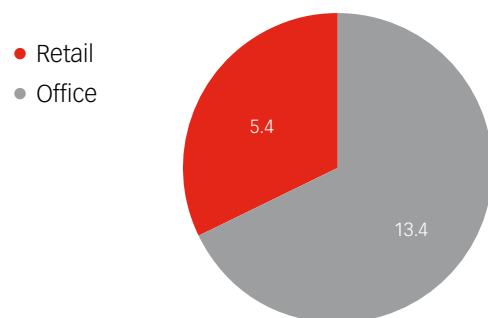
	Area (sqm)	Occupancy Rate	Annual net rent (Actual in EUR million)	Annual net rent (Budget in EUR million)	IFRS Value (in EUR million)
Das Carré, Heidelberg	13,634	100%	2.1	2.1	29.4
westendFirst***, Frankfurt	8,339	96%	3.0	3.1	55.0
Romeo & Julia**, Frankfurt	14,462	73%	3.5	> 5.0	81.0
GutenbergPark*, Mainz	25,289	78%	1.9	2.4	21.3
Maxxon, Eschborn-Süd	26,015	44%	1.4	> 3.0	39.3
OfficeTower, Darmstadt	8,195	62%	0.6	0.9	12.8
Kureck, Wiesbaden	27,470	100%	2.5	2.5	33.2
Feldbergstraße, Frankfurt	775	0%	0.0	0.0	2.9
Ulmenstraße 22,*** Frankfurt	2,194	81%	0.5	0.6	8.6
Zimmerstraße, Berlin	1,099	43%	< 0.1	0.1	15.0
Zeilgalerie, Frankfurt	11,220	88%	3.3	> 3.8	55.0
	138,692		18.8	23.5	353.5

* Incl. lease contract Deutsche Telekom (Starting 01.11.2010)

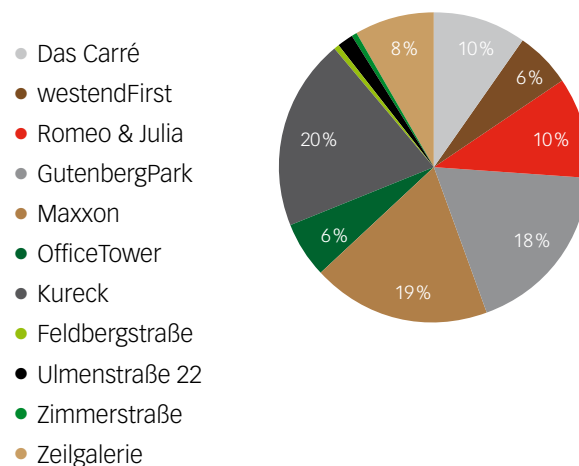
** Office space incl. optional space

*** Sold in December 2009

Rental income according to type of use in EUR million



Area according to properties in %



Romeo & Julia
Frankfurt am Main



ROMEO & JULIA

Description

The office building Romeo & Julia is located in the heart of Frankfurt, not far from the property westendFirst in the West End of the city. Designed by Swiss architect Max Dudler, the building complex consists of two office towers connected via a joint core. Spanning 19 and 17 floors respectively, the towers offer 13,500 square meters of office space, as well as two exclusive penthouse apartments. The revitalization of the building, which was formerly known as the Bubis-Türme, was completed in early 2009. It included a complete structural restoration and repositioning under the emotive name of Romeo & Julia. Just a short time after the construction work was completed, the first lease agreements were signed with big-name companies. Over the course of 2009, around 70 % of the available office space was leased out. In February 2010, the property Romeo & Julia was nominated for the 2010 MIPIM award in the Refurbished Office Buildings category. Romeo & Julia boasts energy efficient utilities and an environmentally friendly double facade. The towers' floor to ceiling windows offer a breathtaking view of the Frankfurt skyline.



General Information

Status quo	Leasing phase
Occupancy rate	73% of the available office space
Type of use	Office, residential (two penthouses)
Space	14,462 sqm
Parking spaces	148
On the Internet	www.romeoundjulia.ag

Investment

Total investment	EUR 67.5 million
Net annual rent (without utilities)	EUR 3.5 million (as of December 31, 2009)
Gearing	EUR 52.5 million
Value according to IFRS (at December 31, 2009)	EUR 81.0 million



Zeilgalerie
Frankfurt am Main

ZEILGALERIE

Description

The Zeilgalerie is one of the most famous retail properties in all of Germany. Located in a prime spot in Frankfurt's pedestrian zone, the high rise shopping center was opened in 1992. Today, its tenants include big names like H&M and Benetton. IFM acquired the property in the summer of 2008 and is currently undertaking a complete revitalization of it. Not only will the facade of the Zeilgalerie receive a whole new look, but the building's interior will too. IFM is working together on the revitalization with the design agency 3deluxe, based in Wiesbaden. IFM is changing the structure of tenants, which will allow it to completely rebrand the Zeilgalerie. Work has already begun on fire prevention measures and to reduce the maintenance backlog. The planning applications for the revitalization of the property were submitted at the end of 2009.



General Information

Status quo	Project development, repositioning phase
Occupancy rate	88 %
Type of use	Downtown retail
Space	11,220 sqm
On the Internet	www.zeilgalerie.de

Investment

Total investment	EUR 61.0 million
Net annual rent (without utilities)	EUR 3.3 million (as of December 31, 2009)
Gearing	EUR 41.5 million
Value according to IFRS (at December 31, 2009)	EUR 55.0 million



Maxxon
Eschborn-Süd



Description

Just 15 minutes away from the airport and downtown Frankfurt, Maxxon Business Park is located in easy-to-reach Eschborn-Süd. The property comprises three office buildings which together form a premium ensemble. Two of the buildings have been put through structural restorations by IFM, and are ready to be marketed as practically new developments from early 2010 onwards. One of the main advantages that the Eschborn site has to offer is a local business tax rate lower than the rate in nearby Frankfurt. Due to this, many big name companies have set up branches there – the German Stock Exchange, EuroHypo and Ernst & Young are all located in close proximity to Maxxon.

Attractive cash flows could be generated while the revitalization was still under way as the third building was almost entirely leased out.



General Information

Status quo	Project development, repositioning phase
Occupancy rate	44 %
Type of use	Office
Space	26,015 sqm
On the Internet	www.maxxon-eschborn.de

Investment

Total investment	EUR 45.0 million
Net annual rent (without utilities)	EUR 1.4 million (as of December 31, 2009)
Gearing	EUR 27.6 million
Value according to IFRSw (at December 31, 2009)	EUR 39.3 million



Kureck
Wiesbaden

KURECK WIESBADEN

Description

IFM purchased Kureck, located across from the Kurpark in Wiesbaden, from R+V Versicherung in a sale and lease back transaction. R+V Versicherung will remain a tenant of the property until early 2011. New construction measures and complete revitalization work will be carried out in various parts of buildings on the Kureck lot. The goal is to create a new landmark in Wiesbaden in an absolutely premium location. The future planned use will combine premium office space with retail, health services, a hotel and exclusive living.



General Information

Status quo	Building is used by R+V Versicherung, planning phase
Occupancy rate	100%
Type of use	Office, retail, health, hotel and premium residential
Space	24,470 sqm
Potential for development	35,000 – 38,000 sqm

Investment

Total investment	> EUR 100 million
Net annual rent (without utilities)	EUR 2.5 million (as of December 31, 2009)
Gearing	EUR 25.9 million
Value according to IFRS (at December 31, 2009)	EUR 33.2 million

Das Carré
Heidelberg





Description

Das Carré stands out due to its fusion of fitness, wellness, restaurants, retail, offices and apartments. IFM transformed it into a real landmark in the heart of Heidelberg from 2003 to 2005.

The property comprises a two-storey base used for commercial purposes and a 14 storey high rise building with 177 residential units. There are around 600 parking spaces in close proximity to the building complex, and the building's own parking garage has 116 spaces. Since IFM repositioned the property, it has been fully leased out.



General Information

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

Investment

Total investment	EUR 26.6 million
Net annual rent (without utilities)	EUR 2.1 million (as of December 31, 2009)
Gearing	EUR 17.6 million
Value according to IFRS (at December 31, 2009):	EUR 29.4 million



Office Tower
Darmstadt

Description

The 45 meter tall Office Tower, which underwent comprehensive modernization and renovation, offers premium office space and an excellent structure of tenants in a central location. The side wing of the building offers additional office space, as well as retail space for shops, services and even a restaurant.

A combination of glass, granite and aluminum makes the facade stand out. Classical proportions and elegant simplicity are the main features of this exclusive office address.



General Information

Status quo	Existing property, leasing stage
Occupancy rate	62 %
Type of use	Office, retail, restaurant
Space	8,195 sqm
On the Internet	www.officetower.ag

Investment

Total investment	EUR 12.1 million
Net annual rent (without utilities)	EUR 0.6 million (as of December 31, 2009)
Gearing	EUR 8.2 million
Value according to IFRS (at December 31, 2009)	EUR 12.8 million



GutenbergPark
Mainz

GutenbergPark MAINZ

Description

GutenbergPark in Mainz-Hechtsheim is the former production facility of the famous Gutenberg Druckerei. It is located just minutes away from the A60/A63 autobahn. IFM has established the property as an expansive modern business park with an innovative design and usage concept. GutenbergPark offers a wide range of possible uses. Space for offices, service, production and storage facilities are all available for tenants. A restaurant with a lounge area is also integrated into the business park. Since the property was purchased in 2006, IFM has been able to increase the occupancy rate from about 15% to 80%. A lease was signed with Deutsche Telekom AG for over 3,850 square meters of office space in December 2009, which is just one of many highlights. IFM is setting up a modern call center for some 300 Telekom employees at GutenbergPark.



General Information

Status quo	Leasing phase
Occupancy rate	78 %
Type of use	Commercial and restaurant
Space	25,289 sqm
On the Internet	www.gutenbergpark.de

Investment

Total investment	EUR 16.7 million
Net annual rent (without utilities)	EUR 1.9 million (as of December 31, 2009)
Gearing	EUR 13.0 million
Value according to IFRS (at December 31, 2009)	EUR 21.3 million



Zimmerstraße
Berlin

BERLIN

Zimmerstraße

Description

IFM has purchased one of the last undeveloped lots in a prime location in central Berlin, located right between the Federal Ministry of Finance and Checkpoint Charlie. Zimmerstraße offers IFM opportunities for project development spanning up to 21,000 square meters.

The current planned development concept will combine retail with a boarding house, premium living and art and culture. The implementation phase of the development project will be begun after space is successfully pre-leased. IFM received the preliminary building permit for the planned development project in December 2009.



General Information

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

Investment

Total investment	Purchase price plus project development
Net annual rent (without utilities)	< EUR 0.1 million (as of December 31, 2009)
Gearing	EUR 10.5 million
Value according to IFRS (at December 31, 2009)	EUR 15.0 million



westendFirst
Frankfurt am Main

westendFirst

Description

westendFirst is an exclusive office property in the West End of Frankfurt. The building stands out due to a sophisticated architectural design by internationally acclaimed architect Max Dudler. Floor to ceiling windows without balustrades offer a breathtaking view of Frankfurt. The building complex comprises a 16 storey high rise and a neighboring six storey low rise positioned at right-angles to it.

IFM revitalized the property between 2004 and 2006; it has been fully leased out since March 2007. The quality of the building has even caught the attention of experts around the globe – westendFirst received a MIPIM award nomination in 2008. Tenants include big name companies like the German Football League (DFL), law firm Graf von Westphalen, and Fortis. The property was sold for a price of EUR 55 million to Bayerische Apothekerversorgung in late 2009 (cf. page 23).



General Information

Status quo	Sold in December 2009, to come into effect in early 2010; IFM will continue managing the property
Occupancy rate	96 %
Type of use	Office
Space	8,339 sqm
Parking spaces	146
On the Internet	www.westendfirst.de

Investment

Total investment	EUR 41.1 million
Net annual rent (without utilities)	EUR 3.0 million (as of December 31, 2009)
Value according to IFRS (at December 31, 2009)	EUR 55.0 million
Selling price	EUR 55.0 million



Ulmenstraße 22
Frankfurt am Main

22 22
ULMENSTRASSE
ULMENSTRASSE

Ulmenstraße 22

Description

The office building is located in close proximity to the westendFirst and Romeo & Julia properties in the West End of Frankfurt. The short distance to the pedestrian zone, exhibition grounds and main train station and good public transportation connections are just some of the location's winning features. The building is equipped with premium facilities. IFM's Frankfurt branch is housed in the building.

The property was sold to a strategic investor for EUR 11.5 million in late 2009.



General Information

Status quo	Sold in December 2009, to come into effect in early 2010; IFM will continue managing the property
Occupancy rate	81 %
Type of use	Office
Space	2,194 sqm
Parking spaces	25

Investment

Total investment	EUR 9.1 million
Net annual rent (without utilities)	EUR 0.5 million (as of December 31, 2009)
Gearing	EUR 6.8 million
Value according to IFRS (at December 31, 2009):	EUR 8.6 million
Selling price	EUR 11.5 million

Ongoing, transparent financial communication

“Ongoing, transparent financial communication
is not just an obligation – it is one of our
main concerns at IFM.”

Marcus Schmitz, CFO of IFM Immobilien AG



Financial Communication
obligation – it is one of
S at IFM.”



Stock markets on the mend

Over the course of 2009, the global stock markets were able to recover somewhat from the heavy losses experienced in 2008. However, the effects of the international economic crisis were just as present as before. While the steep drop begun in the previous year defined the markets in the first quarter of 2009, share prices and stock indices rose steadily throughout the rest of the year. This made up for at least part of the previous losses.

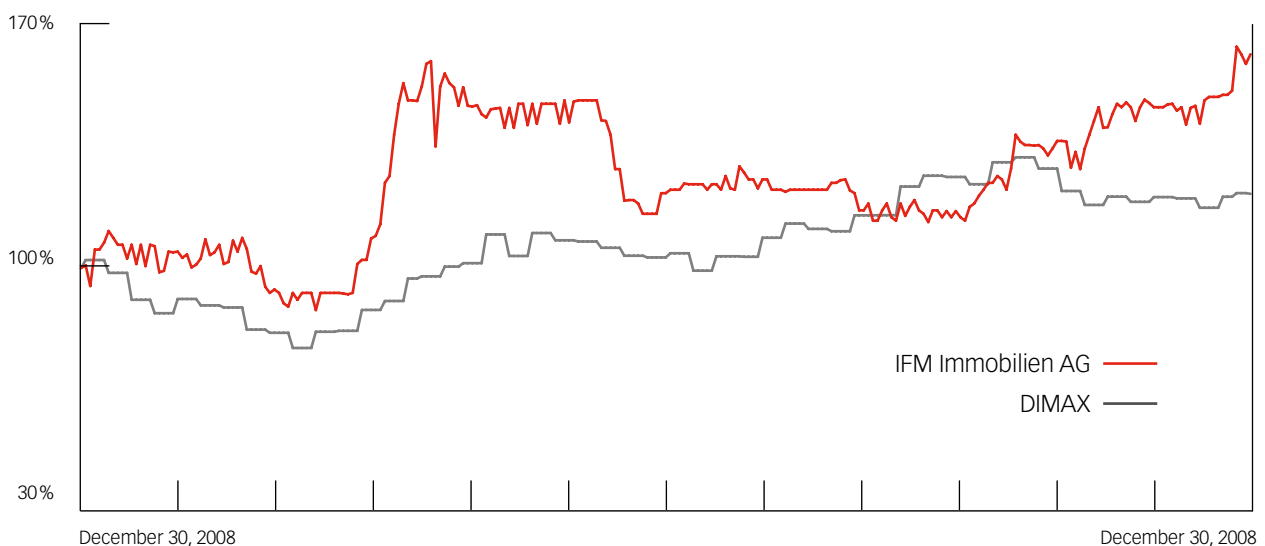
The German stock index (DAX) was at 4,857 points at the start of the year, but dropped by more than a quarter to 3,589 points by early March. However, it recovered significantly over the subsequent months. By the end of the year, the index reached around 6,000 points, resulting in a growth of about 23 percent for the year. The recovery on the market could also be seen in real estate stocks, which had suffered great losses in 2008. The DIMAX, the German real estate stock index, was up by 18 percent in 2009.

IFM stock up significantly

While IFM stock performed better than many other real estate stocks in 2008, the general downtrend on the markets could not be evaded entirely. A turnaround was not to be seen in the first weeks of 2009 either, and the share price – which was at EUR 5.24 at the start of the year – reached an annual low of EUR 4.52. However, the start of the second quarter saw a great recovery.

Shares of IFM were listed at EUR 8.47 at the end of the year. This signals a price gain of some 62 percent for the year – and a better performance for IFM stock than for the market as a whole.

IFM stock compared to the DIMAX



Shareholder structure

As far as IFM is aware, the only change to the shareholder structure in 2009 was the sale of Laxey Partners Ltd.'s entire equity stake. The company is headquartered in Great Britain.

The members of the Executive and Supervisory Boards of IFM Immobilien AG together hold 19.95% (previous year: 11%) of shares, 34.33% (previous year: 58%) is in free float, and 45.33% (previous year: 31%) is held by a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS.

About IFM Stock

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

	2009	2008
No. of shares (at Dec. 31)	9,349,999	9,349,999
High (EUR)	8.58	12.85
Low (EUR)	4.52	4.90
Year-end close (EUR)	8.47	5.36
Market capitalization in EUR m*	79.19	50.12

* Calculated on basis of each year-end close

Open communication with the capital market

IFM Immobilien AG attaches great importance to maintaining in-depth, open and prompt communication with the capital market, shareholders and the media. As a corporation listed in the Prime Standard segment of the German stock exchange, IFM must satisfy rigorous transparency requirements and disclosure obligations.

Regular communication with national and international investors is a core component of IFM Immobilien AG's investor relations efforts. This has not only been maintained through talks with the Executive Board in both national and international road shows, but also through regular contact with the media and analysts. The Executive Board uses these channels to keep the capital market up to date on the company's business performance.

Investor Relations

IFM Stock

Furthermore, IFM Immobilien AG often attends investor conferences and other events of relevance to the capital market. In 2009, these included the Commerzbank Real Estate Conference, the SRC Forum and the German Equity Forum. Petercam, SRC Research and CloseBrothers Seydler are just a few of the well-known financial and research institutions that regularly track the company's performance.

The Executive Board will continue to explore further opportunities to ensure comprehensive information from investors, potential shareholders and analysts, and to maintain and build on relations with the capital market and the media.

Net Asset Value (EUR m)

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

*Sales price less transfer costs

09:27 IFM A0JDU9 IFM Immobilien AG - Eröffnungspreis: 11,10
08:29 IFM A0JDU9 IFM Immobilien AG - Erster Handelstag
Prime Standard





Romeo & Julia, Frankfurt am Main



Corporate
Governance

Corporate Governance

Corporate Governance Report – Declaration of Conformity

General

IFM Immobilien AG recognizes the importance of solid and responsible administration and corporate governance in gaining and maintaining the confidence of the capital market and the company's business partners. Corporate governance generally comprises a 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 June 18, 2009 as well as the electronic version published August 5, 2009. It contains recommendations and suggestions for the management and supervision of stock listed German companies. Its provisions differ in their binding force. Along with explanations of current corporate law, it includes recommendations which companies may or may not heed. However, stock listed companies are required to disclose any recommendations not heeded each year. The Code also includes suggestions that companies are not required to disclose if not followed. IFM Immobilien AG has been subject to these obligations as pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz) since its stock was entered for trading on the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange on April 29, 2008.

As in the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act issued March 22, 2010, 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. The documents necessary for the annual shareholders' meeting 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.

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

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

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

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

Corporate Governance

Corporate Governance Report – Declaration of Conformity

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 Boards 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 March 22, 2010, the Executive and Supervisory Boards of IFM Immobilien AG declared that they have complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code, with the following exceptions. The following declaration pertains to the extent to which the suggestions of the Code were adhered to in the past insofar as the declaration relates to this topic. The most recent Declaration of Conformity was based on the then-current version of the Code published on June 6, 2008, however taking any changes made in that year into account which were released in the version of June 18, 2009 and published on August 5, 2009 in the electronic version of the Federal Gazette. In the future, the Declaration shall refer solely to the June 18, 2009 version of the Code.

- ▶ Item 2.3.2 of the Code The company considers publishing the invitation to the annual shareholders' meeting in the electronic version of the Federal Gazette to be sufficient.
- ▶ Item 3.8 of the Code The existing D&O insurance policy for the Executive and Supervisory Boards, which was taken out prior to the changes to the Stock Corporation Act, does not include a retained amount. The company does not believe that a retained amount could further boost the motivation and responsibility with which the members of the Executive and Supervisory Boards perform their duties. The D&O insurance foremost safeguards the company's own substantial risk. Secondly, it serves to protect the personal assets of the members of the decision-making bodies. The company will agree to a retained amount in the future for the members of the Executive Board in accordance with the provisions of the law. For the members of the Supervisory Board there will be no retained amount in the future, too, for the aforementioned reasons.
- ▶ Items 4.2.3, 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 July 18, 2008, 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.
- ▶ Item 4.2.3 of the Code Contracts for Executive Board members do not include a cap limiting variable types of compensation in extraordinary circumstances which could not be foreseen. When extending Executive Board contracts or signing new Executive Board contracts, the company will comply with any changes resulting from changes to the Stock Corporation Act, however reserving the right to stray from any potential, exceeding orders from the company law 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.
- ▶ 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.

Corporate Governance

Corporate Governance Report – Declaration of Conformity

- ▶ 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 Until Mr. Lechner resigned, the Nominating Committee consisted of Mr. Luca Pesarini, Mr. Martin Lechner and Mr. Philipp J. N. Vogel. The vacant position has not yet been filled. This committee did not meet in the year under review. The Supervisory Board will decide whether to find a replacement with given cause.
- ▶ 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.
- ▶ 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 company will undertake to follow the recommendation that interim reports be made available to the public within forty five (45) days following the end of the reporting period. However, the company cannot guarantee that this recommendation will be fulfilled due to the large scope of consolidation.

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

Stock Option Plans

Based on the authorization of the annual shareholders' meeting of April 24, 2006, the Supervisory Board of IFM Immobilien AG has set up a stock option plan for members of the Executive Board under the name of SOP 2006 A and SOP 2006 B. The Supervisory Board decided to issue a first tranche comprising 120,000 stock options. Under this plan, 80,000 stock options were issued to the CEO, Mr. Georg Glatzel and 40,000 to Mr. Bernd Weber, a member of the Executive Board at the time. As of December 31, 2009, 120,000 stock options were issued. With the authorization of the annual shareholders' meeting of July 20, 2007, the Supervisory Board of the company decided to set up an additional stock option plan entitled SOP 2007 for acting members of the Executive Board based on a decision of August 24, 2007. The Supervisory Board approved a total of 292,000 stock options to be issued in a first tranche on September 13, 2007, a total of 292,000 stock options in a second tranche on February 20, 2008, and a total of 146,000 stock options in a third tranche on April 3, 2009. A total of 625,400 stock options were issued to Mr. Georg Glatzel and 104,600 to Mr. Marcus Schmitz. As of December 31, 2009, a total of 790,000 options had been issued in three tranches.

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



IFM stand Expo Real 2009



Consolidated Management Report

Consolidated Management Report

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A. The Business Environment

1. Group strategy and business activities

The IFM Immobilien Group, consisting of IFM Immobilien AG and its subsidiaries is an investor and project developer in commercial real estate focusing on office and downtown retail use. The company's operating activities comprise erecting premium new buildings in prime locations primarily for commercial use and revitalizing commercial properties.

Revitalization includes

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

Geographically, IFM's operations focus on the Rhine-Main region, the Rhine-Neckar metropolitan region, and Berlin (central) in particular. The company is constantly exploring possibilities to expand geographically into the top office markets, in particular the Hamburg or Munich region.

IFM selects properties based on clearly defined criteria, including a high potential for development and value appreciation, an attractive ratio of risk to opportunity and prime locations with existing infrastructure. IFM employs a due diligence process before acquiring properties. That entails thoroughly assessing the legal, geographic, structural engineering and economic condition of the property up for sale. IFM generally purchases properties that are either partially leased or vacant as well as land. The company aims for a total investment of between EUR 15 million and EUR 90 million per property.

IFM turns over profits by leasing properties and through value appreciation generated in the properties throughout active project development. These profits are presented according to the provisions of IAS 40. The company's business model also foresees profits through the sale of properties for which the company believes the value appreciation process is complete and that the value created can be realized through the sale.

The company generally strives to keep 50% to 60% of the property portfolio for ongoing project development and 40% to 50% of completed properties for leasing and marketing purposes.

2. Group structure and organization

IFM Immobilien 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 parent company and project subsidiaries are managed consistently by the members of the Executive Board of the parent company, who handle the Group's business and financial policies. In individual cases, third-party managing directors assume these responsibilities for the project subsidiaries.

The properties in the company's portfolio are typically held by individual project companies that are subsidiaries of IFM Immobilien AG. Each individual project company is responsible for financing the properties. The creditor's recourse is usually contractually limited to the assets of the individual project company (including shareholder loans and capital investments provided by IFM Immobilien AG), otherwise known as non-recourse financing.

IFM Asset Management GmbH, a wholly owned subsidiary of IFM Immobilien AG, acts as the Group's operating unit. It enters into business management agreements with the project companies for this reason and is responsible primarily for Group companies. Its primary duties include the due diligence process, commercial and higher-level project management tasks, rental management, real estate marketing and standard property management.

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

3. Managing Bodies

3.1. Executive and Supervisory Boards

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

The Executive Board conducts the company's operations in compliance with the law, the articles of incorporation and the board's rules of procedure. The Supervisory Board decides 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. 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. It also conforms to the recommendations and suggestions of the German Corporate Governance Code in material respects.

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 an annual base salary plus a variable component.

The fixed base salary for Executive Board depends on the members' areas of responsibility and personal performance.

The variable component paid to the Executive Board is derived from the gains on the disposal of real estate projects and also includes non-cash benefits in the form of the use of a company car. The compensation of Executive Board members also includes a stock-based component.

Stock options were issued under two stock option plans in 2006, 2007, 2008 and 2009 (cf. the explanations in the Management Report under E. and details on equity in the notes).

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The compensation scheme for members of the Supervisory Board is governed by the company's articles of incorporation. This scheme comprises a fixed amount and a variable component. The company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses. See the explanations provided in the Management Report under E. and in the Notes for further details.

4. Material Factors Affecting Business

The business operations of the IFM Immobilien Group are subject to a number of factors over which Group companies can exercise little or no control. These include legal constraints as well as economic factors.

The first factor to be mentioned is macroeconomic performance. Economic performance not only affects demand in the office leasing market, but also performance in retail. This may affect rental rates for new or renewed leases. In addition, economic performance may have direct or indirect effects on the prices in the real estate investment markets.

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

Developments in the capital markets also have a significant impact on IFM's business activities. As the company borrows funds for its activities either directly or indirectly through its subsidiaries, the situation in the capital markets has a strong influence on the company's economic success. The general trends in interest rates, the intensity of competition in 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.

The international economic crisis continued in the fiscal year 2009, with its effects spreading increasingly to sectors of the economy other than finance. Compared to the situation before the crisis hit, the real estate industry is now faced with significantly higher financing costs. Due to this, the IFM Immobilien Group expects to come up against further possible effects of higher borrowing costs for new acquisitions and follow-up financing. Nevertheless, banks that have worked with IFM know the company's track record and are still prepared to finance IFM and its subsidiaries' real estate investments and project developments.

This was made clear through the extension of the loan for the Romeo & Julia property, which was agreed at unchanged margins. In the fiscal year 2010, the Group is currently awaiting approval on an extension in the amount of EUR 11 million. Various legal requirements from different areas of law must be complied with for properties held by the Group, 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, the applicable state building law, fire protection regulations and environmental, soil and water protection acts. IFM makes sure that all relevant legal provisions are complied with as part of its due diligence prior to acquiring investment properties.

5. Corporate Management and Performance Indicators

5.1. Financial Performance Indicators

The long-term success of the IFM Immobilien Group is measured on the basis of value-oriented parameters. One particular financial performance indicator is the return on equity of the individual special-purpose entities relative to their equity employed. The actual return on equity is compared to a theoretically required return of between 15 % and 25 % per year, before taxes, on the basis of equity employed (without leverage).

5.2. Non-Financial Performance Indicators

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

The non-financial performance indicators include:

Real estate market expertise The economic success of the IFM Immobilien Group depends significantly on the management and staff's ability to identify suitable properties with high potential for value appreciation in select locations and to assess the possibilities for development as accurately as possible. These abilities require relevant experience and professional expertise, detailed knowledge of regional markets is a necessity. The CEO of IFM Immobilien AG has over 20 years of experience in project development for commercial properties, as well as thorough knowledge of the real estate sector. Many other members of staff also have related experience from years of work in property development, professional expertise in real estate economics and a wide network of contacts and connections in the real estate industry.

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

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

IFM works to some extent with partners such as marketing agencies and estate agents when creating and implementing marketing concepts.

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6. Research and Development

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

7. Economic Environment in 2009

The German economy was characterized in 2009 above all by the continuing global economic and financial crisis. In just the previous year, Germany experienced the deepest recession since the Second World War, which continued into the first few months of the reporting period. The Federal Statistical Office reported a 5.0% decline in the price-adjusted GDP in 2009; this is the first time the GDP has declined in six years. From the second quarter onwards, a stabilization could be seen in the economic environment, and positive GDP growth rates were reported.

Germany's economic performance was largely hindered by the slump in foreign trade. For the first time since 1993, there was a decline in exports compared with the previous year, resulting in a drop of 14.7% after price adjustments. Furthermore, negative growth was also seen in gross investment, falling by 12.5% in 2009 below the previous year's rate after price adjustments.

After price adjustments, consumer expenditure rose by 0.9% in 2009. State expenditure was up by 2.7% while private consumer expenditure experienced a growth of 0.4%. In analyzing these figures, it must be noted that a large part of private consumption can be attributed to private households purchasing new vehicles, amounting to a total of EUR 74 billion. This consumption was stimulated by the car scrap scheme introduced in Germany. Adjusted for this effect, private consumer expenditure declined by 0.5%.

The European Central Bank predicted further signs of moderate growth in the global economy at the end of 2009 due to the support of monetary and fiscal stimulus and because of stock cycles.

Sources:

Press release issued by the Federal Statistical Office on January 13, 2010

European Central Bank, Monthly Bulletin, January 2010

8. Trends in the Commercial Real Estate Market in 2009

In 2009, events in the commercial real estate markets were heavily influenced by the global financial and economic crisis. Despite the job market remaining relatively stable right into autumn, a large decline in demand was seen in the German office markets. Many companies delayed planned moves and relocations, in some cases even putting a stop to such plans altogether, to focus instead on consolidation in their current quarters.

As a result, a decline in leases of around 28 % on the previous year down to 2.1 million square meters was seen in the top six German office markets – Berlin, Duesseldorf, Frankfurt/Main, Hamburg, Munich and Stuttgart. New construction projects continued to increase; a total of about 1.1 million square meters of new office space was completed in 2009, which corresponds to an increase of almost 23% compared with 2008. The average vacancy rate in the top six office markets rose over the course of 2009 from 8.9% to 9.9%, of which an increasing proportion can be attributed to space for sublet.

The highest vacancy rate was seen in Frankfurt/Main once again, where the office market depends heavily on the financial services sector, in turn affecting leases. By the end of 2009, 13.6% of office space was vacant in Frankfurt including sublet spaces (2008: 12.5%).

IFM Immobilien AG believes that significant differences can be seen in demand and vacancy rates at each site depending on the location and property quality. Vacancy rates are therefore much lower for premium properties in prominent inner city locations than for the market as a whole. At the same time, demand for such properties has also been seen to be more robust in general.

Prime rental rates declined over the course of 2009 in all cities, the biggest drop was seen in Berlin at -9%, while the prime rental rates declined by almost 7 % in Munich and 8 % in Frankfurt. Incentives have gained in importance; effective rental rates are generally 10 to 15 % lower than nominal rates at the moment.

Sources:

Jones Lang LaSalle, Office Market Overview Q4 2009, January 2010

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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 2009 according to the International Financial Reporting Standards (IFRS) as prescribed for application in the EU in the reporting period. The previous year's figures were also calculated according to IFRS, as applicable in the EU.

2. Overall Performance

Despite the ongoing challenges of the macroeconomic environment, the IFM Immobilien Group can boast a successful and solid performance in the fiscal year 2009. The Group's revenue was up 28.9% to EUR 19.5 million; this can be attributed foremost to the extended basis of earnings from further leasing successes. This is also proof of the progress in development of value in IFM's portfolio of properties. Just before the fiscal year 2009 came to an end, the IFM Immobilien Group was able to close two sales for a total amount of EUR 66 million, which will be recognized in profit and loss in 2010. The agreed sales prices for the properties westendFirst and Ulmenstrasse 22 in Frankfurt provided proof of the marketability of IFM's methods of valuation and the sustainability of its portfolio. The IFM Immobilien Group saw out the fiscal year 2009 with a positive pre-tax profit (operating profit) of EUR 3.6 million. The consolidated profit after taxes was EUR 1.8 million.

3. Results

IFM achieved a consolidated revenue of EUR 19.5 million in the fiscal year 2009, which was mainly a result of rental income and advance payments on ancillary leasing costs. This represents a growth of 28.9% on the previous year (2007: EUR 15.1 million). The rise in revenue is based foremost on the extended basis of earnings from the leasing success of properties developed by IFM, in particular the Frankfurt office towers Romeo & Julia, and the consolidation of the Zeilgalerie throughout the entire year.

Other operating income came to EUR 0.9 million, compared with EUR 0.8 million in the previous year. It consisted primarily of compensatory payment from tenants and income from the write-back of provisions.

The result of the market assessment of investment properties was down by 25.5% to EUR 10.2 million (2008: EUR 13.7 million). The property Romeo & Julia, which underwent a proportionate upward revaluation through its successful leasing, played a big role in this result.

The cost of goods sold, which primarily pertains to the maintenance and management of leased properties, rose to EUR 6.4 million (previous year: EUR 3.6 million). This can be attributed to the completion and management of the property Romeo & Julia as well as the consolidation of the Zeilgalerie throughout the entire year. Renovation measures which could not be capitalized – for example in Das Carré in Heidelberg – also had an impact on the rise in the cost of goods sold.

The personnel expense increased to EUR 3.7 million as a result of new staff being hired within the Group due to growth (previous year: EUR 2.8 million). Furthermore, the issue of the third tranche under the Stock Option Plan 2007 led to a rise in personnel costs not relevant to cash.

Other operating expenses increased slightly from EUR 5.6 million to EUR 5.8 million.

The net financial result was EUR -10.6 million (2008: EUR -11.8 million). Interest and similar income dropped to EUR 0.8 million. Interest expense increased by 44 % from EUR 7.9 million to EUR 11.4 million, mainly as a result of funds borrowed proportionately to finance real estate projects. The consolidation of the Zeilgalerie throughout the entire year and the increase of the loan amount over the course of investments in the properties Romeo & Julia and Maxxon were the main factors in this rise in expense.

IFM Immobilien Group's operating profit (pre-tax profit) was EUR 3.6 million for the fiscal year 2009, compared with EUR 4.8 million in the previous year. The 25% decrease on the previous year is mainly due to the inclusion of financing costs for the property Romeo & Julia. Borrowing costs were capitalized as interest during construction in the fiscal year 2008.

Income taxes were EUR -1.8 million (2008: EUR -4.6 million). This figure is primarily attributable to deferred taxes (EUR -1.8 million).

The consolidated profit before minority interests was EUR 1.8 million, compared with EUR 0.3 million in the previous year. The consolidated profit was EUR 1.8 million after minority interests (2008: EUR 0.3 million). This amount equates to undiluted earnings per share in the amount of EUR 0.19 (2008: EUR 0.03).

4. Net Assets

The IFM Immobilien Group's total net assets were EUR 372.6 million as of December 31, 2009, which is EUR 17.2 million above the amount reported at the previous reporting date (EUR 355.4 million).

Non-current assets were EUR 294.0 million as of December 31, 2009, down 12.1% from the amount reported for the previous year (EUR 334.4 million).

The key item under non-current assets is investment properties, which are held to generate rental income and value appreciation. The amount for this item increased by EUR 12.7 million to EUR 287.0 million (December 31, 2008: EUR 274.3 million).

The change was a result of the following effects: The change to IAS 40, to first be used in the fiscal year 2009, caused properties recognized in the previous year under "Property under development" to be reclassified as "Investment properties". The reclassification was completed with the previous year's carrying amount of EUR 45.2 million. In addition, the change to the item "Investment properties" can be attributed to appreciation realized and impairment in individual properties (EUR 10.2 million). The properties Romeo & Julia and the Zeilgalerie in particular appreciated in value as a result of the development activities undertaken by IFM.

The total value of EUR 57.9 million of the properties westendFirst and Feldbergstrasse were not recognized under investment properties, but as non-current assets held for sale due to the existing sale agreements for these two properties.

Construction activities resulted in additions in the amount of EUR 15.3 million.

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In the scope of the notarized sale of the property Ulmenstrasse 22, Frankfurt, effective February 1, 2010, the value was recognized under the item "Non-current assets held for sale", too. As a result, the temporary difference in the item land and buildings dropped by EUR 8.6 million to EUR 0.

Current assets decreased by 42.7%, to EUR 12.0 million as of December 31, 2009 (December 31, 2008: EUR 21.0 million). With this, cash and cash equivalents and securities were down by EUR 6.9 million or 44.1% to EUR 8.7 million due to investment in the further development of the property portfolio.

Group equity increased from EUR 100.6 million to EUR 102.2 million. The equity ratio went down slightly on the previous year to 27.4% (December 31, 2008: 28.3%), thus remaining at a steady level.

Long-term borrowings increased from EUR 180.3 million to EUR 232.2 million. A large portion of this amount is attributable to liabilities to banks, in particular property loans.

The item for derivative financial instruments (cumulative for long-term and short-term) amounted to EUR 8.8 million (December 31, 2008: EUR 7.5 million). Deferred tax liabilities were EUR 9.8 million (December 31, 2008: EUR 9.7 million).

Short-term borrowings was down from EUR 74.5 million as of the previous balance sheet date to EUR 38.1 million. A large part of these borrowed funds are attributed to liabilities to banks, which decreased to EUR 23.7 million (December 31, 2008: EUR 55.0 million). Trade accounts payable decreased from EUR 5.8 million to EUR 4.9 million. Other short-term liabilities and deferred income and accrued expenses were down to EUR 2.5 million from EUR 8.9 million as of December 31, 2008. In the previous year, the second payment installment for the Zimmerstrasse property in Berlin was recognized under this item. This payment was due March 31, 2009.

5. Financial Position

5.1. Basic Principles of Financial Management

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

Real estate projects are generally managed by individual project companies. These companies are normally financed to about 25–30% using equity and to about 70–75% using borrowed funds. The project companies receive the funds they need from IFM Immobilien 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 and its project companies enter into interest rate hedges when acquiring a property to cover any changes over the planned duration of a project.

5.2. Financial Position

The cash flow from operating activities was EUR -5.2 million in 2009. This was mainly attributed to the change in non-cash income and expenses not recognized in profit or loss in the amount of EUR -7.6 million (previous year: EUR -3.7 million).

Investment activities resulted in a cash outflow of EUR 17.7 million (previous year: EUR -80.2 million).

Investments in investment properties and properties under development came to EUR 19.7 million (previous year: EUR 28.4 million). In addition, payments were made in the previous year for the acquisition of consolidated companies in the amount of EUR 51.1 million).

The cash flow from financing activities was EUR 18.4 million. It is derived primarily from funds borrowed from banks.

6. Staff

The IFM Immobilien Group attaches great importance to well-qualified and motivated staff. The Group's activities as an investor and project developer for commercial real estate makes staff with relevant professional expertise, experience and dedication a key factor for the sustainable success of the Group. At the same time, it gives IFM a competitive edge in the pertinent real estate markets.

The IFM Immobilien Group employed a staff of 45 as of December 31, 2009 (excluding the two members of the Executive Board) (end of 2008: 34). Of this staff, 6 people were employed at IFM Immobilien AG (end of 2008: 5 people) and 39 were employed at IFM Asset Management GmbH and the project companies (end of 2008: 25). The increase in staff at the Group is in line with the broadening of operating activities.

The compensation system for company staff depends on the individual services they perform. High performers receive a voluntary bonus in addition to their fixed salary.

C. Events after the Reporting Date

The sale of the property at Ulmenstrasse 22, Frankfurt am Main was closed effective February 1, 2010 in the scope of a sale and lease back agreement. The sale of the property westendFirst in Frankfurt was executed effective March 1, 2010. The approval of the buyer's advisory bodies for the property Feldbergstraße (through subsidiary IFM Property Project Feldbergstraße GmbH) has not been given.

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D. Risk and Opportunity Report

1. Risk Management

In accordance with the provisions of the German Act on Monitoring and Transparency in the Corporate Sector (KonTraG), the IFM Group has established an early warning system for risks to identify any changes that might result in losses or jeopardize the continued existence of Group companies. The efficient range of tools employed guarantees that risks are detected, assessed and managed promptly.

The Group management does not believe any risks that would endanger the Group's existence to be apparent, either in the past or in events which can be foreseen. This conclusion was reached based on the analysis conducted and evaluation of all risks.

2. Internal Control System

As the parent company, IFM prepares the IFM Group consolidated financial statements based on the financial reporting provided by the companies consolidated in the Group financial statements.

The goal of the internal control system (ICS) for the IFM Group's financial reporting process is to ensure 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 the IFM Immobilien Group:

3.1. Sector and Market Risks

Influence of real estate cycles Office space and commercial property for retail use – which IFM focuses on together with its subsidiaries – is typically subject to a fluctuating cycle of demand. In addition, this market is influenced by a variety of factors that IFM has no influence on, and which are difficult to predict. An example is the current economic trends influenced by the global financial crisis. Negative changes in economic conditions may lead to reduced demand for commercial space, which would have a negative impact on the IFM Immobilien Group'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, interest rates are subject to fluctuations greater than the usual market fluctuations. The margins for new agreements with banks in particular have increased substantially, compensating for the overall low interest rate to some extent. To safeguard existing loan agreements at variable interest rates, which are thus subject to market fluctuations, IFM partly employs derivative instruments to hedge against interest rates. Due to the high volatility and interest rates anticipated in the mid-term, interest rate hedges are currently only available significantly higher than the current market interest rate. IFM has not extended all expired interest rate hedges, so that some of the loans charged interest at variable rates (contractually limited to predefined maximum interest rates) are entirely subject to the risk of interest rate changes.

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

3.2. Risks Associated with IFM's Business Operations

In its business operations, the IFM Immobilien Group 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.

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The following additional risks exist:

Limited management capacity The success of IFM is connected closely to the company's managing directors and experienced members of staff in key positions. 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 Group lose its managing directors or experienced staff, or should the Group not be able to recruit suitably qualified staff, the result may be negative effects on IFM's ability to compete.

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

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 Note 43 in the Notes for further details on risks associated with financial instruments.

IFM and its subsidiaries have generally only entered into loan agreements with banks within Germany. The same holds true for the associated interest rate hedge agreements. 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. The Group had unexhausted credit approvals totaling EUR 15 million at December 31, 2009. These credit approvals are valid for a term of up to 5 years.

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

3.4. Other Risks

Environmental damage/legacy pollution When purchasing properties, it cannot be ruled out completely that legacy pollution such as soil and groundwater contamination will not be detected at a later point in time. In such an event, IFM may be liable for the removal of legacy pollution and be held responsible for the decontamination. This could incur substantial financial expenses which IFM might not be able to pass back to the seller of the property under the circumstances.

As IFM focuses on investing in developed land and the existing properties are often under architectural conservation, risks associated with the soil and building foundation are minimized. No significant duties to decontaminate or remove legacy pollution have ever been prescribed subsequently in any of the properties held by IFM.

Risks and risk management are also presented in the explanations in the Group Notes (Section C, Note 42 and 43).

4. Opportunities

Lower interest rates The company can expect to reduce financing costs in some cases despite higher margins in the case of upcoming new financing or extended financing due to lowered overall interest rates.

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

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

Rapid implementation of portfolio projects The core competences of redevelopment, restructuring and repositioning of properties allow the Group to complete office space and put it up for lease faster when investing in existing properties than can be achieved with new structures. 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 The IFM Immobilien Group will continue to use its expertise, which is famed in the market, and views itself as a trendsetter in real estate marketing. The Group has proved that it can achieve leasing success faster using innovative marketing concepts. IFM anticipates that this will lend it a competitive edge in the future as well, especially in the midst of difficult conditions in the rental market due to the economic slump. 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.

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

Information about the structure of Executive Board compensation (§ 315 Para. 2 No. 4 of the HGB) Contracts for members of the Executive Board are typically valid for a term of three to five years. The Supervisory Board determines the compensation of members of the Executive Board. Further information about the structure of compensation can be found in Section A Item 3.2 of this Management Report as well as in Note 471 of the Notes to the Annual Financial Statements. Mr. Georg Glatzel has been authorized to participate in the 2006 stock option plan. Mr. Georg Glatzel and Mr. Marcus Schmitz participate in the 2007 stock option plan. An additional tranche of this plan was issued in April 2009 in the scope of this plan.

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 the company's articles of incorporation. Each member of the advisory body receives a fixed annual amount of EUR 12,000. In addition, the members each receive a variable performance-based amount which depends on the changes in profits of the IFM Immobilien Group before tax not including effects from properties and, to a lesser extent, on the effects from properties. There is no possibility of negative compensation. The upper limit for compensation is 2.5 times the fixed amount in each case. The chair of the Supervisory Board receives twice the fixed and variable amounts and the vice-chairman receives one and a half times this amount. Furthermore, the company refunds the value-added tax on the compensation as well as any necessary expenses incurred for Supervisory Board activities. The members of committees also receive an additional annual fixed amount of EUR 2,500 and an attendance fee of EUR 500 per meeting.

Information about composition of issued capital (§ 315 Para. 4 No. 1 of the HGB) As of December 31, 2009 IFM Immobilien AG's share capital was EUR 9,349,999, which was divided into 9,349,999 non-par shares. Each share grants the right to a single vote at the annual shareholders' meeting. The number of shares and voting rights may change by the next annual shareholders' meeting due to the exercise of issued and/or conditional capital.

Information about restrictions on voting rights or on stock transfers (§ 315 Para. 4 No. 2 of the HGB) The Executive Board is not aware of restrictions of any kind on the voting rights or on transfers of the company's stock. The Norwegian investor group (consisting of Havfonn AS, Skips AS Tudor, 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 consolidated management report was compiled, the structure of shareholders in IFM Immobilien AG was as follows, according to the company's best awareness: IFM Immobilien Finanz Management GmbH 5.91%, LRI Invest S.A. 5.35%, in addition 45.33% is allocated to a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS.

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 Immobilien AG. Members may be reelected or their term of contract extended. § 6 of the articles of incorporation states that the Executive Board may consist of one or more members; this is up to the Supervisory Board to decide.

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

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

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

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

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The authorized capital was not used in 2009. An amount of EUR 3,400,001 remained unused as of December 31, 2009.

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 Immobilien AG immediately, but no later than March 31, 2011, under stock option plan 2006 A (SOP 2006 A) and stock option plan 2006 B (SOP 2006 B) following the registration of the 2006 conditional capital in the Commercial Register. Each stock option guarantees the right to purchase one share in IFM Immobilien AG. Existing shareholders have no subscription rights. As of December 31, 2009, 120,000 stock options were issued from this plan.

- ▶ SOP 2007 With a resolution of July 20, 2007, the annual shareholders' meeting authorized the Supervisory Board to issue up to 730,000 stock options with subscription rights to company shares with a maturity of up to five years to acting members of the Executive Board of IFM Immobilien 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, 2009, a total of 730,000 options had been issued in several tranches from this plan.

Conditional Capital

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

Purchase of Own Stock The company is currently not authorized to purchase its own stock.

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 Immobilien 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 2009.

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 a publication from late January 2010, the International Monetary Fund (IMF) anticipates a faster recovery in the global economy than first forecast for the two-year crisis; the global GDP is expected to grow by up to 4% in 2010. The IMF also noted, however, that a recovery will be seen at varying rates in different countries. The IMF expects the emerging markets to recover relatively quickly – Asia in particular. At the same time, the environment is expected to pick up at a slower pace in the leading industrial nations, with improvements continuing to depend on state stimulus measures.

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It is worth mentioning that the IMF increased its projected growth rate for Germany by 1.2 percentage points to 1.5 percent. This signals a rate of growth significantly higher than in the eurozone as a whole, for which the IMF has predicted growth of 1.0 percent in 2010.

In its 2010 annual economic report, the German Federal Government anticipates real GDP growth of 1.4% on average in 2010. However, it is expected that it will become more difficult for companies to maintain their level of employment in 2010 due to high cost burdens. The Federal Government has introduced tax credits of around EUR 24 billion per year for citizens and companies with the goal of encouraging a recovery in the economy. In addition to these immediate measures to boost the economy, structural reforms are being planned as a way to further expand the scope for growth in the long-term.

It is still to be seen to what extent the anticipated effects of the state stimulus measures are successful and whether a sustainable trend towards economic growth can be created. The Association of German Banks, for example, predicts that a long road still lies ahead from stabilization to a renewed upturn in the economy. The economic slump mainly affected industry in Germany; as a result of this and the country's economic structure, a recovery would have to be borne by the industry and thus the export demand. A definitive change for the better, however, is still not apparent in export demand as the demand for export goods from Germany is expected to remain rather low in the near future throughout Europe as well as in other industrialized nations.

In its monthly report for January 2010, the European Central Bank estimates that, while the global economy is still plagued with uncertainty, the risks associated with global economic activities will remain for the most part stable. On the one hand, the comprehensive macroeconomic stimulus packages and other measures introduced may have stronger effects than anticipated. Confidence might continue to increase and the global economy and foreign trade might recover faster than expected. On the other hand, doubts may persist due to a stronger or more persistent negative interaction between the real economy and the financial sector, renewed price hikes for oil and natural resources, an increase in protectionist measures, and potential market upheavals in connection with a correction of global imbalances.

Sources:

The Association of German Banks e.V., press release of January 21, 2010

European Central Bank, Monthly Bulletin, January 2010

International Monetary Fund, Update on the World Economic Outlook, January 26, 2010

Federal Government press release of January 27, 2010

2. Projected Trends for the Commercial Real Estate Market

The performance of the commercial real estate market in Germany will depend heavily on economic developments. Market experts anticipate a further decline in rental profits of almost 4% in the German commercial real estate market in 2010. This would equate to a figure 21% below the five year average from 2005 to 2009. Furthermore, a decline in companies' willingness to relocate is anticipated due to the cost burden, and leasing term extensions are expected to shape the rental markets. Decision-making processes are also expected to take longer in general in this area. New construction projects should be pursued in 2010 to a similar extent as in 2009.

A slight decrease in office rental rates is anticipated in 2010. Jones Lang LaSalle estimates a decline in the index of around 2%; it predicts the turning point will come in the second half of 2010. Prime rental rates in Frankfurt are expected to drop to around EUR 33.00 per square meter and month in the coming months, with which the low of the current cycle should be reached. The analysts at JLL currently see a classic market situation of a rental market in Frankfurt due to the combination of a decrease in nominal rental rates and incentives. They also point out, though, that the current point within the market cycle in Frankfurt does not leave tenants much time to secure the current cheap rates and freeze them for the long-term.

In the retail real estate market, experts expect to see an increasing demand for prime locations and a wider range of offers in neighboring areas in 2010. Despite an often curbed rate of expansion with longer times for negotiation of lease agreements, BNP Paribas Real estate anticipates that prime rental rates will become for the most part stable in highly frequented locations. Hikes in prime rental rates cannot be ruled out for high in-demand locations in individual cases.

In contrast, more offers for space in neighboring areas are expected due to a significantly lower demand, which is reflected in a drop in rental rates and longer marketing cycles. Rental spaces with complicated layout plans and properties in second and third rate locations will most likely only be able to be marketed for lease at special concessions in 2010.

Sources:

Jones Lang LaSalle, Office Market Overview Q4, January 2009

BNP Paribas Real Estate, press release of February 11, 2010

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3. Strategic Focus of IFM Immobilien

The IFM Immobilien Group remains 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. Classic projects for the development of new structures are just as important as revitalizing existing properties, for which the Group relies on its core competences in the areas of redevelopment, restructuring and repositioning.

The IFM Immobilien 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. Value increases shall get realised mainly by revitalization.

Geographically, the IFM Immobilien Group focuses its operations on the Rhine-Neckar metropolitan region, the Rhine-Main region and central Berlin in particular. In addition, the Group is planning to purchase attractive properties in the big city office markets of Munich and Hamburg in particular in the middle-term as a way of diversifying its property portfolio with further cities. Expanding to new cities is, however, not necessary for the continued success of the company's business strategy. This move is seen more as a way to realize additional opportunities for growth. As a result, IFM Immobilien AG will be able to act as a property purchaser as well for tax or other reasons.

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

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

4. Financial Outlook

For 2010, the Executive Board expects to see an additional increase in consolidated revenue on the previous year. They anticipate that this can be achieved through increases in rental income from the further development of the existing portfolio in particular.

The Executive Board is confident that the existing portfolio can be developed further in 2010 and 2011 so that additional appreciations in value can be realized. The new market assessment of properties from this will have a positive effect on profits. It must also be mentioned that the performance of the properties depends not only on factors which IFM itself can control, but also to a great extent on the performance in the real estate market.

Economic conditions have a large influence on the market assessment of properties and of derivatives, which in turn affects the consolidated profit significantly. As the course of the current economic environment still remains uncertain, we are not able to give a quantitative forecast of the result.

The Executive Board believes, however, that the Group is well prepared to continue its growth in the next two fiscal years, barring any unforeseen adverse events that have a material impact on the IFM Immobilien Group.

Heidelberg, March 23, 2010

The Executive Board



Zeigalerie Showroom, Frankfurt am Main



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Group balance sheet of IFM Immobilien AG on December 31, 2009

	Note	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Assets			
Non-Current Assets			
Investment properties	3000	287,034	274,309
Properties under development	3000	0	45,180
Land and buildings	3001	0	8,820
Office and other equipment	3002	611	505
Goodwill	3003	389	389
Other intangible assets	3004	205	184
Other non-current assets	3005	3,342	1,248
Derivative financial instruments	3006	100	242
Deferred tax assets	3007	2,347	3,537
Total non-current assets		294,028	334,414
Current Assets			
Trade accounts receivable	3010	1,733	2,095
Other current assets and deferred expenses	3011	268	506
Tax receivables	3012	1,332	2,812
Securities	3013	3,662	5,339
Cash and cash equivalents	3014	5,043	10,247
Total current assets		12,038	20,999
Non-current assets held for sale	3015	66,523	0
Total assets		372,589	355,413

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Group balance sheet of IFM Immobilien AG on December 31, 2009

	Note	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Equity and Liabilities			
Equity			
Issued capital	3020	9,350	9,350
Additional paid-in capital	3020	79,215	78,484
Other reserves	3021	5,846	6,804
Retained earnings	3022	7,624	5,810
Equity attributable to Group shareholders		102,035	100,448
Minority interests	3023	209	134
Total equity		102,244	100,582
Long-term liabilities			
Liabilities to banks	3040	215,912	165,992
Trade accounts payable and other long-term liabilities	3041	1,232	18
Derivative financial instruments	3042	5,290	4,617
Deferred tax liabilities	3043	9,774	9,672
Total long-term liabilities		232,208	180,299
Short-term liabilities			
Tax provisions	3050	396	496
Other provisions	3051	3,125	1,391
Liabilities to banks	3052	23,736	55,010
Trade accounts payable	3053	4,863	5,784
Derivative financial instruments	3054	3,501	2,895
Other short-term liabilities and deferred expenses	3055	2,516	8,956
Total short-term liabilities		38,137	74,532
Total equity and liabilities		372,589	355,413

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Group profit and loss statement

	Note	2009 EUR 000	2008 EUR 000
Consolidated Income Statement			
1. Revenues	310	19,515	15,139
2. Other operating income	311	887	803
3. Income from market assessment of investment properties	312	11,045	14,196
4. Expense from market assessment of investment properties	312	-875	-500
5. Cost of goods sold	313	-6,405	-3,605
6. Personnel costs	314	-3,699	-2,826
7. Depreciation and amortization of non-current assets and fixed assets	315	-459	-985
8. Other operating expenses	316	-5,794	-5,606
Operating income		14,215	16,616
9. Other interest and similar income	317	823	1,436
10. Interest and similar expenses	317	-11,370	-7,895
11. Gain or loss on market assessment of derivatives	317	-19	-5,326
Net finance expense		-10,566	-11,785
12. Operating profit		3,649	4,831
13. Income taxes	318	-1,841	-4,559
(including: deferred taxes)		(-1,750)	(-4,378)
14. Consolidated profit after taxes		1,808	272
attributable to minority interests	319	-6	-23
attributable to IFM shareholders		1,814	295
Undiluted earnings per share (in EUR)	32	0.19	0.03
Diluted earnings per share (in EUR)	32	0.19	0.03
Income and expenses recognized directly in total equity			
15. Cash flow hedges			
Fair value adjustments recognized in total equity		-1,403	-3,593
16. Deferred taxes		445	600
17. Result of income and expenses recognized directly in total equity		-958	-2,993
18. Total comprehensive income		850	-2,721
attributable to minority interests		-6	-104
attributable to IFM shareholders		856	-2,617

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Group cash flow statement

Consolidated Cash Flow Statement	2009 EUR 000	2008 EUR 000
1. Consolidated profit	1,808	272
2. + Depreciation and amortization of non-current assets	459	985
3. -/+ Other noncash income / expenses	-7,561	-3,690
4. - Increase / +Decrease in trade accounts receivable and other assets	159	-514
5. - Increase / +Decrease in trade accounts payable and other liabilities	-47	1,664
6. = Cash flow from operating activities (total of 1 to 5)	-5,182	-1,283
7. - Cash paid for investments in investment properties	-19,724	-427
8. - Cash paid for investments in properties under development	0	-27,988
9. - Cash paid for investments in intangible assets and property, plant and equipment	-456	-639
10. + Proceeds from investments in intangible assets and property, plant and equipment	0	28
11. + Proceeds from investment in securities	2,439	0
12. - Cash paid for the acquisition of consolidated companies	0	-51,124
13. = Cash flow from investment activities (total of 7 to 12)	-17,741	-80,150
14. + Proceeds from the issuance of shares	0	9,350
15. - Cash paid to raise equity capital	0	-152
16. + Proceeds from bank loans	68,132	67,127
17. - Cash repayments of bank loans and other loans	-49,742	-1,146
18. - Other expenses out of financing	0	-121
19. = Cash flow from financing activities (total of 14 to 18)	18,390	75,058
20. Cash changes in cash and cash equivalents (total of position 6, 13 ,19)	-4,533	-6,375
21. Other changes in cash and cash equivalents	-671	-1,000
22. + Cash and cash equivalents at beginning of period	10,247	17,622
23. = Cash and cash equivalents at end of period (total of items 20, 21, 22)	5,043	10,247

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Group changes in equity

	Issued capital EUR 000	Additional paid-in capital EUR 000	Reserves Other reserves EUR 000	Retained earnings distributable profit EUR 000
Jan 1, 2008	8,500	69,439	9,716	5,515
Capital increase	850	8,500		
Expenses for raising equity capital		-105		
Stock option plans		650		
Total comprehensive income			-2,912	295
Reallocation of minority interests to borrowings				
Changes in net assets of minority interests with no impact on profit or loss				
Dec 31, 2008	9,350	78,484	6,804	5,810
Jan 1, 2009	9,350	78,484	6,804	5,810
Stock option plans		731		
Total comprehensive income			-958	1,184
Changes in net assets of minority interests with no impact on profit or loss				
Dec 31, 2009	9,350	79,215	5,846	7,624

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Group changes in equity

	Equity attributable to Group shareholders EUR 000	Minority interests EUR 000	Total equity EUR 000
Jan 1, 2008	93,170	1,016	94,186
Capital increase	9,350	0	9,350
Expenses for raising equity capital	-105	0	-105
Stock option plans	650	0	650
Total comprehensive income	-2,617	-104	-2,721
Reallocation of minority interests to borrowings	0	-900	-900
Changes in net assets of minority interests with no impact on profit or loss	0	122	122
Dec 31, 2008	100,448	134	100,582
Jan 1, 2009	100,448	134	100,582
Stock option plans	731	0	731
Total comprehensive income	856	-6	850
Changes in net assets of minority interests with no impact on profit or loss	0	81	81
Dec 31, 2009	102,035	209	102,244

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

A General information

01 IFM Immobilien AG Consolidated Financial Statements

IFM Immobilien AG (also referred to as "IFM" or the "parent company") has its registered office and principal place of business in Heidelberg, Germany. The fiscal year 2009 is the same as the calendar year at all Group companies. The Group was legally formed in 2006.

The preparation date for the consolidated financial statements of December 31, 2009 was March 23, 2010, the date on which the Executive Board of IFM approved the consolidated financial statements for release. The consolidated financial statements have been prepared in euros (EUR), and all figures are indicated in thousands of euros (EUR 000).

02 Declaration of Conformity by the Executive Board

IFM 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 adopted the following IASB standards for the first time this fiscal year:

- ▶ IAS 1 (rev.): Presentation of Financial Statements: The revised IAS 1 has restructured the presentation of the components of financial statements. Only transactions with shareholders are presented in the Group Changes in Equity statement. Total comprehensive income is presented in one item in the Group Changes in Equity statement. Total comprehensive income is no longer a part of the Group Changes in Equity statement. These figures are now presented in the Statement of Comprehensive Income (formerly the profit and loss statement) as part of a one statement approach. Furthermore, the term 'Distributable profit' has been replaced in this statement by 'Retained earnings'. As the changes outlined here only pertain to the presentation, the result per share is not affected.
- ▶ The first adoption of the collective standard for changes to various IFRS arising from the IASB's Annual Improvement Process Project resulted in changes to IAS 40. This standard (IAS 40 rev.) has been extended to apply to property under construction or development in fiscal years commencing on or after January 1, 2009. IFM first adopted this change in the fiscal year 2009, also evaluating property under development at its fair value where the fair value could be determined reliably. In this context, the item 'properties under development' has been combined with the item 'investment properties'. This has affected neither the value nor the result per share. Please refer to Note 3000.

- ▶ IFRS 7: The amendment of this standard requires that more details on financial instruments be included in the appendices, with no effect on the result per share. For specifying the disclosures on the measurement of fair value, each class of financial instrument is presented in table form based on the three-level fair value hierarchy and the required disclosures related to this have been extended. In addition, disclosures on liquidity risk have been described in detail and extended. This requires that disclosures on maturity be presented separately for non-derivative and derivative financial liabilities. Qualitative disclosures about managing the liquidity risk have also been modified. The objective of these changes is to improve presentation of fair value calculation and the liquidity risk of financial instruments. Please refer to Note 43.
- ▶ IAS 39, IFRS 7 and IFRIC 9: The amendments to IAS 39 and IFRS 7 permit the reallocation of non-derivative financial assets from 'held for trading' and 'available for sale' to another category in certain circumstances. At the time of this reorganization, the market value of financial assets is to be determined as the amortized cost. IFRS 7 requires here that additional disclosures be made. IFRIC 9 (embedded derivatives) sets out that all embedded derivatives are to be newly assessed, and presented in the financial statements if necessary, in case of reclassification from an income-related evaluation category to fair value. This has no effect on the consolidated financial statements of IFM.
- ▶ IFRS 2: Amendments have been issued to IFRS 2 "Vesting Conditions and Cancellations" to clarify the definition of vesting conditions. The standard deals with the classification of contract components as vesting conditions which may either be present as service conditions or as performance conditions. This has no effect on the consolidated financial statements of IFM.
- ▶ IAS 23: The amended IAS 23 requires qualifying assets directly attributable to acquisition or construction that commenced on or after January 1, 2009 to be capitalized as borrowing costs. This standard had no noteworthy effect on the Group's assets and liabilities, financial position and earnings.
- ▶ All other new or amended mandatory standards and interpretations in the fiscal year had no effect on the consolidated financial statements of IFM. These include in particular the amended requirements of operating segment reporting (IFRS 8), of agreements for the construction of real estate (IFRIC 15), and further amendments to IAS 32 (puttable financial instruments), to IAS 27 (cost of a subsidiary in the separate financial statements) as well as IFRIC 13 (customer loyalty programs).

Standards and interpretations that have been issued but which are not yet mandatory in the fiscal year and their amendments have not been adopted voluntarily. The ultimate effects on the consolidated financial statements of IFM have not been fully determined for issued standards which are not yet mandatory.

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

B Summary of Material Accounting Principles

10 Consolidated Accounting Principles

100 Presentation Principles

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

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

110 Scope of Consolidation

In addition to IFM, the consolidated financial statements include all of the following subsidiaries with registered offices in Germany. Subsidiaries are defined as companies in which IFM holds more than half of the voting rights either directly or indirectly. That means that IFM governs the financial and operating policies of these companies. The scope of consolidation remains unchanged from the previous year. The Group companies are shown below along with their properties held or functions:

Company	Property / Function
GP Properties GmbH, Heidelberg	„Das Carré“, Heidelberg
IFM Property Project Frankfurt GmbH & Co. KG (bis 30. Juni 2008: IFM Property Project Frankfurt GmbH), Heidelberg	„westendFirst“, Frankfurt
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	General partner of the IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg
IFM Property Project Ulmenstraße GmbH, Heidelberg	„Romeo & Julia“, Frankfurt
IFM Property Project Mainz GmbH, Heidelberg	„GutenbergPark“, Mainz
IFM Property Project Zimmerstraße GmbH, Heidelberg	„Zimmerstraße/Mauerstraße“, Berlin
IFM Property Project Eschborn GmbH, Heidelberg	„Maxxon“, Eschborn-Süd
IFM Property Project Feldbergstraße GmbH, Heidelberg	„Feldbergstraße“, Frankfurt
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	Proprietor of the IFM Property Project Darmstadt GmbH, Heidelberg
NEWCOM Property Verwaltungs GmbH, Heidelberg	General partner of the NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
IFM Property Project Darmstadt GmbH, Heidelberg	„Office Tower“, Darmstadt

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Notes to the Consolidated Financial Statements at December 31, 2009

Company	Property / Function
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	Proprietor of the following object companies: IFM Property Project - Adolfsberg GmbH & Co. KG - Hochhaus GmbH & Co. KG - Sonnenberger Straße 2/2a GmbH & Co. KG - Sonnenberger Straße 2b GmbH & Co. KG - Taunusstraße 1 GmbH & Co. KG - Taunusstraße 3 GmbH & Co. KG
IFM Property Project IX GmbH, Heidelberg	General partner of the IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	„Kureck“, Wiesbaden
IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg	Proprietor of the IFM Property Project Frankfurt-Zeil GmbH, Heidelberg
IFM Property Project VIII GmbH, Heidelberg	General partner of the IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg
IFM Property Project Frankfurt-Zeil GmbH, Heidelberg	„Zeilgalerie“, Frankfurt
IFM Asset Management GmbH, Heidelberg	Asset Management

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

No business combinations took place in the fiscal year 2009. The details from the previous year are outlined in Note 45 as per IFRS 3.

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

120 Consolidation Principles

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

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

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

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

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

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

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

130 General Reporting and Accounting Principles

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

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

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

1301 Investment Properties

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

In compliance with IAS 40, investment properties are generally measured at their fair value. Changes in fair value are recognized with an impact on profit and loss. The approach offered in IAS 40.53 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.

If available, actual prices for similar properties in active markets shall be taken in order to calculate the fair value as per IAS 40.45. Similar properties must be located in the same city, be in the same condition, and be the object of comparable tenancy agreements. This information was not available for the property assessments, which meant that the fair value was instead calculated using property appraisals prepared by publicly appointed, sworn in experts based on the income capitalization approach. These values were calculated on account of obtainable gross annual earnings, anticipated costs for property maintenance and management, rental losses etc. and property yields depending on the risks associated with the property. The property related discount rates were between 5.0% and 6.75% in 2009 (previous year: between 5.0% and 6.75%). To take the property related risks into related account in individual cases deduction for risks has been included.

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

1302 Land and Buildings

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

1303 Office and Other Equipment

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

1304 Goodwill

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

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

1305 Other Intangible Assets

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

1306 Non-Current Assets Held for Sale

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

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

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

1307 Financial Assets and Liabilities

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

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

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

- ▶ Loans and receivables are measured at the amortized cost allowing for impairment using the effective interest rate method following their initial recognition. They comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as cash and cash equivalents, trade accounts receivable and other financial assets subject to a contractual right to receive cash or other financial assets from another company.
- ▶ Financial assets at fair value through profit or loss held for trading, and the subsequent profits or losses of which are given under the net finance expense. These comprise primarily derivative financial instruments and securities. The fair value option was not exercised.
- ▶ Financial assets available-for-sale which are measured at fair value. Subsequent gains and losses are recognized in Group equity with no impact on comprehensive income. These consolidated financial statements do not include any financial assets in this category.

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

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

- ▶ Financial liabilities at fair value through profit or loss, the subsequent gains or losses of which are given under the net finance expense. These are primarily derivatives.
- ▶ Other financial liabilities at amortized cost measured by the effective interest rate method. These include trade accounts payable, liabilities to banks and other liabilities based on contractual obligations to deliver cash or another financial asset to another company.

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

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

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

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

1308 Equity

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

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

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

1309 Provisions

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 probable amount allowing for all discernible risks.

13010 Realization of Income

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

Subsidies for construction costs from tenants are recognized under income with no effect on profit or loss over the term of the underlying rental contract.

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

13011 Depreciation and Amortization

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

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

13012 Income Tax

Income tax includes actual tax on income and profits, as well as deferred taxes. Tax receivables and provisions for taxes include entitlements and liabilities for income tax within Germany calculated based on the tax regulations applicable to the company in question, with all known circumstances taken into account. In particular, German Citizens Relief Act (Bürgerentlastungsgesetz) tax allowances were taken into account in the amount of the deductible interest (increased interest restriction of EUR 3 million).

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

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

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

13013 Leases

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

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

13014 Changes in Reporting and Accounting Principles

Due to the adoption of new reporting standards or for better presentation, the financial statements differ from the previous years' statements in the aspects of reporting and accounting described below:

Property under development, with a book value of EUR 45,180 thousand in the previous year, was combined with investment property to form a single item. This data is presented as reorganization in the statement analysis. There were no accounting changes compared with the previous year as the accounts were prepared for one project at its lower fair value in the previous year, which fell below the acquisition costs as per IAS 16. For the other project, the cost model for acquisition costs prescribed by IAS 40.53 in connection with IAS 16 was applied as the fair value could not be reliably determined. In the balance sheet the appellation "Distributable profit" has been replaced by "Retained earnings".

Other than the above, there were no 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.

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

In accordance with IAS 40, the fair value of investment properties is assessed in appraisals prepared by independent, external experts. These appraisals are based on the income capitalization approach. Underlying assumptions and estimates in these cases relate especially to sustainable annual net income and property yields. Similar to the resulting fair values, they may fluctuate greatly over time and affect profits accordingly. The property related discount rates were between 5.0% and 6.75% in 2009 (previous year: between 5.0% and 6.75%). 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 approximately EUR 10 million (previous year: EUR 13 million) or increased by approximately EUR 10 million (previous year: EUR 13 million), respectively. Properties measured using the cost model for acquisition costs as their fair value could not be reliably determined were not included in this assessment. The carrying amount of investment properties including those still under development was EUR 287,034 thousand on the balance sheet date (previous year: EUR 274,309 thousand and EUR 45,180 thousand).

The carrying amount of non-current assets held for sale amounted to EUR 66,523 thousand as of December 31, 2009.

As long as the management of IFM believes that a special-purpose entity meets the requirements for extended local business tax property deduction, the actual and deferred taxes are calculated for these companies without considering local business tax.

C Explanatory Notes to the Consolidated Financial Statements

30 Explanatory Notes to the Consolidated Balance Sheets

300 Non-Current Assets

3000 Investment Properties

The item for investment properties recognizes properties held to generate rental income and/or for capital appreciation. For the first time in this fiscal year, it also includes properties 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.

In 2009, the carrying amounts of investment properties changed as shown below. Additions and reclassifications comprise subsequent costs of acquisition and creation. Reclassifications have been taken in the position "Non-current assets held for sale".

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

This refers to the following properties:

	Jan 1, 2009 EUR 000	Reclassifications due to changes IAS 40 EUR 000	Additions Reclas- sifications EUR 000	Changes in fair value EUR 000	Reclas- sifications IFRS 5	Dec 31, 2009 EUR 000
„Das Carré“, Heidelberg	29,500	0	0	-100	0	29,400
„westendFirst“, Frankfurt	55,000	0	0	0	-55,000	0
„Feldbergstraße“, Frankfurt	3,450	0	0	-575	-2.875	0
„GutenbergPark“, Mainz	20,700	0	215	385	0	21,300
„Kureck“, Wiesbaden	33,400	0	0	-200	0	33,200
„Office Tower“, Darmstadt	12,800	0	0	0	0	12,800
„Romeo & Julia“, Frankfurt	66,000	0	4,753	10,247	0	81,000
„Zeilgalerie“ Frankfurt	53,459	0	1,128	413	0	55,000
	274,309	0	6,096	10,170	-57,875	232,700
Properties under development						
„Zimmer- / Mauerstraße“, Berlin	0	15,000	0	0	0	15,000
„Maxxon“, Eschborn	0	30,180	9,154	0	0	39,334
	0	45,180	9,154	0	0	54,334
Total	274,309	45,180	15,250	10,170	-57,875	287,034

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

For the property Zimmerstrasse, a fair value was calculated that was lower than the cost of acquisition or creation. The lower fair value was already accounted for last year as a write-down as per IAS 16 in conjunction with IAS 36.

In the case of the property Maxxon in Eschborn, no fair value was calculated as it was deemed not reliably determinable at the time. This property under development has been measured according to IAS 40.53 using the IAS 16 cost model method. In this case, borrowing costs directly attributable to the acquisition or creation costs were capitalized according to IAS 23. The revisions to IAS 40 (rev. 2008) resulted in no changes to reporting or accounting methods in comparison with statements from the end of 2008.

Due to sale agreements already signed until the accounting date, the properties westendFirst and Feldbergstrasse in Frankfurt were recognized as non-current assets held for sale.

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

The carrying amounts of investment properties have changed since 2008 as shown below.

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

The carrying amounts of properties under development changed in 2008 as shown below.

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

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 Frankfurt for westendFirst is burdened with a land charge held by a bank at a nominal sum of EUR 37,000 thousand plus 16% interest per year.

The land in Frankfurt for Feldbergstrasse is burdened with a land charge held by a bank at a nominal sum of EUR 2,100 thousand plus 15 % interest per year.

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.

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. Of this amount, EUR 11,600 thousand is enforceable according to § 800 of the Code of Civil Procedure (ZPO).

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 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 per year plus a 5 % one time incidental payment.

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

	2009 EUR 000	2008 EUR 000
Rental income and income from incidental costs	19,201	13,182
Operating expenditure for the generation of rental income	-6,247	-3,113

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3001 Land and Buildings

The property Ulmenstrasse 22 in Frankfurt was purchased by IFM effective January 1, 2008. This property is used primarily for the company's own use, which exempts it from recognition under IAS 40.

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

A sale agreement exists for the property which specifies the transfer of entitlements and obligations for the fiscal year 2010. As a result, there is no recognition of loss for the fiscal year 2009. The property is thus listed as a non-current asset held for sale. Due to the sale, the land charge will likely either be cleared or transferred to the buyer.

3002 Office and Other Equipment

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

3003 Goodwill

As of December 31, 2009, 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, 2009; 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 2010–2011 fiscal years. Cash flow was projected for the periods thereafter as a perpetual annuity.

3004 Other Intangible Assets

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

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

3005 Other non-current assets

This item comprises term deposits invested by Group companies and rental income accounts at a value of EUR 2,144 thousand (previous year: EUR 1,000 thousand), security deposits to a sum of EUR 604 thousand (previous year: EUR 248 thousand), and non-current receivables from rental installments in the amount of EUR 594 thousand (previous year: EUR 0 thousand). Due to restrictions on availability, these do not represent cash and cash equivalents.

3006 Derivative Financial Instruments

As prescribed by IAS 39, the figure disclosed here applies to interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements at variable rates based on the EURIBOR rate, with a remaining maturity of more than 12 months and a positive fair value. These are fair-valued financial assets as indicated for each company below.

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

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

As of December 31, 2008, the values were as follows:

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

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3007 Deferred Taxes

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

	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Deferred tax assets		
carried forward	7,136	4,098
derivative financial instruments	1,087	949
investment properties	194	145
other	122	85
	<u>8,539</u>	<u>5,227</u>
Offset against deferred tax liabilities	-6,192	-1,740
Total	2,347	3,537
Deferred tax liabilities		
investment properties	-15,329	-11,155
derivative financial instruments	-180	0
other	-457	-257
	<u>-15,966</u>	<u>-11,412</u>
Offset against deferred tax assets	6,192	1,740
Total	-9,774	-9,672
Deferred taxes, net	-7,427	-6,135

Deferred taxes were calculated for the fiscal year and the previous year in accordance with the tax rates valid from January 1, 2008.

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 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 1,260 thousand on loss carry-forward of IFM and deferred tax assets of other company in the amount of EUR 842 thousand (previous year: in total EUR 3,176 thousand).

No deferred tax assets were recognized for unused tax loss carry-forward in the amount of EUR 968 thousand (previous year: EUR 680 thousand) for local business income tax, or EUR 557 thousand (previous year: EUR 1,822 thousand) for corporate income tax. Loss carry-forward will not expire over time under the current legal provisions. No deferred tax assets were recognized for deductible temporary differences in the amount of EUR 604 thousand (previous year: EUR 604 thousand).

301 Current Assets

3010 Trade Accounts Receivable

At EUR 1,733 thousand (previous year: EUR 2,095 thousand), trade accounts receivable pertain primarily to receivables under leases and from invoices for incidental costs. Receivables are usually assigned to the banks in question under loan agreements.

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The mature trade accounts receivables are classified as follows:

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

3011 Other Current Assets and Deferred Income and Accrued Expenses

	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Other current assets	126	366
Deferred income and accrued expenses	142	140
	268	506

At EUR 126 thousand, other current assets mainly include receivables to the previous owners of properties.

3012 Tax Receivables

Current tax receivables are recognized at EUR 1,332 thousand (previous year: EUR 2,812 thousand). This item includes value added tax receivables in the amount of EUR 1,025 thousand (previous year: EUR 2,025 thousand), receivables from the local business income tax in the amount of EUR 219 thousand (previous year: EUR 231 thousand), and receivables of EUR 88 thousand (previous year: EUR 556 thousand) for corporate income tax, interest income tax and the solidarity surcharge.

3013 Securities

The Group invests free cash in investment funds. The fair value of these securities was EUR 3,662 thousand (previous year: EUR 5,339 thousand) at the reporting date. 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 5,043 thousand (previous year: EUR 10,247 thousand). This pertains to highly liquid financial assets which the Group can use at short notice. The cash and cash equivalents left over from the previous year were used for the most part for completion of Romeo and Julia and to finance the further development of the Maxxon project.

3015 Non-Current Assets Held for Sale

This item refers to the following properties:

	Value prior to reclassification EUR 000	Fair Value Änderung EUR 000	Dec 31, 2009 EUR 000
Non-current assets reclassified from investment properties			
„westendFirst“, Frankfurt	55,000	0	55,000
„Feldbergstraße“, Frankfurt	3.450	-575	2,875
Non-current assets reclassified from property, plant and equipment			
Land and buildings at „Ulmenstraße 22“	8,628	0	8,628
Office and other equipment	20	0	20
Non-current assets held for sale	67,098	-575	66,523

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westendFirst, Frankfurt A sale agreement for over EUR 55,000 thousand was signed for this property in December 2009. The selling price is due for payment in late February 2010 at the earliest, and the transfer of entitlements and obligations as well as the transfer of existing lease agreements is anticipated in March 2010. A fee of EUR 100 thousand will be deducted from the selling price for repair work which has been agreed explicitly and which has not yet been completed. This has been recognized by creating provisions. In addition, a sales commission of EUR 150 thousand for external services has been recognized as impairment to the fair value. The land will be handed over free from encumbrances. In order to protect all claims of the buyer from comprehensive rent guarantees and provide protection in the event of cancellation or nullity of lease agreements before the end of 2014, the seller is obliged to issue a surety bond in the amount of EUR 2,000 thousand by the date of the transfer of entitlements and obligations.

Feldbergstrasse, Frankfurt A deed of purchase for over EUR 2,875 thousand was signed for this property in December 2009 under a resolutive condition requiring the consent of the buyer's advisory bodies. The planned transfer of entitlements and obligations is due for May 2010 at the latest. The fair value of the property was lowered to the selling price recognized in profit or loss as part of the reclassification for this item. The agreement of the parties has not taken place (please refer to note 33).

Ulmenstrasse 22, Frankfurt This building is used to a large extent by the company itself. As a result, it has not been recognized as an investment property, but instead as property, plant and equipment in accordance with the provisions of IAS 16. The property was sold for a total price of EUR 11,500 thousand in December 2009. The purchase price will be paid and entitlements and obligations transferred after repayment of the associated loan in the fiscal year 2010. A lease back agreement was signed at the same time as the deed of purchase for the entire building. This agreement is meant to involve the company in an operating lease agreement as the future tenant. In accordance with the measurement principles of IFRS 5.15, the property was measured at a fair value of EUR 8,628 thousand.

302 Equity

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

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3020 Share Capital and Additional Paid-In Capital

	Share capital EUR 000	Additional paid-in capital EUR 000
January 1, 2008	8,500	69,439
Capital increase in return for cash	850	8,500
Expenses for raising equity capital	0	-105
Stock option plans	0	650
December 31, 2008/January 1, 2009	9,350	78,484
Stock option plans	0	731
December 31, 2009	9,350	79,215

a) Share Capital and Additional Paid-In Capital

IFM stock was admitted for trading in the Entry Standard segment of the Frankfurt Stock Exchange in May 2006. WKN: A0JDU9, ISIN: DE000A0JDU97. The first quotation was on May 19, 2006. On April 30, 2008, IFM stock began trading on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange (change of segment).

At the start of the previous year, the company's share capital was EUR 8.5 million, which was divided into 8,500,000 non-par shares. The share capital was increased in return for cash on June 20, 2008. A total of 849,999 non-par shares excluding shareholders' subscription rights were placed with institutional investors from Germany and other European countries. The share capital was increased from EUR 8.5 million to EUR 9.35 million. The price, set by way of an accelerated book-building method, came to EUR 11.00 per share. EUR 9.35 million before transaction costs flowed into the company as a result of the capital increase; of this amount, EUR 0.85 million was from the increase of share capital and EUR 8.5 million from the increase of additional paid-in capital. Transaction costs came to EUR 152 thousand and were recognized in the balance sheet as a deduction from Group equity in the amount of EUR 105 thousand less associated income tax benefits (EUR 47 thousand) in accordance with IAS 32.35. The share capital remained unchanged from the previous year at EUR 9,350 thousand as of December 31, 2009.

An expense of EUR 731 thousand (previous year: EUR 650 thousand) was incurred by the stock option plans. This amount was recognized as an increase in additional paid-in capital.

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b) Authorized Capital

Authorized capital (Authorized Capital 2007) in the amount of EUR 4,250 thousand was issued by the annual shareholders' meeting on July 20, 2007. The Executive Board was authorized with the consent of the Supervisory Board to increase the company's share capital by up to EUR 4,250 thousand in one or more transactions until June 30, 2012 by issuing up to 4,250,000 new non-par shares of common stock in return for cash contributions and/or contributions in kind.

A portion of the authorized capital was used in 2008 for a capital increase in return for cash. An amount of EUR 3,400 remained unused as of December 31, 2009.

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.

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 by up to EUR 730 thousand by issuing up to 730,000 new non-par shares. In the 2007 fiscal year, 292,000 stock options were granted and an additional 292,000 were granted in the 2008 fiscal year as part of the Stock Option Plan 2007. The last tranche of the Stock Option Plan 2007 (shown below as Tranche 5) was granted effective April 3, 2009. The members of the Executive Board were granted 131,400 (Georg Glatzel) and 14,600 (Marcus Schmitz) stock options respectively.

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

Nature of agreement Tranche	Stock-based compensation for Executive Board				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Grant date (DD.MM.YYYY)	6.10.2006	6.10.2006	13.9.2007	19.2.2008	3.4.2009
Share 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 31.12.09 (in years)	1.8	1.8	2.7	3.1	4.3
Outstanding options at start of 2009 reporting period	60,000	60,000	292,000	292,000	0
Share options granted during the 2009 reporting period	0	0	0	0	146,000
Options forfeited during the 2009 reporting period	0	0	0	0	0
Options expired during the 2009 reporting period	0	0	0	0	0
Share options outstanding at the end of the reporting period 2009	60,000	60,000	292,000	292,000	146,000
Share options eligible for exercise in the reporting period 2009	0	0	0	0	0

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Conditions of Exercise for Tranche 1 and Tranche 2

- ▶ Options can only be exercised after a vesting period of 2 years.
- ▶ Subscription rights may not be exercised (i) in the period from March 10, 2007 and/or March 10 of each subsequent year respectively up to and including the date of the next standard shareholders' meeting of IFM Immobilien AG, and (ii) in the period from the tenth of the last month of a half-year term up to and including the date the next interim semiannual report is released for that period once company stock has been admitted for trading on a stock exchange or any similar market and (iii) if the company also announces its quarterly results, in the period from the tenth of the last month in a quarter up to and including the date the next interim quarterly results are released for that period. Options may not be exercised after the tenth banking day prior to an annual shareholders' meeting or in the ten trading days leading up to a press conference on the annual results and the quarterly reporting dates.
- ▶ Subscription rights can only be exercised if company stock is admitted for trading on a stock exchange within the country or any similar market and if the weighted average Xetra trading price for IFM Immobilien AG stock was at least EUR 14.00 for Tranche 1 options and EUR 15.00 for Tranche 2 options on the Frankfurt Stock Exchange in the ten trading days prior to the exercise of these rights.
- ▶ Subscription rights from stock options shall not be forfeited in the event that the holder of the option ceases to be a member of the Executive Board or their employment agreement with IFM Immobilien AG is terminated.

Conditions of Exercise Tranches 3, 4 and 5

- ▶ Options can only be exercised after a vesting period of 2 years.
- ▶ Subscription rights may only be exercised (i) within 60 days after the interim results are announced for the past fiscal year at IFM Immobilien AG, and (ii) within 60 days after the company releases an interim semiannual report, and (iii) if the company also announces its quarterly results, within 60 days after the quarterly results are announced.
- ▶ Subscription rights must be exercised within 5 years to the day the stock options were granted. If stock options are not exercised within this period, they will expire without compensation.
- ▶ Subscription rights under stock options can only be exercised if the closing Xetra price of IFM Immobilien AG stock was constantly at least 25% above the basic price on the German stock exchange (or in a replacement system to Xetra) in the five trading days leading up to the exercise of subscription rights.
- ▶ Subscription rights can be exercised as long as the holder of these rights is still under contract with IFM Immobilien AG at the time the rights are exercised. If the aforementioned requirements are not fulfilled before the vesting period is over and the holder does not terminate his own contract nor is it terminated at no notice by the company, his stock options shall expire one year after the termination of employment. Thus, he is permitted to exercise these subscription rights until that date in accordance with all other terms of SOP 2007.

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

	Issue date	Option value in EUR
Tranche 1	10/06/2006	4.57
Tranche 2	10/06/2006	4.57
Tranche 3	09/13/2007	2.11
Tranche 4	02/19/2008	2.70
Tranche 5	04/03/2009	2.23

The total value of stock options measured and granted as per IFRS was EUR 2,279 thousand as of December 31, 2009 (previous year: EUR 1,953 thousand).

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

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

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

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

As company stock has only been listed for a short time and 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. Dividend payments haven't been taken into account due to the past and managements future expectations.

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

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

The following expenses were incurred to IFM Immobilien AG from the stock option program as of December 31, 2009:

	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Total expense for equity-based compensation	2,021	1,290
Including: stock-based compensation settled using equity instruments	2,021	1,290
Expense for equity-based compensation in the reporting period	731	650

3021 Other Reserves

At a sum of EUR 5,846 thousand (previous year: EUR 6,804 thousand), other reserves are mainly a result of contributions of ownership interests in IFM Property Project Frankfurt GmbH and GP Properties GmbH to IFM 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. Negative fair values from cash flow hedges less deferred tax assets were set off against other reserves in the amount of EUR 958 thousand (previous year: EUR 2,912 thousand) in the fiscal year.

3022 Retained Earnings

Retained earnings (previous year: distributable profit) are shown below:

	EUR 000
Distributable profit Jan 1, 2008	5,515
Annual net Group profit for 2008 without minority interests	295
Distributable profit Dec 31, 2008	5,810
Annual net Group profit for 2009 without minority interests	1,814
Retained earnings Dec 31, 2009	7,624

3023 Minority Interests

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

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

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

Changes in minority interests in the Group are presented in the Group Changes in Equity statement. Minority interests were EUR 209 thousand at the reporting date (previous year: EUR 134 thousand).

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303 Liabilities

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

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

Liabilities recognized in the consolidated balance sheets as of December 31, 2008 can be broken down as follows:

	Long-term liabilities EUR 000	Short-term liabilities EUR 000
Liabilities to banks	165,992	55,010
Trade accounts payable	18	5,784
Derivative financial instruments	4,617	2,895
Other short-term liabilities and deferred income and accrued expenses		8,956
Provisions for taxes		496
Other provisions		1,391
Deferred tax liabilities	9,672	
	180,299	74,532

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

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304 Long-Term Liabilities

3040 Liabilities to Banks

As contractually agreed, the maturity of liabilities to banks as of December 31, 2009 can be broken down as follows under consideration of debts in connection with non-current assets held for sale:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	23,736	23,151	585
1 to 2 years	93,894	93,276	618
2 to 3 years	76,009	60,098	15,911
3 to 4 years	46,009	46,009	0
4 to 5 years	0	0	0
Over 5 years	0	0	0
	239,648	222,534	17,114

Liabilities related to the properties "westendFirst" and "Ulmenstraße 22" are reported at the accounting date as they are contractually agreed. In conjunction with the sale of these projects in the year 2010 the decision was made to amortise the liabilities. As of December 31, 2009 hereof round EUR 39 millions were reported as long term.

A breakdown of the maturity of existing liabilities to banks as of December 31, 2008, is presented below:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	55,010	54,456	554
1 to 2 years	35,685	35,100	585
2 to 3 years	15,312	14,694	618
3 to 4 years	48,705	32,794	15,911
4 to 5 years	66,290	66,290	0
Over 5 years	0	0	0
	221,002	203,334	17,668

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The fixed interest rate period will expire in 2012 and 2013 for existing loan liabilities in the amount of EUR 15.9 million and EUR 39.0 million respectively. Loans will only need to be repaid at this point if no agreement can be reached with the banks involved on the further terms of the loan. Nevertheless, the loans in question have been presented for maturity in 2012 and 2013 in the appendix for the purpose of providing a maturity date.

Liabilities to banks pertain mainly to property loans granted by various banks. These loans are generally charged interest at a variable rate. The weighted interest rate (without hedges) for all loans was 1.83% (previous year: 3.89%) 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 rate plus the margin specified under contract. Interest rate hedging agreements (swaps, collars, caps or floors) with varying effectiveness are usually signed as part of the loan agreements.

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

3041 Trade Accounts Payable and 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 0 thousand).

3042 Derivative Financial Instruments

In accordance with IAS 39, the figure recognized here applies to interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements at variable rates based on the EURIBOR rate with a negative fair value. These are fair-valued financial liabilities, as indicated for each company below:

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

Derivative financial instruments that are not held for speculative purposes, but rather as economic risk-management instruments (even where the hedge accounting requirements do not exist), are distributed as long-term and short-term liabilities according to the anticipated amortization. As of December 31, 2009, long-term liabilities resulting from derivative financial instruments correspond to EUR 5,290 thousand (previous year: EUR 4,617 thousand) and short-term liabilities correspond to EUR 3,501 thousand (previous year: EUR 2,895 thousand). Four swap agreements expired for the Mainz project, Ulmenstrasse and Feldbergstrasse during the current fiscal year.

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

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

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 3007 for further information.

305 Short-Term Liabilities

3050 Provisions for Taxes

In the amount of EUR 396 thousand (previous year: EUR 496 thousand), provisions for taxes pertain to local business income tax in the amount of EUR 395 thousand (previous year: EUR 310 thousand) as well as corporate income tax and the solidarity surcharge in the amount of EUR 1 thousand (previous year: EUR 186 thousand).

3051 Other Provisions

At EUR 3,125 thousand (previous year: EUR 1,391 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 88 thousand (previous year: EUR 175 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 4,863 thousand (previous year: EUR 5,784 thousand).

3054 Derivative Financial Instruments

Please refer to the explanation in Note 3042.

3055 Other Short-Term Liabilities and Deferred Income and Accrued Expenses

This item can be broken down as follows:

	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Remaining purchase price for the Zimmerstrasse property	0	5,265
Remaining purchase price for IFM Property Project Frankfurt-Zeil GmbH	250	250
Real estate transfer tax	836	836
Security deposits received	0	577
Deferred income and accrued expenses	442	453
Net assets of minority interests	692	767
Other costs and expenses	296	808
	2,516	8,956

EUR 5,265 thousand was paid as the second installment of the purchase price for the Zimmerstrasse property on March 31, 2009.

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

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306 Leases

3060 Operating Leases (Group as Lessor)

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

In operating lease agreements, a carrying amount of EUR 287,034 thousand (previous year: EUR 274,309 thousand) was reported for leased completed investment properties as well as, a carrying amount of EUR 66,503 thousand was reported in the position "Non-current assets held for sale". Lease agreements of various forms and of varying terms have been signed with both commercial and private tenants. Tenants have been granted the option to extend in some cases; no purchase options have been offered. Options to extend the lease term generally include price adjustment agreements in industry-standard stable value clauses.

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

	Dec 31, 2009 EUR 000	Dec 31, 2008 EUR 000
Up to 1 year	13,309	13,810
1 to 5 years	34,270	29,892
Over 5 years	14,819	8,151
	62,398	51,853

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. No conditional rent payments were due.

31 Explanatory Notes to the Consolidated Statement of Income

310 Revenues

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

	2009 EUR 000	2008 EUR 000
„Zeilgalerie“, Frankfurt am Main	5,180	1,891
„westendFirst“, Frankfurt am Main	3,684	3,322
„Das Carré“, Heidelberg	2,800	2,734
„Kureck“, Wiesbaden	2,500	2,500
„Maxxon“, Eschborn-Süd	1,744	1,856
„GutenbergPark“, Mainz-Hechtsheim	1,259	1,197
„Romeo & Julia“, Frankfurt am Main	1,094	0
„Office Tower“, Darmstadt	815	676
„Ulmenstraße 22“, Frankfurt am Main	231	492
„Zimmerstraße“, Berlin	82	101
„Feldbergstraße“, Frankfurt am Main	43	252
	19,432	15,021
Property management	78	78
Other costs and expenses	5	40
	19,515	15,139

3311 Other Operating Income

At EUR 887 thousand (previous year: EUR 803 thousand), other operating income includes income from building allocations and from the write-down of provisions and other compensation.

312 Gain or Loss on Market Assessments of Investment Properties

A gain of EUR 11,045 thousand (EUR 14,196 thousand) was reported in 2009 for the fair valuation of investment properties in accordance with IAS 40, in addition to a loss of EUR 875 thousand (previous year: EUR 500 thousand). This is mainly a result of the reclassification of properties as “Non-current assets held for sale”. Please refer to Note 3000 for further details.

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Notes to the Consolidated Financial Statements at December 31, 2009

313 Cost of Goods Sold

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

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

	2009 EUR 000	2008 EUR 000
„Zeilgalerie“, Frankfurt am Main	2,573	709
„Das Carré“, Heidelberg	1,041	1,069
„GutenbergPark“, Mainz	676	564
„Maxxon“, Eschborn	621	391
„westendFirst“, Frankfurt am Main	561	426
„Romeo & Julia“, Frankfurt am Main	384	0
„Office Tower“, Darmstadt	247	211
„Ulmenstraße 22“, Frankfurt am Main	158	122
„Zimmerstraße“, Berlin	128	101
Other	16	12
	6,405	3,605

314 Personnel Expenses

Personnel expenses can be broken down as follows:

	2009 EUR 000	2008 EUR 000
Wages and salaries	2,513	1,868
Payroll deductions	382	252
Stock-based compensation	731	650
Voluntary and other payments	73	56
	3,699	2,826

315 Depreciation and Amortization

Reported at EUR 459 thousand (previous year: EUR 985 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). In addition to scheduled amortization, this amount included impairment losses as per IAS 36 in the amount of EUR 604 thousand in the previous year (see also Note 3000).

316 Other Operating Expenses

Other operating expenses can be broken down as follows:

	2009 EUR 000	2008 EUR 000
Sales commissions	1,026	153
Advertising and agency costs	763	1,029
Bank fees, incidental costs of bank transactions	45	222
Legal counsel, consultants, accounting and annual financial statements	1,031	1,128
Third-party services and independent contractors	159	1,034
Expenses for the supervisory board	401	149
Insurance	44	176
Travel and entertainment costs	55	75
Expenses for the annual report	60	60
Valuation adjustments to receivables, doubtful debts	498	72
Repairs and maintenance	78	73
Vehicle costs	182	140
Designated sponsoring	42	97
Costs for change of segment	0	612
Non-deductible input tax	301	285
Operating expenses accounting from previous years	543	0
Other costs and expenses	566	577
	5,794	5,606

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Notes to the Consolidated Financial Statements at December 31, 2009

317 Net Financial Result

The net financial result can be broken down as follows:

	2009 EUR 000	2008 EUR 000
Other interest and similar income	823	1,436
Interest and similar expenses	-11,370	-7,895
Gain or loss on market assessment of derivatives	-19	-5,326
	-10,566	-11,785

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

Interest expense is to a great extent a result of funds borrowed for property projects. Reported at EUR 681 thousand (previous year: EUR 2,410 thousand), capitalized financing costs have already been taken into account as a reduction in the interest expense.

318 Income Taxes

Income taxes can be broken down as follows:

	2009 EUR 000	2008 EUR 000
Current income tax	-91	-181
Deferred tax assets and liabilities	-1,750	-4,378
	-1,841	-4,559

See Note 3007 "Deferred taxes" for additional details.

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Notes to the Consolidated Financial Statements at December 31, 2009

Reported at EUR 1,750 thousand (previous year: EUR 4,378 thousand), the expense from deferred taxes pertains to:

	2009 EUR 000	2008 EUR 000
Temporary differences from the valuation of property	-4,125	-6,088
Deferred tax loss carry forward	3,037	1,503
Deferred taxes on derivatives	-486	171
Other temporary differences	-176	36
	-1,750	-4,378

When the prescribed tax rate of 29.8 % (previous year: 26.6 %) is applied, the tax expense for the fiscal years 2009 and 2008 deviates from the effective values as follows:

	2009 EUR 000	2008 EUR 000
Profit (loss) for period before income tax	3,649	4,831
Theoretical tax expense	-1,088	-1,286
Non-deductible expenses	-271	-221
Effect of tax rate changes	0	-2,587
Loss of tax credits for companies with running losses	-878	-272
Revaluation of deferred taxes on loss carry forward of the previous year	483	0
Other costs and expenses	-87	-193
Income tax according to income statement	-1,841	-4,559

The increase of the group tax rate takes into account, that the companies, which have a clear positive earnings development, compared to the last year, haven't adopted the extended property tax deduction and therefore the standard tax rate for corporate income tax and local business tax is accounted. The effect of tax rate changes in 2008 can be attributed to the effect of taking local business income tax into account for properties for which an extended property tax deduction was previously anticipated.

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

319 Minority Interests

Minority interests amounted to EUR -6 thousand in the fiscal year (previous year: EUR -23 thousand). Minority are the minority shareholders' stake in the company's equity.

32 Earnings Per Share

	2009	2008
Consolidated profit after minority interests (EUR 000)	1,814	295
Weighted average number of shares for the undiluted result	9,349,999	8,954,109
Stock options	141,822	0
Weighted average number of shares for the diluted result	9,491,821	8,954,109
Undiluted earnings per share (EUR)	0.19	0.03
Diluted earnings per share (EUR)	0.19	0.03

Stock options that were issued within the scope of a capital increase (cf. Note 3020) in Tranches 1 through 4 have not been included in the calculation of the diluted earnings per share as the relevant goals had not yet been achieved as of the reporting date.

Subscription rights under the 146,000 stock options granted under Tranche 5 can only be exercised if the closing Xetra price of IFM Immobilien AG shares was constantly at least 25 % above the base price on the German stock exchange (or in a system replacing Xetra) in the five trading days leading up to the exercise of subscription rights. The rights can only be exercised within 60 days after the interim quarterly results are released. As the IFM shares were significantly above EUR 6.75 (25 % above the base price of EUR 5.40) in the five trading days before April 14, 2009, this performance goal is considered fulfilled as of this date. As a result, the 146,000 stock options were included in the calculation of the diluted result from November 24, 2009.

No payment of dividends is planned for the fiscal year 2009.

33 Noteworthy Events After the Reporting Date

The sales of the Ulmenstrasse 22 and westendFirst properties were successfully closed in the first quarter of 2010. The agreement of the buyer for the Feldbergstraße has not taken place. The sale has been therefore canceled.

34 Statement of Changes in Group Equity

The course of Group equity as of the reporting date is presented in the statement of changes in Group equity, which is part of the consolidated financial statements. In accordance with IAS 1 (rev.), only transactions with shareholders were recognized in the statement of changes in Group equity. Realized and unrealized gains (total income) have been recognized in a single line item. A one-statement approach was employed so that the total income is recognized in a single statement. The increase of Group equity in the previous year was mainly a result of a capital increase in June 2008.

35 Cash Flow Statement

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

The cash flow from operating activities includes:

	2009 EUR 000	2008 EUR 000
Received interest payments	188	1,403
Advance interest payments	11,294	9,626
Income taxes paid less income taxes received	-306	247

The operating Cash Flow before interest and taxes was EUR 5,618 thousand (previous year: EUR 7,187 thousand). At EUR 7,561 thousand (previous year: EUR 3,690 thousand), non-cash income includes income and expenses from the market assessment of properties in the amount of EUR 10,170 thousand (previous year: EUR 13,696 thousand), expenses from the market assessment of derivatives in the amount of EUR 19 thousand (previous year: EUR 5,326 thousand) and expenses from deferred taxes at EUR 1,750 thousand (previous year: EUR 4,378 thousand) in particular.

Other changes in cash and cash equivalents in the amount of EUR 671 thousand include term deposits and restricted deposit accounts that can no longer be recognized as in the previous year under cash and cash equivalents.

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

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36 Segment Reporting

No segment report as per IAS 14 was prepared for the fiscal year 2009 or the previous period as Group companies operate in a single business segment and in only one geographical segment (Germany).

4 Further Information

40 Information About the Parent Company

IFM, 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 Sirius Grundbesitz AG. The name was changed to IFM Immobilien AG by a decision of the general shareholders' meeting of March 31, 2006. The company has its registered office and principal place of business in Heidelberg.

By a decision of the shareholders' meeting of June 10, 2009, the articles of incorporation of IFM were rewritten under Item 15 Para. (3) and Item 16 Para. (2). These revisions concerned regulations on the announcement and convening of the shareholders' meeting.

According to the articles of incorporation, IFM'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 is a shareholder that 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 office and retail use. Asset management for commercial properties and restructuring, redeveloping and developing marketing and leasing concepts are the core components of their business operations. This strategy is intended as a way to reposition properties in the market. Properties that the companies acquire should generally stand out due to a high potential for development and value appreciation and should be in a coveted location.

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

42 Risks Associated with IFM's Business Operations

The real estate industry goes through cycles which are not necessarily in sync with the general economic trend. This makes it difficult to predict the course of these cycles. Potential risks arise from market fluctuations, which the Group works against with a great deal of regional expertise and in-depth due diligence. Group companies have avoided 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 difficult economic conditions in the fiscal year 2009. In spite of a general decline in leases, about two thirds of the property Romeo & Julia could be leased to tenants with sound finances for the long-term. Deutsche Telekom AG was also gained as a further anchor tenant for the property GutenbergPark in Mainz.

As reported, the market was under constant watch for possible exits. As part of this, the properties westendFirst, Ulmenstrasse 22 and Feldbergstrasse, all in Frankfurt, were sold in December 2009. In the scope of the sale of westendFirst, IFM Immobilien AG accepted a guarantee with a value of EUR 2.0 million to protect tenants' rights.

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

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

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

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

IFM has experienced strong growth over the past years and has made it a company aim to further this growth. In light of the changing economic and financial environment, constant growth in the areas of risk management, finances and controlling are 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 project extensions, leasing plans and loan extensions be adhered to as calculated.

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 can not be entirely ruled out for the Group's business performance. These factors may lead to changes in demand and offers.

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

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Notes to the Consolidated Financial Statements at December 31, 2009

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.

To minimize the risk of labor turnover and boost employee loyalty to the company in the long-term, employees are compensated with a variable performance-based bonus in addition to their fixed salary.

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.

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 manages its liquidity risks due to adequate bank deposits and credit lines as well as the constant control of predicted cash flow and the management of the maturity 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. The same holds true for the associated interest rate hedge agreements. With regard to guarantees offered by the state, the Group estimates the risk of cancellation to be limited, and thus its approved lines of credit should be safe.

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

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

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

This can be seen in the case of IFM Property Project Ulmenstrasse GmbH, Frankfurt (property: Romeo & Julia), for which a new loan agreement for over EUR 52,500 thousand was signed. Part of the loan amount is due for repayment on December 30, 2011. The loan is charged interest at the 3-month EURIBOR rate plus a steady margin of 1.28% per year.

As of December 31, 2009, IFM had unexhausted credit approvals totaling some EUR 15 million (December 31, 2008: EUR 39 million). These credit approvals are valid for a term of up to 5 years. Use of the approved credit is granted depending on whether requirements such as the progress of construction work have been fulfilled and whether a certain occupancy rate has been reached.

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

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

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

Risks from Interest Rate Changes

The risk of interest rate changes are a particular market risk posed to IFM by financial instruments. A small part of the liabilities to banks are charged at fixed interest rates, with these liabilities being charged for the most part at variable rates based on the 3-month EURIBOR rate plus a contractually agreed margin, for example. In order to maintain the calculability of interest rate changes, they are sometimes protected using SWAP or collars (caps and floors) with varying effectiveness. More details on this topic can be found in the explanations on derivative financial instruments and hedge relationships.

If market interest rates had been 25 base points higher at December 31, 2009, the consolidated profit (before tax) would have been EUR 0.4 million below what it is (previous year: EUR 0.3 million). If market interest rates had been 25 base points lower, the consolidated profit would have been EUR 0.4 million above the actual amount (previous year: EUR 0.3 million). 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, 2009, reserves from cash flow hedges recognized as profit or loss would have been EUR 0.5 million above the actual amount (previous year: EUR 0.5 million). If market interest rates were 25 base points lower, the equity would have been EUR 0.5 million below the actual amount (without tax effects) (previous year: EUR 0.4 million).

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Notes to the Consolidated Financial Statements at December 31, 2009

Other Information About Financial Instruments

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

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

* Measurement categories according to IAS 39

Loans and receivables, abbreviated as **LAR**)

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

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

Previous years are displayed in the following chart:

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2008

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

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Notes to the Consolidated Financial Statements at December 31, 2009

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

	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39*	Fair value EUR 000	Calculated from trading price EUR 000
Assets					
Liabilities to banks	239,648	239,648	AMC	241,303	–
Trade accounts payable and other long-term liabilities	6,095	5,733	AMC	5,733	–
Derivatives not included in the scope of hedge accounting	4,059	4,059	HFT	4,059	–
Derivatives included in the scope of hedge accounting	4,732	4,732	–	4,732	–
Other current assets	2,516	1,238	AMC	1,238	–

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2008

	Carrying amount EUR 000	Total carrying amount in the scope of IFRS 7 EUR 000	Measurement category as per IAS 39*	Fair value EUR 000	Calculated from trading price EUR 000
Assets					
Liabilities to banks	221,002	221,002	AMC	222,712	–
Trade accounts payable and other long-term liabilities	5,802	5,802	AMC	5,802	–
Derivatives not included in the scope of hedge accounting	4,182	4,182	HFT	4,182	–
Derivatives included in the scope of hedge accounting	3,330	3,330	–	3,330	–
Other current assets	8,956	7,109	AMC	7,109	–

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.

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Notes to the Consolidated Financial Statements at December 31, 2009

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, 2009

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

Securities quoted in active markets fall under level 1 of the measurement hierarchy. Level 2 of the measurement hierarchy applies to interest hedges (OTC derivatives) that are observable in the market, but for which the fair value cannot be directly observed in the market. In the previous year, securities in the amount of EUR 5,339 thousand fell under level 1. Derivatives that were not included in hedge accounting in the amount of EUR 242 thousand (financial assets) and EUR 7,512 (financial liabilities) fell under level 2. There were no reclassifications.

The carrying amount of financial assets intended as collateral for liabilities was about EUR 5.0 million as of December 31, 2009 (previous year: about EUR 3.1 million). Financial assets primarily include trade accounts receivable, term deposits and derivatives provided as collateral for loan approvals by banks or under interest rate hedging agreements.

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Notes to the Consolidated Financial Statements at December 31, 2009

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

	2009 EUR 000	2008 EUR 000
Financial instruments held for trading (HFT)	-2,484	-4,660
Loans and receivables (LAR)	-377	538
Financial liabilities measured at amortized cost (AMC)	-5,809	-8,338
Total	-8,670	-12,460

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 98 thousand in 2009 (previous year: EUR 688 thousand).

Interest expenses for financial liabilities not measured at fair value with an effect on profit or loss totaled EUR 8,296 thousand in 2009 (previous year: EUR 8,424 thousand).

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Notes to the Consolidated Financial Statements at December 31, 2009

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 fair value of all derivatives (net) was EUR -8,691 thousand at the reporting date (previous year: EUR -7,270). In the consolidated financial statements, derivatives yielded an expense of EUR 19 thousand (previous year: income of EUR 5,326 thousand) for market assessment. Allowing for deferred taxes results in an accumulated decrease in equity with no impact on profit or loss to the sum of EUR 958 thousand (previous year: EUR 2,912 thousand).

The reserve out of security deals (Cashflow Hedge Accounting) has developed as follows:

	2009 EUR 000	2008 EUR 000
At the beginning of the year	-2,680	232
Profit/Loss from Cash flow hedges		
Interest derivative	-3,661	-3,247
Taxes on income for all earnings/expenses of equity	818	567
Transformation into the statement of comprehensive income		
Interest derivative	2,279	-276
Taxes on income for all earnings/expenses of equity	-394	44
At the end of the year	-3,638	-2,680

The amounts, that have been transferred into the Statement of Comprehensive Income are covered under the deferred taxes.

The company applies the hedge accounting principles of IAS 39 to cash flow hedges. Cash flow hedges provide protection against risks from variable interest flows. Interest rate swaps (payer swaps) and a collar, which is a combination of two options (cap and floor), are used to limit the risk of changes in interest rates. These instruments secure cash flows from long-term financial liabilities on which interest is charged by way of cash flow hedge accounting. At December 31, 2009, existing hedging transactions were included under cash flow hedges with a term of up to 4 years.

No cash flow hedges were found to be ineffective up until December 31, 2009. 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. The full fair value of the option has been recognized accordingly in the income statement at EUR 0.1 million (previous year: EUR 0.6 million).

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

The fair value of derivative financial instruments depends on the course of the underlying market factors. All fair values are calculated and monitored at regular intervals. The fair value calculated for all derivative financial instruments is the price at which one party would assume the rights and/or obligations of another party. The fair value of derivative financial instruments is calculated using market-standard measurement methods (present value method for swaps and modified Black-Scholes for caps/floors) under consideration of market data available as of the reporting date.

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

	Carrying amount Dec 31, 2009	Cash flows 2010		Cashflows 2011		Cashflows 2012 – 2014		Cashflows 2015	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Underlying financial liabilities									
Liabilities to banks	(239,648)	(5,625)	(23,736)	(7,256)	(93,893)	(3,952)	(122,019)	0	0
Other financial liabilities	(6,971)		(6,117)				(854)	0	0
Derivative financial liabilities									
Interest rate derivatives without hedge relationships	(4,059)	(2,396)		(1,665)		(258)		0	0
Interest rate derivatives as cash flow hedges	(4,732)	(2,287)		(1,616)		(787)		0	0
Derivative financial assets									
Interest rate derivatives without hedge relationships	100								

The variable interest rate payments were calculated for the financial instruments based on the last interest rates fixed prior to December 31, 2009.

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

The previous year's figures were as follows:

	Carrying amount Dec 31, 2009	Cash flows 2010 Interest Principal	Cashflows 2011 Interest Principal	Cashflows 2012 – 2014 Interest Principal	Cashflows 2015 Interest Principal
Underlying financial liabilities					
Liabilities to banks	(221.002)	(8.508) (55.010)	(6.507) (35.685)	(11.138)	(130.307)
Other financial liabilities	(12.911)	(11.894)			(250)
Derivative financial liabilities					
Interest rate derivatives without hedge relationships	(4.182)	(1.617)	(1.010)	(1.454)	
Interest rate derivatives as cash flow hedges	(3.330)	(1.143)	(889)	(1.524)	
Derivative financial assets					
Interest rate derivatives without hedge relationships	242				

The variable interest rate payments were calculated for the financial instruments based on the last interest rates fixed prior to December 31, 2009.

44 Capital Management

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

The Group's capital structure comprises debts which are primarily liabilities to banks, cash and cash equivalents, and equity attributable to holders of equity in the parent company. Calculated on this basis, the net gearing ratio (net debt to equity) was about 230% as of December 31, 2009 (previous year: 210%).

45 Description of Business Combinations

There were no business combinations in the fiscal year.

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Notes to the Consolidated Financial Statements at December 31, 2009

Acquisitions in the fiscal year 2008

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

The purchase was made in cash and by paying off liabilities as outlined below:

	EUR 000
Cash	9,646
Purchase price	(9,163)
Incidental costs of acquisition	(483)
Outstanding amount on purchase price	500
Repayment of liabilities	42,299
Total cost of acquisition	52,445

The outstanding amount on the purchase price comprises a second installment on the purchase price, due in 2009, and the fair value of a preemptive right held by the seller. Liabilities of the acquired company to the seller and to a bank were paid in the amount of EUR 42,299 thousand, for which a loan amounting to EUR 40,890 thousand was taken out. Allowing for EUR 821 thousand in acquired cash funds, the net cash outflow was EUR 51,124 thousand.

The following assets and debts were acquired at the following fair values:

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

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Notes to the Consolidated Financial Statements at December 31, 2009

The acquired company has generated revenues of EUR 1,892 thousand since the acquisition date; its losses have been EUR 1,009 since the acquisition date.

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

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

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, 42 members of staff were employed at Group companies throughout the year (excluding Executive Board) (previous year: 31).

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:

	2009 EUR 000	2008 EUR 000
Fee for audit of the financial statements	100	78
Other verification or appraisal services	63	121
Tax consulting services	0	12
Other services	15	54
Total	178	265

47 Supervisory Board and Executive Board

470 Supervisory Board

The Supervisory Board of IFM comprised the following members in 2008 and 2009:

Mr. Luca Pesarini (Chairman), graduate in business administration (Diplom-Kaufmann)

Mr. Gordon Rapp (Vice Chairman), Attorney-at-Law

Mr. Eberhard Hascher, Tax Consultant

Mr. Martin Lechner, graduate in business administration (Diplom-Kaufmann) (until July 8, 2009)

Mr. Dr. Marcus Opitz, Consultant (until September 5, 2008)

Mr. Pål Berg, Investment Officer (from January 14, 2009)

Mr. Philipp Vogel, Entrepreneur

Mr. Jøhn Skogen, Chief Executive Officer (from October 28, 2009)

Mr. Pål Berg was named a member of the Supervisory Board at IFM Immobilien AG by the Local Court of Mannheim on January 9, 2009. Mr. Pål Berg is an investment officer at Norway's Havfonn AS, which is part of an investor group that holds a significant share in IFM Immobilien AG. On June 10, 2009, this election was confirmed at IFM's annual shareholders' meeting.

Mr. Martin Lechner resigned from his post on the Supervisory Board of IFM Immobilien AG for personal reasons with a letter dated July 8, 2009.

Following a decision of the Local Court of Mannheim of October 28, 2009, Mr. Jøhn Skogen was appointed as a new member of the Supervisory Board of IFM Immobilien AG. Mr. Skogen is the Chief Executive Officer of Furuholmen Eiendom AS of Oslo, Norway, which holds a significant share in IFM Immobilien AG.

The total amount for fixed and variable compensation for members of the Supervisory Board was EUR 401 thousand (previous year: EUR 149 thousand).

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

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

Consolidated Financial Statements IFRS

Notes to the Consolidated Financial Statements at December 31, 2009

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

Performance-based compensation amounted to EUR 220 thousand in 2009 (previous year: EUR 49 thousand).

The following members of the Supervisory Board are also members of other advisory bodies:

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

Mr. Jøhn Skogen is chairman of the boards of the norwegian companies Furuholmen Eiendomsdrift AS, Holmaveien 2011 AS, Midtveien 5 AS, Skieien 200 AS and Djupbekk AS as well as member of the boards of the companies Furuholmen Eiendomspartner AS, Gamla Lommedalsvei 20 ANS and Selmer Eiendom AS.

471 Executive Board

The Executive Board of IFM comprised the following members in 2008 and 2009:

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

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

	2009 EUR 000	2008 EUR 000
Executive Board salaries	566	510
Severance payment	0	0
Other compensation and salaries	0	31
Stock option plans	731	650
	1,297	1,191

Based on a decision of the annual shareholders' meeting of July 18, 2008, 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.

The Supervisory Board came to a decision to introduce an additional, variable performance-based compensation system for members of the Executive Board. This system of compensation is based on the gains on disposal from the company's real estate projects. The compensation to be paid out to the Executive Board should total 10 % to 11.5 % of the gains on disposal.

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

The compensation paid to the Executive Board and members of management should not exceed more than 15% of the gains on disposal.

No compensation of this kind was paid in 2008 and 2009.

The members of the Executive Board were granted 146,000 and 292,000 stock options in 2009 and 2008 respectively. The fair value of the stock options granted in 2009 was EUR 326 thousand and EUR 790 for the stock options granted in 2008 as of the grant date.

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

48 Related Party Transactions

In accordance with IAS 24, individuals or entities that control or are controlled by IFM must be disclosed unless they are recognized as consolidated entities in the consolidated financial statements of IFM. A controlling relationship exists if a shareholder holds at least half of voting rights in IFM, or if they have the ability to control the financial and business policies of the management of IFM 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 be disclosed, which includes close family members or intermediary entities. A significant influence on the financial and business policies of IFM may exist if a person holds an interest of at least 20% in IFM, is a member of the Executive or Supervisory Board, or holds a similar key position in management.

The following disclosures are required of IFM:

A norwegian group of investors consisting of Havfonn AS, Furuholmen Eiendom AS and Skips AS Tudor has – based on the available information – a stake of more than 30% in IFM Immobilien AG. These investors have signed a contract regarding IFM Immobilien AG, that they are acting in concert, in the year 2008. To these norwegian group of investors, relationship of dependence exists in the sense of the Company law.

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Notes to the Consolidated Financial Statements at December 31, 2009

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

During the fiscal year 2009, transactions totaling EUR 114 thousand (previous year: EUR 3 thousand) were completed by IFM and its subsidiaries together with IFM Immobilien-Finanz-Management GmbH in the course of normal business activities. These activities mainly pertained to services performed by IFM Immobilien-Finanz-Management GmbH.

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

As of December 31, 2009, the Group had receivables of EUR 51 thousand from IFM Immobilien-Finanz-Management GmbH (previous year: EUR 79 thousand).

A member of the Supervisory Board (Mr. Eberhard Hascher) performed consulting services for IFM and its subsidiaries for a total amount of EUR 13 thousand in 2009 (previous year: EUR 10 thousand).

IFM 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, of which Luca Pesarini, the Chairman of the Supervisory Board of IFM, is the managing partner. As of December 31, 2009, IFM had invested EUR 3,662 thousand in investment funds (previous year: EUR 5,339 thousand). In the year 2009 shares of these fund have been sold with a value of EUR 2,439 thousand.

49 Other Financial Liabilities

Other financial liabilities from rental, leasing, maintenance, and repair contracts amounted to a total of EUR 642 thousand as of December 31, 2009 (previous year: EUR 911 thousand). This figure includes obligations that are part of the operating lease contract terms.

Commitments under current investment and ordering obligations came to EUR 7,401 thousand as of December 31, 2009 (previous year: EUR 13,333 thousand).

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

Notifications were issued by the following groups of shareholders as pursuant to § 21 Para. 1a of the German Securities Trading Act:

1. Executive and Supervisory Boards of IFM
2. Laxey Partners Ltd.
3. IFM Immobilien Finanz Management GmbH
4. Sirius Investment GmbH
5. Mr. Kingsnorth and Mr. Pegge

Concerning 1. Executive and Supervisory Boards of IFM

Mr. Luca Pesarini of Switzerland issued the following statement to IFM Immobilien AG on March 26, 2009:

Pursuant to § 21 Para. 1a of the German Securities Trading Act, I hereby declare that I held 4.00 % (340,092 shares) of voting rights in IFM Immobilien AG on April 29, 2008. Of this holding, 2.80 % (238,092 shares) were to be assigned to me according to § 22 Para. 1 Clause 1 No. 2 of the German Securities Trading Act.

Mr. Georg Glatzel of Germany issued the following statement to IFM Immobilien AG on March 26, 2009:

Pursuant to § 21 Para. 1a of the German Securities Trading Act, I hereby declare that I held 7.35 % (624,953 shares) of voting rights in IFM Immobilien AG on April 29, 2008. Of this holding, 3.70 % (314,361 shares) were to be assigned to me according to § 22 Para. 1 Clause 1 No. 1 of the German Securities Trading Act, as well as 2.80 % (238,092 shares) according to § 22 Para. 1 Clause 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: IFM Immobilien Finanz Management GmbH

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Mr. Luca Pesarini of Switzerland informed IFM Immobilien AG on March 26, 2009 that his share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the 5 % and 10 % thresholds as of March 20, 2009. On the day of this notification, he held 10.05 % of the voting rights (940,092 shares). Of this holding, 2.55 % (238,092 shares) of voting rights were assigned to him according to § 22 Para. 1 No. 2 of the German Securities Trading Act.

Concerning 2. Laxey Partners Ltd.

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Laxey Partners Ltd, Isle of Man, United Kingdom informed IFM Immobilien AG on March 24, 2009 that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had fallen short of the 20%, 15%, 10%, 5% and 3% thresholds as of March 20, 2009. On the day of this notification, it held 0.00% of the voting rights (0 shares).

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Notes to the Consolidated Financial Statements at December 31, 2009

Concerning 3. IFM Immobilien Finanz Management GmbH

Pursuant to § 21 Para. 1 of the German Securities Trading Act, IFM Immobilien Finanz Management GmbH, Heidelberg, Germany reported that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the 5% threshold as of March 30, 2009, amounting to 5.91% (552,453 shares) on the day of reporting.

Concerning 4. Sirius Investment GmbH

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Sirius Investment GmbH, Frankfurt am Main, Germany reported on April 2, 2009 that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had fallen short of the 3% and 5% thresholds as of March 30, 2009, amounting to 0% (0 shares) on the day of reporting.

Concerning 5. Mr. Kingsnorth and Mr. Pegge

On March 31, 2009 Colin Kingsnorth of the Isle of Man issued the following statement to IFM Immobilien AG: I hereby notify pursuant to section 21 para. 1 WpHG that on 20 March 2009 my percentage of voting rights in IFM Immobilien AG, Heidelberg, Germany (DE000A0JDU97) fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0,00% (0 voting rights) as per this date.

On March 31, 2009 Andrew Pegge of the Isle of Man issued the following statement to IFM Immobilien AG: I hereby notify pursuant to section 21 para. 1 WpHG that on 20 March 2009 my percentage of voting rights in IFM Immobilien AG, Heidelberg, Germany (DE000A0JDU97) fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0,00% (0 voting rights) as per this date.

Heidelberg, March 23, 2010

The Executive Board

Georg Glatzel

Marcus Schmitz





Foyer Romeo & Julia, Frankfurt am Main



& JULIA

Appendix to the Notes
of the Consolidated
Financial Statements

Appendix 1

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

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

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

	Cost of acquisition or creation					Depreciation and amortization	
	Jan 1, 2009 EUR 000	Additions EUR 000	Losses EUR 000	Reclassifications IFRS 5 EUR 000	Dec 31, 2009 EUR 000	Jan 1, 2009 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	131,899	53,726	0	68,135	253,760	0	0
II. Properties under development	80,594	33,243	0	-68,053	45,784	0	0
III. Land and buildings	0	360	0	8,679	9,039	0	219
IV. Advance payments made on property plant and equipment	8,666	13	0	-8,679	0	0	0
V. Office and other equipment	721	242	54	-82	827	224	122
VI. Goodwill	389	0	0	0	389	0	0
VII. Other intangible assets	226	39	0	0	265	41	40
	222,495	87,623	54	0	310,064	265	381

Appendix 1

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

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

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

Depreciation and amortization		Changes in fair value per IAS 40				Carrying amount	
Losses EUR 000	Impairment loss per IAS 36 EUR 000	Dec 31, 2008 EUR 000	Jan 1, 2008 EUR 000	Disposals EUR 000	Dec 31, 2008 EUR 000	Dec 31, 2008 EUR 000	Dec 31, 2007 EUR 000
0	0	0	6,853	13,696	20,549	274,309	138,752
0	604	604	0	0	0	45,180	80,594
0	0	219	0	0	0	8,820	0
0	0	0	0	0	0	0	8,666
24	0	322	0	0	0	505	497
0	0	0	0	0	0	389	389
0	0	81	0	0	0	184	185
24	604	1,226	6,853	13,696	20,549	329,387	229,083

Appendix 2

List of interests held as of December 31, 2009

1) Direct equity interests:

Company	Shares 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	Shares 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:

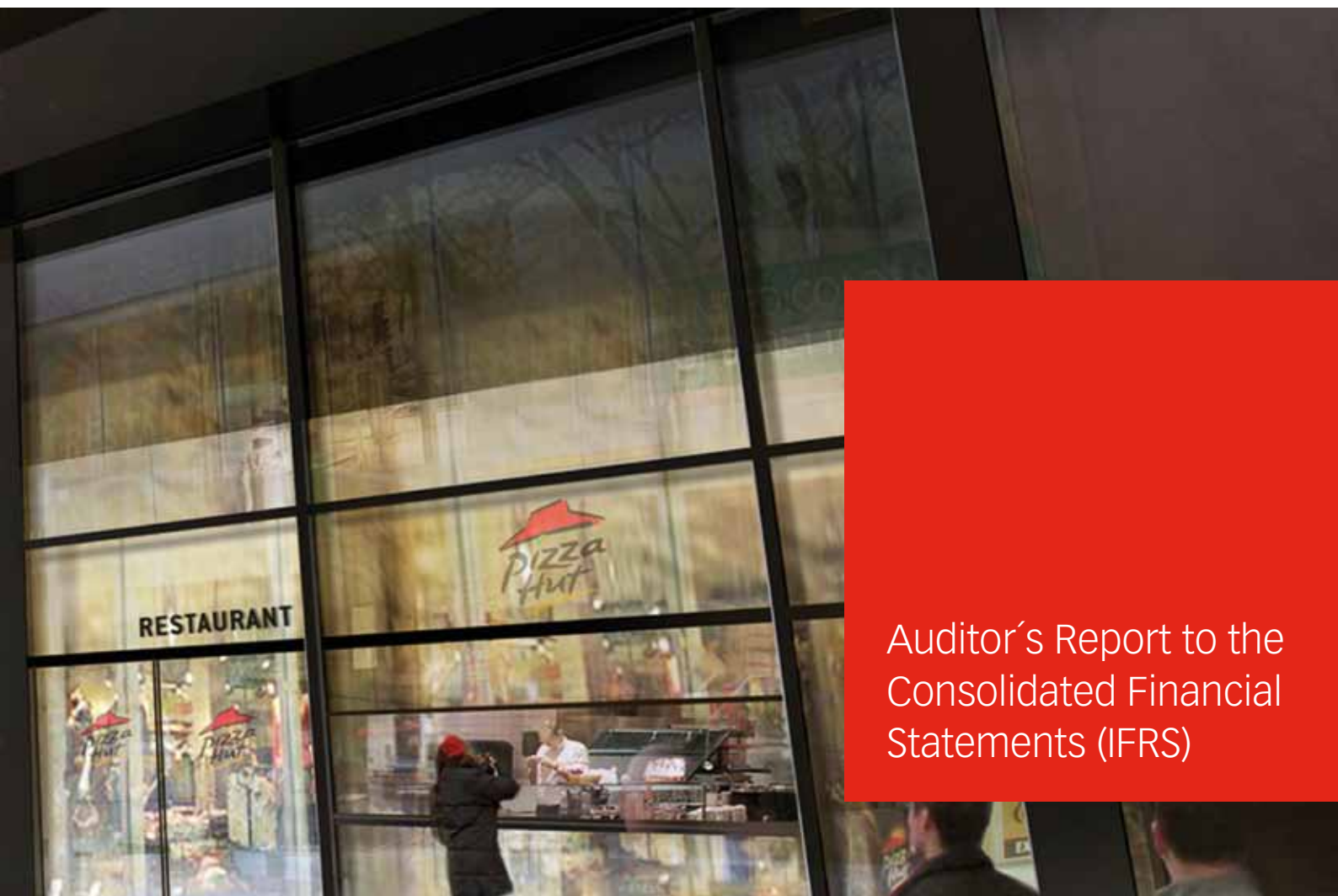
Company	Shares in %
IFM Property Project Darmstadt GmbH, Heidelberg	90 %

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

Company	Shares in %
IFM Property Project Frankfurt–Zeil GmbH, Heidelberg	94,8 %



Zeilgalerie after revitalization, Frankfurt am Main



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

Audit Opinion

IFM Group

We have audited the consolidated financial statements prepared by IFM Immobilien AG, Heidelberg, comprising the balance sheet, the Statement of Comprehensive Income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a Paragraph 1 Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial Statements of IFM Immobilien AG, Heidelberg as of December 31, 2009 comply with IFRSs as adopted by the EU, 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 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 23, 2010

FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Spieß)
Wirtschaftsprüfer	Wirtschaftsprüfer
Auditor	Auditor

Animation Zimmerstraße, Berlin





westendFirst, Frankfurt am Main



IFM Immobilien AG
Management Report

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

A. Business Performance and Environment

1. Strategy and Business Activities

IFM Immobilien AG (hereinafter IFM) is investor and project developer of commercial real estate focusing on office and downtown retail use in particular. The company's operating activities comprise erecting premium new buildings in prime locations primarily for commercial use and revitalizing commercial properties.

Revitalization includes

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

Geographically, IFM's operations focus on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin (central) in particular. The company is constantly testing possibilities to expand geographically into the Hamburg and Munich areas.

IFM generates revenue by leasing properties, from earnings on interest from loans to subsidiaries and from business management agreements. Furthermore, IFM is expected to achieve profits by dealing shares to project companies in the future. Should properties be sold through asset deals at the level of the project company, IFM expects to gain matching distributions of profit.

2. Structure and Organization

IFM Immobilien 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 company also holds a property which houses the Frankfurt branch and which is partially leased to third parties; this property was sold legally effective February 1, 2010 and immediately leased by the seller (through a sale and lease back transaction).

The properties in the company's portfolio are typically held by individual project companies that are subsidiaries of IFM Immobilien AG. In general, each individual project company is responsible for financing their respective property. The creditor's recourse is usually contractually limited to the assets of the individual project company (including shareholder loans and capital investments provided by IFM Immobilien AG), otherwise known as non-recourse financing.

3. Managing Bodies

3.1. Executive and Supervisory Boards

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

The Executive Board conducts the company's operations in compliance with the law, the articles of incorporation and the board's rules of procedure. The Supervisory Board decides 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. It also conforms to the recommendations and suggestions of the German Corporate Governance Code in material respects.

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 component.

The fixed base salary for Executive Board depends on the members' area of responsibility and personal performance.

The variable component paid to the Executive Board is derived from the gains on the disposal of real estate projects and also includes non-cash benefits in the form of the use of a company car. The compensation of Executive Board members also includes a stock-based component. 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. This scheme comprises a fixed amount and a variable component. The company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

4. Material Factors Affecting Business

The business operations of IFM Immobilien AG are subject to a number of regulations and other factors over which the company can exercise little or no control. These include legal constraints as well as economic factors.

The first factor to be mentioned is macroeconomic performance. Economic performance not only affects demand in the office leasing market, but also performance in retail. This may affect rental rates for new or renewed leases. In addition, economic performance may have direct or indirect effects on the prices in the real estate investment markets.

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 in the capital markets also have a significant impact on IFM's business activities. As the company borrows funds for its activities either directly or indirectly through its subsidiaries, the situation in the capital markets has a strong influence on the company's economic success. The general trends in interest rates, the intensity of competition in 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.

The international economic crisis continued in the fiscal year 2009, with its effects spreading increasingly to sectors of the economy other than finance. Compared to the situation before the crisis hit, the real estate industry is now faced with significantly higher financing costs. Due to this, IFM expects to come up against further possible effects of higher borrowing costs for new acquisitions and follow-up financing.

The provisions of public planning and zoning laws and the applicable state building law must be complied with for properties the Group acquires. These include 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 account of in the due diligence process.

5. Corporate Management and Performance Indicators

5.1. Financial Performance Indicators

The long-term success of IFM Immobilien AG is measured on the basis of value-oriented parameters. One particular financial performance indicator is return on equity in the individual special-purpose entities relative to the shareholder's equity. In a comparison of actual performance with planned performance figures, the actual return on equity is compared with the potential return required per year in the range of 15 % to 25 % before tax based on the equity employed (without leverage).

5.2. Non-Financial Performance Indicators

In addition to the financial performance indicators, 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 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. This requires in-depth knowledge of the regional market. The CEO of IFM Immobilien AG has over 20 years of experience in project development for commercial real estate and comprehensive knowledge of the real estate industry. Many other members of staff also have related experience from years of work in real estate development, as well as expertise and a 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. Successfully developing a property while keeping within the planned time and cost budget requires a great deal of knowledge in the areas of architecture, engineering and economics. This also includes selecting proficient, reliable external service providers such as architects, engineers, building companies, tax lawyers and attorneys to ensure that projects are executed professionally and on time.

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

6. Research and Development

As an investor and project developer of commercial real estate in particular, 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 2009

The German economy was characterized in 2009 above all by the continuing global economic and financial crisis. In just the previous year, Germany experienced the deepest recession since the Second World War, which continued into the first few months of the reporting period. The Federal Statistical Office reported a 5.0% decline in the price-adjusted GDP in 2009; this is the first time the GDP has declined in six years. From the second quarter onwards, stabilization could be seen in the economic environment, and positive GDP growth rates were reported.

Germany's economic performance was largely hindered by the slump in foreign trade. For the first time since 1993, there was a decline in exports compared with the previous year, resulting in a drop of 14.7% after price adjustments. Furthermore, negative growth was also seen in gross investments, falling by 12.5% in 2009 below the previous year's rate after price adjustments.

After price adjustments, consumer expenditure rose by 0.9% in 2009. State expenditure was up by 2.7% while private consumer expenditure experienced a growth of 0.4%. In analyzing these figures, it must be noted that a large part of private consumption can be attributed to private households purchasing new vehicles, amounting to a total of EUR 74 billion. This consumption was stimulated by the car scrap scheme introduced in Germany; adjusted for this effect, private consumer expenditure declined by 0.5%.

The European Central Bank predicted further signs of moderate growth in the global economy at the end of 2009 due to the support of monetary and fiscal stimulus and because of stock cycles.

Sources:

Press release issued by the Federal Statistical Office on January 13, 2010

European Central Bank, Monthly Bulletin, January 2010

8. Trends in the Commercial Real Estate Market in 2009

In 2009, events in the commercial real estate markets were heavily influenced by the global financial and economic crisis. Despite the job market remaining relatively stable right into autumn, a large decline in demand was seen in the German office markets. Many companies delayed planned moves and relocations, in some cases even putting a stop to such plans altogether, to focus instead on consolidation in their current quarters.

As a result, total rental profits dropped by around 28% compared with the previous year to 2.1 million square meters in the top six German office markets – Berlin, Duesseldorf, Frankfurt/Main, Hamburg, Munich and Stuttgart. New construction projects continued to increase; a total of about 1.1 million square meters of new office space was completed in 2009, which corresponds to an increase of almost 23% compared with 2008. The average vacancy rate in the top six office markets rose over the course of 2009 from 8.9% to 9.9%, of which an increasing proportion can be attributed to space for sublet.

The highest vacancy rate was seen in Frankfurt/Main once again, where the office market depends heavily on the financial services sector, in turn affecting leases. By the end of 2009, 13.6% of office space was vacant in Frankfurt (2008: 12.5%).

IFM believes that significant differences can be seen in demand and vacancy rates at each site depending on the location and property quality. Thus, vacancy rates are much lower for premium properties in prominent inner city locations than for the market as a whole. At the same time, demand for such properties has also been seen to be more robust in general.

Prime rental rates declined over the course of 2009 in all cities. The biggest drop in premium rental rates was seen in Berlin at 9%; in Frankfurt/Main and Munich, premium rental rates dropped by 8% and almost 7% respectively. Incentives have gained in importance. Effective rental rates are generally 10 to 15% lower than nominal rates at the moment.

Sources:

Jones Lang LaSalle, Office Market Overview Q4 2009, January 2010

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

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

1. General

IFM Immobilien AG's annual report was prepared for 2009 according to the provisions of the German Commercial Code (HGB) as prescribed for the reporting period. The previous year's figures were also calculated according to the HGB.

2. Significant Events at Associated Companies

IFM Immobilien AG's investment portfolio performed well despite the challenges of the fiscal year 2009:

IFM Property Project Frankfurt KG: The company was able to sell the property westendFirst in Frankfurt for a price of EUR 55 million with a notarized deed of December 23, 2009.

IFM Property Project Ulmenstraße GmbH: In the first fiscal year following its completion, two thirds of the property Romeo & Julia could already be leased to prime tenants.

IFM Property Project Mainz GmbH: In the course of a leasing agreement signed with Deutsche Telekom for over 3,850 square meters of space, the occupancy rate was increased to about 78%.

IFM Property Project Eschborn GmbH: While the office property in Frankfurter Strasse could be further stabilized, further progress was made in the structural restoration of the two office buildings in Duesseldorfer Strasse. It has been guaranteed that these spaces can be marketed as practically new developments from the first quarter of 2010 onward.

3. Results

Despite the ongoing challenges of the macroeconomic environment, IFM Immobilien AG can boast a successful and solid performance in the fiscal year 2009.

Revenue was up to EUR 2.03 million. In addition to rental income from the property Ulmenstraße 22, Frankfurt, cost allocations to the project companies account for this increase. The significant hike in other operating income from EUR 0.1 million to EUR 3.5 million can be attributed primarily to the dissolution of provisions for contingent losses from pending transactions due to compensatory arrangements made for future payment under hedge agreements (EUR 1.7million), and to profits achieved by selling securities as well (EUR 0.5 million).

The cost of goods sold rose to EUR 0.2 million in the fiscal year 2009 (previous year: EUR 0.1 million). This covers property maintenance and management costs for the property Ulmenstraße 22 in Frankfurt/Main. Personnel costs increased to EUR 1.0 million due to new staff hired (previous year: EUR 0.9 million).

Other operating expenses decreased from EUR 4.6 million to EUR 3.9 million. The main reason for this decline is that the one-off costs in 2008 associated with a capital increase and IFM Immobilien AG's move to the regulated market (Prime Standard) on the Frankfurt Stock Exchange no longer applied. This item also includes compensation paid to banks and the effects of assessment from interest derivatives (EUR 1.6 million).

The net finance expense was EUR 0.4 million (2008: EUR 1.4 million). Interest expenses decreased from EUR 1.7 million to EUR 0.8 million. This can mainly be attributed to interest on loans issued by IFM to its project companies and continued capitalization of expenses from interest rate hedges to the pertinent project companies. The diminution is caused by transformations from loans in equity of the subsidiaries. Interest and similar expenses amounted to EUR 0.3 million (2008: EUR 0.4 million). In addition to regular interest on loans, for example to finance the property Ulmenstraße 22 in Frankfurt, this item also includes expenses for interest rate hedges.

Expenses for transfer of losses were EUR 0.5 million. This was a result of the losses of IFM Asset Management GmbH transferred under the profit and loss transfer agreement entered into with IFM Immobilien AG.

An annual net profit of EUR 0.2 million was reported for the fiscal year 2009; the previous year closed with an annual deficit of EUR 3.6 million.

4. Net Assets

The asset and capital structure of IFM Immobilien AG at December 31, 2009 had changed in comparison with the same at December 31, 2008 by way of a slight decrease in the total net assets from EUR 95.2 million to EUR 92.4 million.

The value of non-current assets was EUR 64.9 million at December 31, 2009, which is EUR 13.3 million above the comparative value at the end of the fiscal year 2008. The value of fixed assets decreased from EUR 9.1 million to EUR 8.9 million due to scheduled amortization. The shares in affiliated companies listed under financial assets amounted to EUR 56.0 million at December 31, 2009. The increase of EUR 13.5 million in this amount compared with the end of the previous year is mainly attributable to the conversion of loans of IFM Immobilien AG to equity interest in special-purpose entities.

The liquid assets can be broken down as follows:

- ▶ Accounts receivable from affiliated companies: EUR 23.3 million (previous year: EUR 32.5 million). The significant decline of EUR 9.2 million in amounts receivable from affiliated companies was caused by the conversion of loans to special-purpose entities into equity interest.
- ▶ Other assets: EUR 0.7 million (previous year: EUR 1.9 million).
- ▶ Securities: EUR 2.4 million (previous year: EUR 5.0 million).
- ▶ Cash and cash equivalents: EUR 1.0 million (previous year: EUR 4.1 million).

The drops in securities can be attributed to their sale. The decrease in cash and cash equivalents is a result of investment in project development.

The company's equity increased slightly from EUR 81.9 million to EUR 82.1 million. The equity ratio had risen from 86.1 % to 88.9% at the reporting date.

The decrease in other provisions from EUR 2.4 million to EUR 1.0 million was a result of the partial dissolution of provisions for contingent losses from pending transactions due to compensatory arrangements made.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

Liabilities can be broken down as follows:

- ▶ Liabilities to banks increased slightly from EUR 6.8 million to EUR 6.9 million.
- ▶ Trade accounts payable: EUR 0.2 million (previous year: EUR 0.2 million).
- ▶ Amounts receivable from affiliated companies decreased from EUR 3.7 million in the previous year to EUR 2.1 million; this can mainly be attributed to the transfer of VAT reimbursement by IFM Immobilien AG to its subsidiaries.
- ▶ Other liabilities: EUR 0.1 million (previous year: EUR 0.1 million).

5. Financial Position

5.1. Basic Principles of Financial Management

IFM Immobilien AG finances its subsidiaries' real estate projects in part using equity and in part using long-term borrowings, which are generally obtained from banks.

Real estate projects are generally managed by individual project companies. These companies are normally financed to about 25–30% using equity and to about 70–75% using borrowings. The project companies receive the funds they need from IFM Immobilien 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 and its project companies enter into interest rate hedges when acquiring a property to cover any such changes over the planned duration of a project.

5.2. Financial Position

IFM used mainly liquid assets to finance itself in the fiscal year 2009. At the start of the fiscal year, the company had over EUR 4.1 million in liquid assets, of which up to three quarters were used over the course of the year for investment in project companies. The amount of liquid assets had decreased to EUR 1.0 million at 31.12.09, the reporting date. In addition, securities from current assets were EUR 2.4 million (carrying amount). The decrease from EUR 2.6 million was a result of the sale of shares in funds.

Borrowed funds decreased from EUR 13.2 million to EUR 10.3 million in the fiscal year. This is mainly a result of the decrease in other provisions and liabilities to associated companies. The liabilities to outside third-parties remained for the most part unchanged, in particular those to banks. The company's debt ratio changed accordingly from 16.1% in the previous year to 12.5% in 2009.

6. Staff

IFM attaches great importance to well-qualified and motivated staff. The company's activities as an investor and project developer for commercial real estate makes staff with relevant professional expertise, experience and dedication a key factor in the company's success. At the same time, it gives IFM a competitive edge in the pertinent real estate markets.

IFM Immobilien AG employed a staff of 6 at December 31, 2009 (excluding the two members of the Executive Board) (end of 2008: 5).

The compensation system for company staff depends on the individual services they perform. High performers receive a voluntary bonus in addition to their fixed salary.

C. Events After the Reporting Date

The sales of the property Ulmenstrasse 22 through IFM and of westendFirst through IFM Property Project Frankfurt GmbH & Co. KG were successfully executed in the first quarter of 2010. The approval of the buyer's advisory bodies for the property Feldbergstraße (through subsidiary IFM Property Project Feldbergstraße GmbH) has not been given.

D. Risk and Opportunity Report

1. Risk Management

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

2. Internal Control System

The goal of the internal control system (ICS) for IFM Immobilien AG's financial reporting process is to ensure 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.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

The main regulations and instruments of control are:

- ▶ Internal regulations on reporting and accounting as well as instructions on the allocation,
- ▶ A clearly defined allocation of tasks and responsibilities among persons involved in the financial reporting process,
- ▶ 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 Immobilien AG either directly or indirectly through its subsidiaries:

3.1. Sector and Market Risks

Influence of real estate cycles: Office space and commercial property for retail use – which IFM focuses on together with its subsidiaries – is typically subject to a fluctuating cycle of demand. In addition, this market is influenced by a variety of factors that IFM has no influence on, and which are difficult to predict. An example is the current economic trends influenced by the global financial crisis. Negative changes in economic conditions may lead to reduced demand for commercial space, which would have a negative impact on IFM Immobilien AG'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, interest rates are subject to fluctuations greater than the usual market fluctuations. The margins for new agreements with banks in particular have increased substantially, compensating for the overall low interest rate to some extent.

To safeguard existing loan agreements at variable interest rates, which are thus subject to market fluctuations, IFM partly employs derivative instruments to hedge against interest rates.

Due to the high volatility and interest rates anticipated in the mid-term, interest rate hedges are currently only available significantly higher than the current market interest rate.

Availability of financing The financial crisis is characterized by losses and insolvency at companies in the financial sector around the globe. Banks have a very limited capacity to act; there is a decreased readiness to assume risks when issuing loans. Financing is only still available in many cases if the risks for the bank financing the loan can be reduced to a minimum. As a result, financing has become increasingly difficult to obtain for real estate projects. Furthermore, approved lines of credit are liable to be suspended or cancelled by the bank, and capital requirements may be increased if banks adjust their business policies to deal with the financial crisis.

3.2. Risks Associated with IFM's Business Operations

As IFM acts mainly as a holding company, 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 tight system of investment controlling accommodates this risk.

The following additional risks exist:

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.

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. Furthermore, tenants might be liable to cancel their contract or fail to pay rent. The effects of the economic crisis on the financial position of financial service providers, and increasingly of companies in other sectors too, could make leasing transactions more difficult and put existing tenants' liquid assets under strain, leading to an increased risk of missed payments.

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. If these service providers should not perform services satisfactorily or fail to perform services, the result for the Group would be losses and less ability to compete, which also affects IFM Immobilien AG in its role as the ultimate parent company. 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 and reduce the return on investment for properties.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

3.3. Financial Risks

In its business operations, IFM is subject to a variety of financial risks. Among these are risks associated with liquidity and interest rates. See Note 5.3 in the Notes for further details on risks associated with financial instruments.

IFM and its subsidiaries have generally only entered into loan agreements with banks within Germany. The same holds true for the associated interest hedge agreements. 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. The Group had unexhausted credit approvals totaling EUR 15 million at December 31, 2009. These credit approvals are valid for a term of up to 5 years.

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

4. Opportunities

Lower interest rates The company can expect to reduce financing costs in some cases despite higher margins in the case of upcoming new financing or extended financing due to lowered overall interest rates.

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 due to the financial crisis – will be forced to sell properties. As a result, properties would come onto the market at potentially attractive prices and be suitable for revitalization and investment by IFM.

Geographical expansion IFM Immobilien AG sees future opportunities in diversifying its operations geographically into the large office real estate markets, in particular Munich and Hamburg. The management recognizes added long-term potential for growth in these regional markets. However, IFM will only expand into other cities if it can be sure that a critical mass will be reached. The developed Rhine-Main 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 trend-setter in real estate marketing. The company has proved that it can achieve leasing success faster using innovative marketing concepts. IFM anticipates that this will lend it a competitive edge in the future as well, despite difficult conditions in the rental market due to the economic slump. Furthermore, IFM believes this will allow it to make use of its leasing capacities to become more independent of external estate agents and service providers.

E. Information Pursuant to § 289 Para. 2, No. 5 and § 289 Para. 4 of the German Commercial Code (HGB)

Information about the structure of Executive Board compensation (§ 289 Para. 2 No. 5 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.

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

Information about the structure of Supervisory Board compensation (§ 289 Para. 2 No. 5 of the HGB) The compensation scheme for members of the Supervisory Board is governed by § 14 of the company's articles of incorporation. Each member of the advisory body receives a fixed annual amount of EUR 12,000. In addition, the members each receive a variable performance-based amount which depends on the changes in profits of the IFM Immobilien Group before tax not including effects from properties and, to a lesser extent, on the effects from properties. There is no possibility of negative compensation. The upper limit for compensation is 2.5 times the fixed amount in each case. The chair of the Supervisory Board receives twice the fixed and variable amounts and the vice-chairman receives one and a half times this amount. Furthermore, the company refunds the value-added tax on the compensation as well as any necessary expenses incurred for Supervisory Board activities. The members of committees also receive an additional annual fixed amount of EUR 2,500 and an attendance fee of EUR 500 per meeting.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

Information about composition of issued capital (§ 289 Para. 4 No. 1 of the HGB) IFM Immobilien AG's share capital at December 31, 2009 was EUR 9,349,999, which was divided into 9,349,999 non-par shares. Each share grants the right to a single vote at the annual shareholders' meeting. The number of shares and voting rights may change by the next annual shareholders' meeting due to the exercise of issued and/or conditional capital.

Information about restrictions on voting rights or on stock transfers (§ 289 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, 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 (§ 289 Para. 4 No. 3 of the HGB) At the time this management report was compiled, the structure of shareholders in IFM Immobilien AG was as follows, according to the notifications of voting rights submitted to the company: IFM Immobilien Finanz Management GmbH 5.91 %, LRI Invest S.A. 5.35 %, in addition 45.33 % is allocated to a Norwegian consortium of shareholders composed of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS.

Information about holders of shares with special rights (§ 289 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 (§ 289 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 (§ 289 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 Immobilien AG. Members may be reelected or their term of contract extended. § 6 of the articles of incorporation states that the Executive Board may consist of one or more members; this is up to the Supervisory Board to decide.

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

Information about the authority of the Executive Board to issue and buy back stock (§ 289 Para. 4 No. 7 of the HGB)

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

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

The authorized capital was not used in 2009. An amount of EUR 3,400,001 remained unused at December 31, 2009.

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 Immobilien 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 entry of the 2006 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. As of 31.12.08, 120,000 stock options had been issued.
- ▶ 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 Immobilien AG under the stock option plan 2007 following the entry of the 2007 II conditional capital into the Commercial Registry. 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. At December 31, 2009, a total of 730,000 options had been issued in three tranches.

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

Conditional Capital

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

Purchase of Own Stock The company is currently not authorized to purchase its own stock.

Information about material agreements subject to a change of control due to a takeover bid (§ 289 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 (§ 289 Para. 4 No. 9 of the HGB) No applicable compensation agreements exist.

F. Closing Remarks on the Independent Report

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 2009.

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 a publication from late January 2010, the International Monetary Fund (IMF) anticipates a faster recovery in the global economy than first forecast for the two-year crisis; the global GDP is expected to grow by up to 4% in 2010. The IMF also noted, however, that a recovery will be seen at varying rates in different countries. The IMF expects the emerging markets to recover relatively quickly – Asia in particular. At the same time, the environment is expected to pick up at a slower pace in the leading industrial nations, with improvements continuing to depend on state stimulus measures.

It is worth mentioning that the IMF increased its projected growth rate for Germany by 1.2 percentage points to 1.5 percent. This signals a rate of growth significantly higher than in the eurozone as a whole, for which the IMF has predicted growth of 1.0 percent in 2010.

In its 2010 annual economic report, the German Federal Government anticipates real GDP growth of 1.4% on average in 2010. However, it is expected that it will become more difficult for companies to maintain their operating activities in 2010 due to high cost burdens. The Federal Government has introduced tax credits of around EUR 24 billion per year for citizens and companies with the goal of encouraging a recovery in the economy. In addition to these immediate measures to boost the economy, structural reforms are being planned as a way to further expand the scope for growth in the long-term.

It is still to be seen to what extent the anticipated effects of the state stimulus measures are successful and whether a sustainable trend towards economic growth can be created. The Association of German Banks, for example, predicts that a long road still lies ahead from stabilization to a renewed upturn in the economy. The economic slump mainly affected industry in Germany; as a result of this and the country's economic structure, both the industry and export demand will need to support a recovery. A definitive change for the better, however, is still not apparent in export demand as the demand for export goods from Germany is expected to remain rather low in the near future throughout Europe as well as in other industrialized nations.

In its monthly report for January 2010, the European Central Bank estimates that, while the global economy is still plagued with uncertainty, the risks associated with global economic activities will remain for the most part stable. On the one hand, the comprehensive macroeconomic stimulus packages and other measures introduced may have stronger effects than anticipated. Confidence might continue to increase and the global economy and foreign trade might recover faster than expected. On the other hand, doubts may persist due to a stronger or more persistent negative interaction between the real economy and the financial sector, renewed price hikes for oil and natural resources, an increase in protectionist measures, and potential market upheavals in connection with a correction of global imbalances.

Sources:

The Association of German Banks e.V., press release of January 21, 2010

European Central Bank, Monthly Bulletin, January 2010

International Monetary Fund, Update on the World Economic Outlook, January 26, 2010

Federal Government press release of January 27, 2010

IFM Immobilien AG Management Report

Fiscal Year 2009 (January 1 to December 31, 2009)

2. Projected Trends for the Commercial Real Estate Market

The performance of the commercial real estate market in Germany will depend heavily on economic developments. Market experts anticipate a further decline in rental profits of almost 4 % in the German commercial real estate market in 2010. This would equate to a figure 21 % below the five year average from 2005 to 2009. Furthermore, a decline in companies' willingness to relocate is anticipated due to the cost burden, and leasing term extensions are expected to shape the rental markets. Decision-making processes are also expected to take longer in general in this area. New construction projects should be pursued in 2010 to a similar extent as in 2009.

A slight decrease in office rental rates is anticipated in 2010. Jones Lang LaSalle estimates a decline in the index of around 2 %; it predicts the turning point will come in the second half of 2010.

In the retail real estate market, experts expect to see an increasing demand for prime locations in 2010 and a wider range of offers in neighboring areas. Despite an often curbed rate of expansion with longer times for negotiation of lease agreements, BNP Paribas Real estate anticipates that prime rental rates will become for the most part stable in highly frequented locations. Hikes in prime rental rates cannot be ruled out for high in-demand locations in individual cases.

In contrast, more offers for space in neighboring areas are expected due to a significantly lower demand, which is reflected in a drop in rental rates and longer marketing cycles. Rental spaces with complicated layout plans and properties in second and third rate locations will mostly likely only be able to be marketed for lease at special concessions in 2010.

Sources:

Jones Lang LaSalle, Office Market Overview Q4 2009, January 2010

BNP Paribas Real Estate, press release of February 11, 2010

3. Strategic Focus of IFM Immobilien AG

IFM Immobilien AG remains true to its strategy, continuing to act as an investor and active project developer for commercial real estate properties for office and downtown retail use. Classic project development activities are just as important as revitalizing existing properties, for which the company relies on its core competences in the areas of redevelopment, restructuring and repositioning.

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

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. In addition, the company is planning to purchase attractive properties in the big city office markets of Munich and Hamburg in particular as a way of diversifying its property portfolio with further cities. Expanding to new cities is, however, not necessary for the continued success of the company's business strategy. This move is seen more as a way to realize additional opportunities for growth.

The Executive Board regularly monitors the market to test opportunities for value appreciation by the sale of properties in the IFM portfolio through development activities undertaken, as long as attractive economic conditions exist.

4. Financial Outlook

The market environment is still challenging due to the ongoing financial crisis and its effects on other economic areas. IFM thus expects its performance will be hit by economic and financial effects again in 2010.

In December 2009, the directly held property at Ulmenstrasse 22, 60325 Frankfurt a.M. could be sold in the scope of a sale and lease back agreement. The financial transaction was executed on February 1, 2010. As well, the sale of the property westendFirst through IFM Property Project Frankfurt KG was notarized in December 2009. The financial transaction for this property was executed on March 1, 2010. Both of these sales will contribute to a significant rise in IFM Immobilien AG's results in the fiscal year 2010.

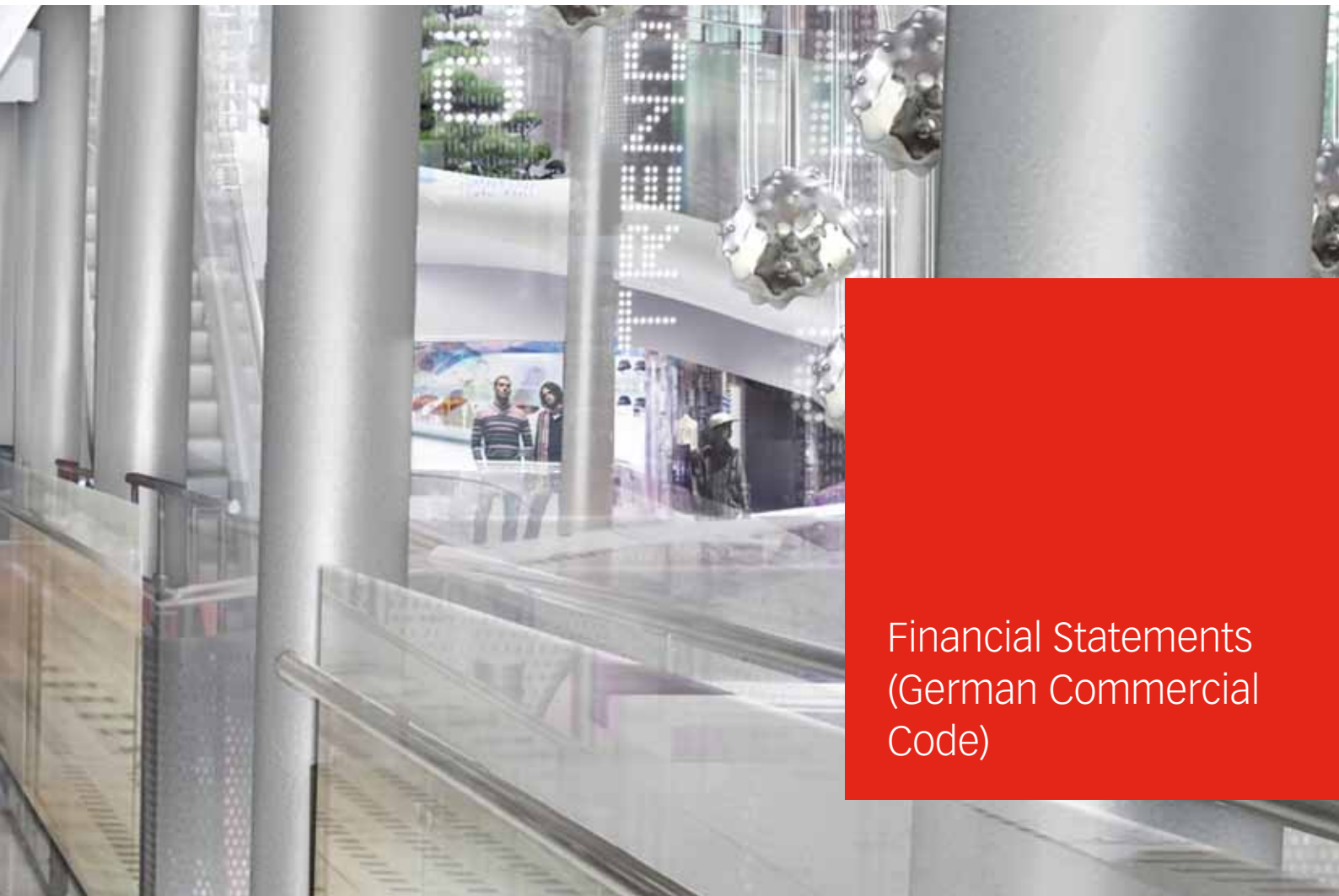
The company's results in the fiscal year 2011 depend heavily on the future economic performance, the sale of further properties and the legal forms of the associated companies they are sold through. We can therefore not provide a certain forecast.

Heidelberg, March 23, 2010

The Executive Board



Zeilgalerie after revitalization, Frankfurt am Main



Financial Statements
(German Commercial
Code)

Financial Statements (German Commercial Code)

Balance Sheet for the business year 2009

Assets	EUR	2009 EUR	2008 EUR
A. Non-current assets			
<u>I. Intangible assets</u>			
1. Concessions, industrial property rights and other similar rights and assets as well as licenses to such rights and assets	10,709.00		13,190.00
2. Advance payments made	7,913.63		8,000.00
		18,622.63	21,190.00
<u>II. Property, plant and equipment</u>			
1. Land, rights and buildings similar to land including buildings and structures on third-party premises	8,628,982.95		8,820,197.95
2. Other plant, office and other equipment	222,503.00		287,100.00
		8,851,485.95	9,107,297.95
<u>III. Financial assets</u>			
Shares in affiliated companies		56,016,719.59	42,471,719.59
		64,886,828.17	51,600,207.54
B. Liquid assets			
<u>I. Accounts receivable and other assets</u>			
1. Trade accounts receivable	19,961.45		48,020.94
2. Accounts receivable from affiliated companies	23,343,089.85		32,543,271.64
3. Other assets	685,880.75		1,874,536.63
		24,048,932.05	34,465,829.21
<u>II. Securities</u>		2,401,452.00	5,003,025.00
<u>III. Cash assets, deposits at the Deutsche Bundesbank, deposits at banks and checks</u>		1,013,610.01	4,053,562.49
C. Deferred expenses			
Other deferred expenses		48,565.95	46,451.56
Total assets		92,399,388.18	95,169,075.80

Financial Statements (German Commercial Code)

Balance Sheet for the business year 2009

Equity	EUR	Dec 31, 2009 EUR	Dec 31, 2008 EUR
Equity			
I. Issued capital		9,349,999.00	9,349,999.00
II. Additional paid-in capital		81,499,990.00	81,499,990.00
III. Distributable loss		8,723,438.49-	8,897,301.41-
B. Provisions			
Other Provisions		997,188.00	2,396,365.13
C. Liabilities			
1. Liabilities to banks	6,934,859.56		6,806,844.13
including EUR 164.859,56 (EUR 36,844.13) with a remaining maturity of up to one year			
2. Trade accounts payable	150,528.99		203,438.65
including EUR 150,528.99 (EUR 203,438.65) with a remaining maturity of up to one year			
3. Liabilities to affiliated companies	2,070,275.68		3,713,325.17
including EUR 2,070,275.68 (EUR 3,713,325.17) with a remaining maturity of up to one year			
4. Other liabilities	110,049.74		96,415.13
including those from taxes EUR 42,223.90 (Euro 38,730.29)			
including those in the scope of social security			
including those with a remaining maturity of up to one year EUR Euro 110,049.74 (Euro 96,415.13)			
D. Deferred expenses		9,935.70	0.00
Total equity		92,399,388.18	95,169,075.80

Financial Statements (German Commercial Code)

Profit and loss for the business year 2009

Income statement	EUR	Dec 31, 2009 EUR	Dec 31, 2008 EUR
1. Revenues		2,027,781.18	756,162.86
2. Other operating income		3,537,415.64	141,216.02
3. Cost of goods sold			
Expenses for services obtained		-187,911.26	-140,843.04
4. Personnel expense			
a) Wages and salaries	-969,725.78		-865,098.00
b) Payroll deductions and expenses for pension and social benefits	-59,391.88		-41,256.25
		-1,029,117.66	-906,354.25
including EUR 0.00 (0.00) for pension benefits			
5. Depreciation and amortization			
a) of intangible assets of non-current assets and fixed assets as well as of capitalized expenses for starting up and expanding upon business operations		-296,866.45	-283,240.07
6. Other operating expenses		-3,871,243.80	-4,567,005.70
7. Income from equity investments		40,439.37	0.00
including EUR 40,439.37 (EUR 0.00) from affiliated companies			
8. Other interest and similar income		761,064.67	1,722,795.01
including EUR 706,833.75 (EUR 1,410,132.62) from affiliated companies			
9. Interest and similar expenses		-345,617.56	-369,126.23
including EUR 7,278.63 (EUR 0.00) from affiliated companies			
10. Expenses for transfer of losses		-459,950.92	0.00
11. Operating profit/loss		175,993.21	-3,646,395.40
12. Other taxes		-2,130.29	-2,436.48
13. Annual net profit		173,862.92	-3,648,831.88
14. Loss carry-forward from previous year		-8,897,301.41	-5,248,469.53
15. Distributable loss		-8,723,438.49	-8,897,301.41

1. General Information about the Annual Financial Statements

The financial statements of IFM (hereinafter "IFM") have been drawn up in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the articles of incorporation. The individual items on the balance sheet and statement of comprehensive income have been summarized and explained in the Notes to the Annual Financial Statements for presentational purposes.

IFM shares were admitted for trading on the Prime Standard segment on April 30, 2008. As a result, the company is considered an incorporated company according to the revision of the classification of businesses by size, pursuant to § 267 Para. 3 Clause 2 of the German Commercial Code in conjunction with § 2 Para. 5 of the German Securities Trading Act (WpHG). Commencing on this date, the financial statements must be prepared as specified by the presentational and reporting requirements for such companies.

The statement of comprehensive income was prepared according to the nature of expense method format.

Unless otherwise indicated, all amounts are given in thousands of euros (EUR 000).

2. General Reporting and Accounting Principles

The same reporting and accounting principles were used as in the previous year.

The intangible assets and fixed assets attributable to IFM are measured at their cost of acquisition or creation, less scheduled amortizations if they are limited-life assets.

Buildings are calculated at a linear depreciation rate of 3%.

A useful life of three to twenty three years is assumed for office and other equipment. Linear depreciation is applied.

Due to the change in tax regulations of January 1, 2008, low-value assets with acquisition costs of between EUR 150 and EUR 1,000 have been combined in a single item, irrespective of their general useful life since the fiscal year 2008. They have been amortized uniformly over a five year period.

The recoverability of shares in the individual project companies is generally calculated from the value of the property owned by the project company, which was documented by expert appraisals at the balance sheet date. In individual cases, this may be documented by capital appreciation where it has been documented by way of budgeting calculations or building activities.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

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

Securities, cash and cash equivalents, deferred income and accrued expenses and total equity are recorded at face value.

All risks and unknown liabilities on the reporting date that were evident at the time of preparation have been taken into account for provisions through a reasonable commercial assessment.

Liabilities are given at the amount repayable.

3. Explanatory Notes to the Balance Sheet

Non-current assets (1):

The breakdown and course of non-current assets is shown in the attached statement analysis (Appendix 1).

Tangible fixed assets:

Tangible fixed assets include land at a value of EUR 1,724 thousand and buildings valued at EUR 6,905 thousand, which come to EUR 220 thousand after depreciation. The remaining tangible fixed assets refer to vehicles, office and other equipment, equating to a book value of EUR 223 thousand after depreciation.

Financial assets:

Financial assets refer to shareholdings in affiliated companies.

A separate list of shareholdings excluding other interests is shown in Appendix 2.

Accounts receivable from affiliated companies (2):

Accounts receivable from affiliated companies are broken down as follows:

	EUR 000
Loan receivables	20,605
Other trade accounts receivable and other calculations in expenses from affiliated companies	3,274
Specific valuation allowances for receivables from affiliated companies	- 536
Total	23,343

Other assets (3):

Other assets mainly comprise income-tax and value added tax receivables.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Other securities (4):

IFM invests free cash in investment funds on a short-term basis. As in the previous year, the figures are given at the cost of acquisition. The goal of investing in funds is to generate above-average returns through active portfolio management, allowing for risk diversification in euros. In connection with sales of shares in funds, profits of EUR 516 thousand were achieved; this amount is recognized under other operating income.

Cash assets and cash deposits with banks (5):

Cash funds of EUR 1,014 thousand include fixed-term accounts with a balance of EUR 500 thousand as well as checking accounts and cash assets of EUR 514 thousand. Cash assets and deposits at banks are measured at their nominal amount.

Issued capital and additional paid-in capital (6):

There was no change in issued capital and additional paid-in capital, shown below, in comparison to the previous year:

	Issued capital EUR 000	Capital reserves EUR 000
January 1, 2009	9,350	81,500
December 31, 2009	9,350	81,500

IFM's issued capital entered into the Commercial Register (=share capital) came to EUR 9,349,999 at the start and end of the fiscal year, which was divided into 9,349,999 non-par shares. Each share represents 1 euro of the share capital for the share owner.

Authorized Capital

The Executive Board was authorized on July 20, 2007, with the consent of the Supervisory Board, to increase the company's share capital by up to EUR 4,250 thousand in one or more transactions by issuing up to 4,250,000 new non-par shares of common stock in return for cash contributions and/or contributions in kind until June 30, 2010. Following a capital increase of EUR 850 thousand in 2008, the unused authorized capital comes to EUR 3,400 thousand (Authorized Capital 2007).

Conditional Capital 2006

As part of stock-based compensation for Executive Board members, the annual shareholders' meeting of April 24, 2006 approved a conditional increase of share capital by up to EUR 120 thousand by issuing 120,000 no-par shares. The conditional capital increase served solely to accord subscription rights to members of the Executive Board and was granted in October 2006.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Conditional Capital 2007 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 in one or more transactions until June 30, 2012, for a total value of up to EUR 34,000 thousand and with a maturity of up to 10 years. In addition, the Executive Board was authorized to grant the bearers or holders of the bonds conversion rights or IFM stock options representing a notional value of up to EUR 3,400 thousand of share capital, in accordance with the terms of the bond.

Conditional Capital 2007 II

At the annual shareholders' meeting of July 20, 2007, a decision was made to increase the share capital of IFM by up to EUR 730 thousand by issuing 730,000 new non-par shares. Conditional capital 2007 II is intended to cover subscription rights under stock options. Under the 2007 stock option plan, 292,000 stock options were granted in September 2007 (Tranche 3 in the table below).

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

In April 2009, another 146,000 share options were issued to the members of the Executive Board in the last tranche (Tranche 5 in the following overview) of SOP 2007.

At the reporting date, the following share-based payments had been made under the company's stock option plan:

Nature of agreement Tranche	Stock-based compensation for Executive Board				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Grant date	06.10.2006	06.10.2006	13.09.2007	19.02.2008	03.04.2009
Options granted	60,000	60,000	292,000	292,000	146,000
Maximum term (years)	5.00	5.00	5.00	5.00	5.00
Strike price (€)	5.00	5.00	10.94	9.28	5.40
Outstanding options at start of 2009 reporting period	60,000	60,000	292,000	292,000	0
Options granted during the 2009 reporting period	0	0	0	0	146,000
Outstanding options at the end of the 2009 reporting period	60,000	60,000	292,000	292,000	146,000
Options eligible for exercise at the end of 2009 reporting period	0	0	0	0	0
Fair value on the date granted (in EUR thousand)	274	274	616	788	325

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Provisions (7):

Other provisions include anticipated losses from pending transactions due to negative market values of existing interest rate hedging agreements (floors, EUR 373 thousand), along with compensation for Supervisory Board members (EUR 339 thousand). Further provisions were recorded for the preparation and auditing of the annual financial statements (EUR 145 thousand), publication expenses (EUR 60 thousand) and all other additional expenses in the fiscal year (EUR 80 thousand).

Liabilities to banks (8):

Liabilities to banks pertain mainly to financing for the Ulmenstraße 22 property.

Liabilities to affiliated companies (9)

Liabilities to affiliated companies include current accounts of high relevance to liabilities under the parent-subsidiary relationship with these companies for VAT purposes (EUR 1,073 thousand), trade accounts payable, and other calculations in expenses (EUR 884 thousand), as well as from loans (EUR 113 thousand).

In the interest of readability and better clarity, these figures have been summarized in the following statement of liabilities in EUR thousand (10).

	December 31, 2009	Remaining term 1 year or less	Remaining term between 1 and 5 years	Remaining term over 5 years
Liabilities to banks	6,935	165	6,770	0
Trade accounts payable	151	151	0	0
Liabilities to affiliated companies	2,070	2,070	0	0
Other liabilities	110	110	0	0
Total	9,266	2,496	6,770	0

In total EUR 6,770 thousand in liabilities to banks are secured by mortgages. In addition, all current and future rent receivables have been assigned and term deposits of EUR 500 thousand have been pledged. Any possible entitlements to payment of the purchase price have been transferred as protection.

4. Income Statement

The statement of comprehensive income (profit and loss) has been prepared according to the nature of expense method and according to reporting requirements for incorporated companies.

All revenue, income and expenses were generated in Germany.

Revenues (11)

Revenues include income from affiliated companies resulting from cost allocations and costs transferred (EUR 1,796 thousand) and rental income (EUR 232 thousand) in particular.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Other operating income (12)

Other operating income includes the write-back of provisions to the sum of EUR 1,734 thousand, of which EUR 1,723 thousand can be attributed to the write-back of provisions for contingent losses from pending transactions due to compensatory arrangements made for future payment. The compensation received in the scope of these agreements in the amount of EUR 1,249 thousand is also included in this item. In addition, profits of EUR 516 thousand were achieved in connection with the sale of shares in funds.

Expenses for services obtained (13)

Expenses for services obtained include property costs associated with rental income.

Wages and salaries (14)

Personnel costs can be broken down as follows:

	2009 EUR 000
Wages and salaries	970
Payroll deductions and expenses for social benefits	59
Total	1,029

An average of six staff members (excluding the Executive Board) were employed in the fiscal year.

Depreciation and amortization (15)

Depreciation and amortization of non-current assets is presented in the attached statement analysis. There was no cause for unscheduled amortization.

Other operating expenses (16)

	2009 in EUR 000
Compensation paid for derivatives	1,249
Valuation adjustments for receivables from associated companies	536
Value of derivatives	401
Fees for legal counsel and consulting services	366
Cost of financial statements and audits	318
Compensation for Supervisory Board and committees	266
Advertising and travel costs	212
Vehicle costs	117
Miscellaneous costs under EUR 100 thousand each	406
Total	3,871

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Income from equity investments (17)

Income from equity investments refers to the share of profit from shares in trading partnerships.

Expenses for transfer of losses (18)

Losses are transferred as set out in the profit and loss transfer agreement concluded with IFM Asset Management GmbH on April 22, 2009, entered into the Commercial Register on August 23, 2009.

Interest and similar income (19)

Interest and similar income mainly comprised interest from loan receivables (EUR 707 thousand) from affiliated companies, as well as fixed-term deposits at banks (EUR 35 thousand).

Interest and similar expenses (20)

Interest and similar expenses primarily include interest rate hedges (EUR 196 thousand) and interest from bank loans (EUR 150 thousand).

5. Other Information

5.1. Contingent Liabilities

The following contingent liabilities in favor of affiliated companies existed at the reporting date, as defined by § 251 of the German Commercial Code:

- ▶ Directly enforceable guarantee to the sum of EUR 11,000 thousand (previous year: EUR 11,000 thousand)
- ▶ Annuity guarantee to the sum of EUR 45,000 thousand (previous year: EUR 45,000 thousand)

Interest and cost overrun guarantee agreements were entered with banks in favor of individual affiliated companies; there are no grounds for claims of IFM based on the current calculations of profit, loss and expenses.

5.2. Transactions Not Included in the Balance Sheet and Total Amount of Financial Liabilities

Liabilities from contracts concluded but not yet fulfilled (order commitments) amounted to EUR 61 thousand at December 31, 2009.

At the reporting date, vehicle leasing contracts amounting to EUR 98 thousand per year had been concluded, along with contractual obligations for leasing office equipment to the sum of EUR 12 thousand per year. The total amount of these financial liabilities came to EUR 123 thousand after the reporting date.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

The purpose of leasing agreements is to increase cash funds and improve tax aspects as well as to eliminate commercial risk. Due to the nature and term of the leasing and rental agreements, no particular risks are apparent.

5.3. Information about Financial Instruments

5.3.1. Risk Management and Risks Associated with Financial Instruments

IFM Immobilien AG is subject to risks associated with financial instruments, in particular liquidity and credit risks, as well as risks associated with interest rate changes.

No currency risks exist as the company is based in Germany and all goods purchase or sold and services performed are billed for in EUR. Furthermore, no accounts receivable or payable exist in foreign currencies.

Financial planning is undertaken for the company spanning many planning periods, so that investments can be coordinated with credit flow. IFM 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 maturity profiles.

IFM Immobilien AG has only entered loan agreements with banks based in Germany. The same holds true for the associated interest rate hedge agreements. With regard to guarantees offered by the state, IFM 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 company sees itself subject to the risk of banks demanding higher amounts of shareholder's equity for credit renewals due to a change in the classification of risk. In such events, margins might also be adjusted.

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

The Executive and Supervisory Boards have been authorized by the shareholders' meeting to carry out various corporate actions. Please refer to Note 3 for an explanation on total equity.

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

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

The risk of interest rate changes are a particular market risk posed to IFM by financial instruments. Bank loans are financed at a variable rate based on the 1-month EURIBOR rate plus a contractually agreed margin. If market interest rates had been 25 base points higher at December 31, 2009, the annual profit (before tax) would have been EUR 73 thousand above what it is. If market interest rates had been 25 base points lower, the profit would have been EUR 74 thousand below the actual amount. These hypothetical effects on profit were calculated based on the potential effects of interest derivatives under consideration of the existing interest adjustment agreements.

5.3. Derivatives

The figures disclosed here apply to interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements at variable rates based on the EURIBOR rate with a remaining maturity of over 12 months. The fair values can be broken down as shown below:

Instrument	Group Company	Nominal amount	Fair value in EUR 000
Cap	IFM Immobilien AG	2.58	2
Cap	IFM Immobilien AG	4.19	10
Total			12

Instrument	Group Company	Nominal amount	Fair value in EUR 000
Floor	IFM Immobilien AG	50.00	-2,392
Floor	IFM Immobilien AG	4.19	-287
Total			-2,679

The fair value of caps and floors were measured using the mark-to-market method.

Positive market values from concluded caps are shown to the sum of their fair value under other assets as these values fell below the paid premiums at the reporting date.

The premiums amortized for a proportionate period in the amount of EUR 37 thousand are recognized under other liabilities. Negative fair values of floors in excess of this amount are generally deferred as anticipated losses from pending transactions under other provisions of compensatory payment agreements under other provisions. Compensatory payment agreements were concluded with associated companies in the fiscal year 2009. Under consideration of the right to compensation, a provision for contingent losses which represents the remaining risk posed to IFM was recognized in the amount of EUR 373 thousand.

Accrued interest in the amount of EUR 148 thousand was deferred under liabilities to banks.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

5.4. Management Bodies of the Company and Compensation Schemes

5.4.1 Supervisory Board

The Supervisory Board of IFM comprises the following members:

Mr. Luca Pesarini (Chairman), graduate in business administration (Diplom-Kaufmann)
Mr. Gordon Rapp (Vice Chairman), Attorney-at-Law
Mr. Eberhard Hascher, Tax Consultant
Mr. Martin Lechner, graduate in business administration (Diplom-Kaufmann) (until July 8, 2009)
Mr. Pål Berg, Investment Officer (MBA)
Mr. Philipp Vogel, Entrepreneur

Mr. Jøhn Skogen, Chief Executive Officer of Norway joined the Supervisory Board of IFM on October 28, 2009.

Variable and fixed compensation for members of the Supervisory Board amounted to EUR 401 thousand in 2009.

The following members of the Supervisory Board are also members of other advisory bodies:

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

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

5.4.2. Executive Board

The Executive Board of IFM comprises the following members:

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

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

	2009 EUR 000	2008 EUR 000
Executive Board salaries	566	510
Severance pay	0	0
Other compensation and salaries	0	31
Stock option plans	731	650
	1,297	1,191

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Based on a decision of the annual shareholders' meeting of July 18, 2008, 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.

The compensation report, which is part of the management report for the fiscal year 2009, is attached to the management report.

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

6. Notifications Pursuant to § 160 Para. 1 No. 8 of the German Stock Corporations Act

Notifications were issued by the following groups of shareholders as pursuant to § 21 Para. 1a of the German Securities Trading Act:

1. Executive and Supervisory Boards of IFM
2. Laxey Partners Ltd.
3. IFM Immobilien Finanz Management GmbH
4. Sirius Investment GmbH
5. Mr. Kingsnorth and Mr. Pegge

Concerning 1. Executive and Supervisory Boards of IFM

Mr. Luca Pesarini of Switzerland issued the following statement to IFM Immobilien AG on March 26, 2009:

Pursuant to § 21 Para. 1a of the German Securities Trading Act, I hereby declare that I held 4.00% (340,092 shares) of voting rights in IFM Immobilien AG on April 29, 2008. Of this holding, 2.80% (238,092 shares) were to be assigned to me according to § 22 Para. 1 Clause 1 No. 2 of the German Securities Trading Act.

Mr. Georg Glatzel of Germany issued the following statement to IFM Immobilien AG on March 26, 2009:

Pursuant to § 21 Para. 1a of the German Securities Trading Act, I hereby declare that I held 7.35% (624,953 shares) of voting rights in IFM Immobilien AG on April 29, 2008. Of this holding, 3.70% (314,361 shares) were to be assigned to me according to § 22 Para. 1 Clause 1 No. 1 of the German Securities Trading Act, as well as 2.80% (238,092 shares) according to § 22 Para. 1 Clause 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: IFM Immobilien Finanz Management GmbH

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Mr. Luca Pesarini of Switzerland informed IFM Immobilien AG on March 26, 2009 that his share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the 5% and 10% thresholds as of March 20, 2009. On the day of this notification, he held 10.05% of the voting rights (940,092 shares). Of this holding, 2.55% (238,092 shares) of voting rights were assigned to him according to § 22 Para. 1 Clause 1 No. 2 of the German Securities Trading Act.

Concerning 2. Laxey Partners Ltd.

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Laxey Partners Ltd, Isle of Man, United Kingdom informed IFM Immobilien AG on March 24, 2009 that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had fallen short of the 20%, 15%, 10%, 5% and 3% thresholds as of March 20, 2009. On the day of this notification, it held 0.00% of the voting rights (0 shares).

Concerning 3. IFM Immobilien Finanz Management GmbH

Pursuant to § 21 Para. 1 of the German Securities Trading Act, IFM Immobilien Finanz Management GmbH, Heidelberg, Germany reported that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the 5% threshold as of March 30, 2009, amounting to 5.91% (552,453 shares) on the day of reporting.

Concerning 4. Sirius Investment GmbH

Pursuant to § 21 Para. 1 of the German Securities Trading Act, Sirius Investment GmbH, Frankfurt am Main, Germany reported on April 2, 2009 that its share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had fallen short of the 3% and 5% thresholds as of March 30, 2009, amounting to 0% (0 shares) on the day of reporting.

Concerning 5. Mr. Kingsnorth and Mr. Pegge

On March 31, 2009 Colin Kingsnorth of the Isle of Man issued the following statement to IFM Immobilien AG: I hereby notify pursuant to section 21 para. 1 WpHG that on 20 March 2009 my percentage of voting rights in IFM Immobilien AG, Heidelberg, Germany (DE000A0JDU97) fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0.00% (0 voting rights) as per this date.

On March 31, 2009 Andrew Pegge of the Isle of Man issued the following statement to IFM Immobilien AG: I hereby notify pursuant to section 21 para. 1 WpHG that on 20 March 2009 my percentage of voting rights in IFM Immobilien AG, Heidelberg, Germany (DE000A0JDU97) fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0.00% (0 voting rights) as per this date.

Financial Statements (German Commercial Code)

Notes to the Annual Financial Statements of IFM Immobilien AG at December 31, 2009

7. Declaration of Conformity with the Corporate Governance Code Pursuant to § 161 of the German Stock Corporation Act

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. This declaration of conformity has been made accessible to shareholders permanently on the company website (www.ifm.ag).

8. Auditor's Fee as per § 319 Para. 1 of the German Commercial Code

These fees are presented in the consolidated financial statements of IFM Immobilien AG.

9. Key Transactions with Related Parties

	Subsidiaries
Remuneration received for services performed (EUR 000)	638
Fees paid for services received (EUR 000)	0
Remuneration received from financial transactions (EUR 000)	352
Fees paid for financial transactions (EUR 000)	57

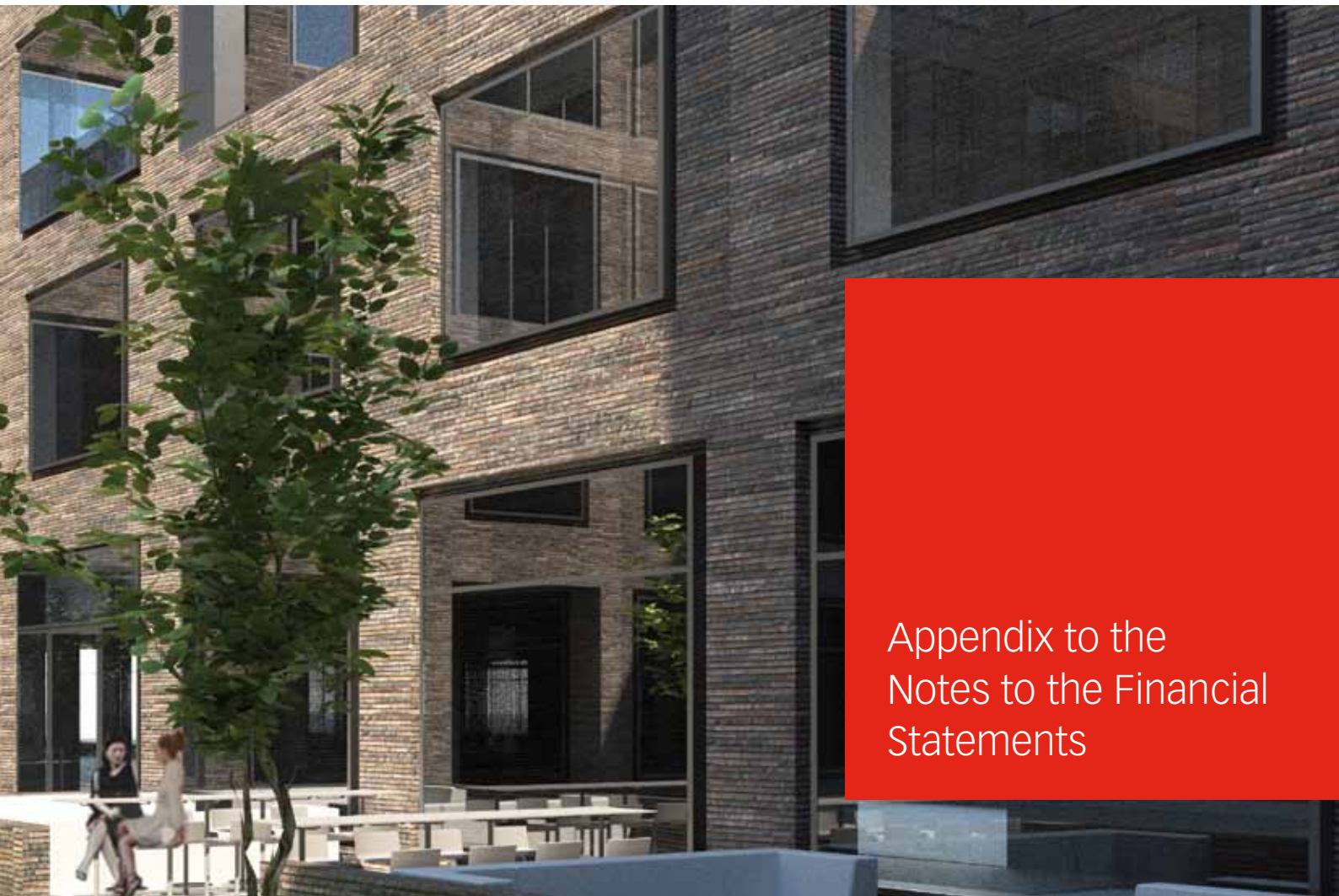
The remuneration received for services performed mainly pertains to Group cost allocations. The remuneration received from financial transactions applies to interest income from loans and offset accounts, as well as interest payments; the fees paid for financial transactions are the result of interest adjustment agreements.

The aforementioned fees and remuneration only include service relationships with affiliated companies without complete shareholdings.

Heidelberg, March 23, 2010



Animation Zimmerstraße, Berlin



Appendix to the
Notes to the Financial
Statements

Appendix 1

Changes in Gross Non-Current Assets as of December 31, 2009

	Cost of creation and aquisition Jan 1, 2009 EUR	Additions EUR	Losses EUR	Reclassi- fications EUR	Cost of creation and aquisition Dec 31, 2009 EUR
A. Non-current assets					
I. Intangible assets					
1. Concessions, industrial property rights and other similar rights and assets acquired in return for payment as well as licenses to such rights and assets	25,992.19	841.84			26,834.03
2. Advance payments made	8,000.00	-86.37			7,913.63
Intangible assets	33,992.19	755.47		0.00	34,747.66
II. Property, plant and equipment					
1. Land, rights and buildings similar to land including buildings and structures on third-party premises	9,039,681.86	29,143.63			9,068,825.49
2. Other plant, office and other equipment	377,203.96	8,587.98	179,10		385,612.84
Property, plant and equipment	9,416,885.82	37,731.61	179,10	0.00	9,454,438.33
III. Financial assets					
1. Share in affiliated companies	42,471,719.59	13,725,000.00	180,000.00		56,016,719.59
Financial assets	42,471,719.59	13,725,000.00	180,000.00	0.00	56,016,719.59
Non-current assets	51,922,597.60	13,763,487.08	180,179.10	0.00	65,505,905.58

Changes in Gross Non-Current Assets as of December 31, 2009

Cumulative depreciation and amortization Jan 1, 2009 EUR	Depreciation and amortization fiscal year EUR	Losses EUR	Reclassi- fications EUR	Depreciation and amortization Dec 31, 2009 EUR	Carrying amount Dec 31, 2009 EUR	Carrying amount Dec 31, 2008 EUR
12,802.19	3,322.84			16,125.03	10,709.00	13,190.00
0.00				0.00	7,913.63	8,000.00
12,802.19	3,322.84	0.00	0.00	16,125.03	18,622.63	21,190.00
219,483.91	220,358.63			439,842.54	8,628,982.95	8,820,197.95
90,103.96	73,184.98	179.10		163,109.84	222,503.00	287,100.00
309,587.87	293,543.61	179.10	0.00	602,952.38	8,851,485.95	9,107,297.95
0.00				0.00	56,016,719.59	42,471,719.59
0.00	0.00	0.00	0.00	0.00	56,016,719.59	42,471,719.59
322,390.06	296,866.45	179.10	0.00	619,077.41	64,886,828.17	51,600,207.54

Appendix 2

List of interests held as of December 31, 2009

The following list provides an overview of our shareholdings as of December 31, 2009, in accordance with § 285 No. 11 of the German Commercial Code.

1) Direct equity interests:

Company	Interest held in %	Equity EUR 000	Result EUR 000
IFM Asset Management GmbH, Heidelberg	100%	151	0 *
IFM Property Project Frankfurt GmbH & Co. KG (GmbH up to June 30, 2008), Heidelberg (property: westendFirst, Frankfurt)	94.8%	6,009	257
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg (GmbH as general partner in IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg)	94.8%	24	0
IFM Property Project Ulmenstraße GmbH, Heidelberg (property: Romeo & Julia, Frankfurt)	100%	10,394	-5,481
GP Properties Immobilienverwaltung GmbH, Heidelberg (property: Das Carré, Heidelberg)	94.8%	5,573	-510
IFM Property Project Zimmerstraße GmbH, Heidelberg (property: Zimmerstraße / Mauerstraße, Berlin)	100%	1,543	-434
IFM Property Project Mainz GmbH, Heidelberg (property: Gutenberg-Park, Mainz)	100%	-2,611	-751
IFM Property Project Eschborn GmbH, Heidelberg (property: Maxxon, Eschborn-Süd)	100%	8,012	-1,448
IFM Property Project Feldbergstraße GmbH, Heidelberg; (property: Feldbergstraße, Frankfurt)	100%	-536	-588
IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg (shareholder in IFM Property Project Frankfurt-Zeil GmbH, Heidelberg)	100%	11,000	57
IFM Property Project VIII GmbH, Heidelberg (GmbH as general partner in IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg, no capital contribution)	100%	21	0
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg (shareholder in IFM Property Project Darmstadt GmbH, Heidelberg)	90%	1,042	-364
NEWCOM Property Verwaltungs GmbH, Heidelberg (GmbH as general partner in NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg, no capital contribution)	90%	29	0
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg (shareholder in multiple limited partnerships for property investment)	100%	-741	-695
IFM Property Project IX GmbH, Heidelberg (GmbH as general partner in IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg, no capital contribution)	100%	32	3

* Profit and loss transfer agreement with IFM Immobilien AG

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

2) Indirect equity interests:

Company	Interest held in %	Equity EUR 000	Result EUR 000
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	3,058	225
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	3,972	273
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	6,560	514
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	1,235	96
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	6,471	553
IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg (property: Kureck, Wiesbaden)	100 %	3,811	270

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

Company	Interest held in %	Equity EUR 000	Result EUR 000
IFM Property Project Darmstadt GmbH, Heidelberg; (property: Office Tower, Darmstadt)	90 %	-1,316	-909

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

Company	Interest held in %	Equity EUR 000	Result EUR 000
IFM Property Project Frankfurt-Zeil GmbH, Heidelberg (property: Zeilgalerie, Frankfurt)	94.8 %	-703	-2,000



Romeo & Julia, Frankfurt am Main



Auditor's Report to the
Financial Statements
(German
Commercial Code)

Auditor's Report

IFM Immobilien AG

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of IFM Immobilien AG for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report, based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of IFM Immobilien AG, Heidelberg as of December 31, 2009 comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Heidelberg, March 23, 2010

FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Spieß)
Wirtschaftsprüfer	Wirtschaftsprüfer
Auditor	Auditor

This annual report contains certain forward-looking statements. Forward-looking statements are any statements that are not about historical facts and events. Such statements appear at numerous points in this annual report, particularly where information is given about the Company's intentions, beliefs or current expectations in regard to its future financial earnings, plans, liquidity, outlook, growth, strategy and profitability, as well as the economic conditions to which it may be exposed. Such statements are based on the Company's current estimates, arrived at to the best of the Company's knowledge, but they are subject to risks and uncertainties, inasmuch as they refer to events and are based on assumptions that may not bear out in the future. For that reason they cannot constitute a warranty for future developments. In view of the risks, uncertainties and assumptions involved, the future events mentioned in this annual report may also not come to pass, and certain assumptions may prove inaccurate. The business activities of IFM Immobilien AG are subject to a number of risks that may likewise render a forward-looking statement, estimate or prediction inaccurate, and that may cause the business performance as well as the asset position, financial position and results of operations of IFM Immobilien AG to deviate from projections. Such deviations may be negative or substantial in nature. The most important factors that may result in such deviations include the regulatory environment of the real estate market, measures taken by regulatory and permit-issuing authorities, the permit environment, and changes in the real estate industry in those states and regions where IFM Immobilien AG does business. Other uncertainty factors include acceptance of and demand for real estate, competitors' behavior, uncertainties as to whether developed properties can be let at the expected prices, and changes in legislation, particularly changes regarding taxes. Additional risk factors and events published in annual reports and other declarations by IFM Immobilien AG must also be taken into account. This annual report includes information about the market and the real estate sector, as well as other statistical data and predictions about the markets that are of relevance for IFM Immobilien AG. This information is based on market statistics and industry reports, as well as other information available to the public, as well as estimates by IFM Immobilien AG, which in turn are (generally) based on published data or figures from sources available to the public. The Company itself has not separately checked the information taken or derived from market and industry publications or other third-party studies and reproduced in this annual report. For that reason it assumes no liability or warranty as to the accuracy of such information contained in this annual report. The reader should note that certain estimates on the part of the Company are based on such third-party studies. These estimates by the Company have not been checked by independent experts. Other parties may arrive at other conclusions by applying other methods for the collection, analysis or calculation of market data. Therefore, for all third-party publications relating to the market and industry and referred to in this annual report, it must be understood that the Company believes that the information they contain is reliable, but cannot guarantee the correctness or completeness of that information. Such market and industry studies are often based on information and assumptions that may be neither accurate nor appropriate to the circumstances, and their methods by their nature are often prospective and speculative. Neither IFM Immobilien AG nor its Executive Board offers any guarantee that the opinions expressed in this annual report will prove to be correct, or that projected developments will actually occur. The Company assumes no obligation to amend forward-looking statements or revise them in light of future events or developments, or to update them in any other way.

Imprint



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Financial calendar 2010

Analysts' Conference	March 2010
Release of Q1 Report	May 2010
Annual Shareholders' Meeting, Frankfurt	June 2010
Release of Semiannual Report	August 2010
SRC Financial Services Forum, Frankfurt	September 2010
Release of Q3 Report	November 2010
Analysts' Conference	November 2010
German Equity Forum	November 2010



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