IFM IMMOBILIEN AG

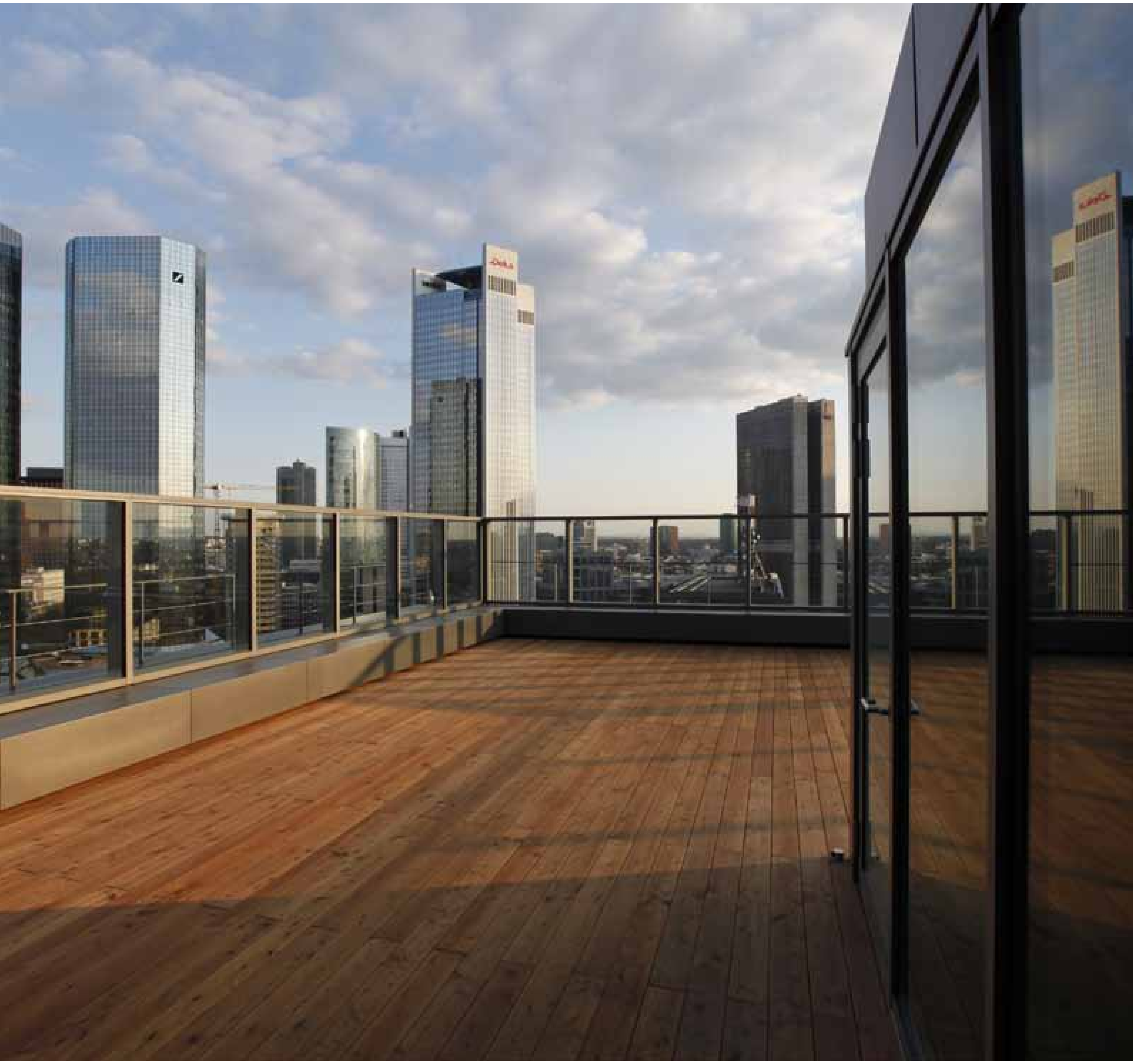
Transforming properties
into vital brands

2012
Annual Report

IFM IMMOBILIEN AG

Annual Report 2012

The English version of the annual report 2012 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.



At a glance

The IFM Group acts as an investor and project developer for commercial real estate in particular, with a focus on urban office and retail use. It revitalizes existing properties that it believes offer an attractive opportunity/risk profile and it constructs new buildings. With this strategy, IFM expands the potential for development and appreciation, creating lasting value. The company positions each property as a "brand", with factors such as image and emotion as prerequisites for successful rental results. Each property in the portfolio is a premium product in its segment.

Core competencies

Redevelopment

This phase includes all construction work necessary for the complete refurbishment of the existing building structure. The entire structure of the property is optimized to give tenants maximum freedom in arranging their space. In the execution of its projects, IFM combines attractive design with the highest quality standards and a sustainable building concept. The results of these complex transformations are premium properties in top locations, which are in no way inferior to new constructions.

Restructuring

The second phase of the revitalization process – restructuring – begins early on, during construction. This includes numerous organizational steps that target various goals. For example, new usage structures are developed that provide more flexibility in renting and thus reduce vacancy rates. In addition to this, the commercial and technical property management is optimized and the tenant structure is harmonized so that undesirable competitive situations are avoided to the greatest possible extent.

Repositioning

Since existing properties often have an unfavorable image, repositioning has a very high priority in our marketing efforts. IFM develops a unique brand for each of its properties. Creative communication campaigns and innovative leasing concepts ensure that each of the developed properties has a new public image. This positive repositioning ensures that existing tenants identify more strongly with the property and that the property has an even greater appeal to potential new tenants.

About IFM stock

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

	2012	**2011**
No. of shares (at Dec. 31)	9,525,999	9,364,599
High (EUR)	13.25	10.57
Low (EUR)	8.17	7.80
Year-end close (EUR)	11.20	8.60
Market capitalization in EUR m*	106.70	80.54

* Calculated on basis of each year-end close

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IFM

Foreword from the CEO

Dear Shareholders,

The global economic environment continued to be marked by numerous uncertainties in 2012. In Europe, the economic climate was clouded mainly by the debt crisis in some Euro countries and the resulting risks. Fortunately, the German economy was significantly more robust than the Eurozone overall and the effects of the economic downturn on the real estate market have been relatively minor thus far. To a certain degree, international developments have even resulted in Germany being the recipient of increased capital inflows from foreign investors because the German market is viewed very positively in international comparison. This is also reflected in the German real estate investment markets, where competition among buyers for premium properties has intensified significantly.

Against this backdrop, the IFM Immobilien AG Group recorded a solid performance overall in the 2012 fiscal year. A particular high point last year was the sale of the Frankfurt property Romeo & Julia in December. Sales of properties like this are the standard by which we measure our success as it is only when a sale has actually taken place that the values on the books are actually realized in the market. The values of our properties are determined to a large extent by the fact that we revitalize our portfolio properties to put them in a condition equivalent to the quality of new construction. Revitalization allows us to completely reposition these properties in the market.

The sale of Romeo & Julia demonstrated once again IFM's success in implementing this strategy and generating added value for our shareholders. But experience also shows that successes like this depend not just on our own activities, but on certain basic conditions on the market. These conditions are clearly evident and especially favorable in premium central locations in Frankfurt. The economic significance of Frankfurt plays a role here, as it is not without reason that the city is considered Germany's most important location for offices. In addition, however, the relatively high liquidity in the Frankfurt real estate investment market and its closely related high level of transparency are also factors in making the revitalization of portfolio properties in top Frankfurt locations particularly attractive. In view of these favorable conditions, we will further increase our focus on this market in the coming years.

We believe that the clear focus on the Frankfurt commercial real estate markets, which may be supplemented by investments in cities of comparable size, gives our shareholders two significant advantages: First, we concentrate on the market we know best and on a business where we have a proven track record. We do not want to disperse our attentions following every short-term market trend. Rather, we intend to systematically play to our strengths to the best possible effect. Against this background, we have brought together all the major business sectors to our Frankfurt location in recent months. The second aspect is transparency to our shareholders and the capital markets, which we will seek to enhance significantly in the future. Internationally, Frankfurt is well-known to every professional real estate and equity investor. Given this, our concentration on Frankfurt properties is a solid business model that requires little explanation. We intend to emphasize this even more in the future.

We have set ambitious targets for the current 2013 fiscal year. In addition to the further optimization of our cost structures, we continue the firm commitment to our ongoing projects. At the same time, we are exploring opportunities for new revitalization projects in Frankfurt. In addition, however, we wish to take advantage of the current market demand to generate further gains from the sale of properties IFM has worked on in recent years and to round off our portfolio. In addition to realizing gains, sales of portfolio properties also allows us to reduce expenses associated with managing our real estate portfolio.

In our view, the IFM value chain is a succession of individual phases from the acquisition of a property, to revitalization and leasing optimization, and on to its repositioning in the market and sale. We thus create a supply which is regularly in demand by institutional investors. Many of these investors have relatively extensive liquidity and seek investments to generate the type of long-term stable cash flows made possible with our revitalized properties.

If we follow this strategic approach consistently, we not only play to IFM's strengths, we are active in a market segment that is likely to be relatively robust and have above-average liquidity in comparison to other segments, even over the long term. For this reason, we have no plans to expand our activities to what are known as B-cities, even though this direction is often discussed by some market participants.

The Executive Board thanks for your loyalty to our company. We sincerely hope you will continue to be IFM Immobilien AG shareholders in the years to come.

Heidelberg, March 2013

Volker de Boer
CEO

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

IFM Immobilien AG ended the 2012 fiscal year with a positive result and continued its solid performance. The sale of the property "Romeo & Julia" in Frankfurt in 2012 made a particular contribution to the company's performance. This transaction impressively demonstrated once again the potential in revitalizing existing properties in prime urban locations in Frankfurt. A key to this successful development was the close and confident cooperation between the company's Executive and Supervisory Boards, whose activities are reported in the following.

Oversight and advice in dialogue with the Executive Board

During the year, the six members of the Supervisory Board conscientiously performed their duties prescribed by the law and the company's articles of incorporation. They regularly advised the Executive Board and vigilantly supervised the management of the company. A total of ten meetings were held for this purpose in 2012.

At its meetings, the Supervisory Board was informed regularly, promptly and fully about the company's situation, provided primarily in detailed reports by the Executive Board. The Supervisory Board carefully reviewed and thoroughly discussed the Executive Board's reports and suggestions for resolutions. Between meetings, the Chair of the Supervisory Board maintained regular contact with 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 boththe parent company and the Group, as well as any major business events. The main focus of deliberations was the performance of the Group's real estate portfolio as well as decisions on the purchase or sale of properties in IFM Immobilien AG's portfolio.

The Supervisory Board is aware of its responsibility to monitor the company concerning possible conflicts of interests relating to transactions between the company or other affiliated companies on the one hand and its boards and related parties or companies on the other hand. Transactions in which one board member or a related person or company is party to the contract with the IFM Immobilien AG are monitored particularly closely. There were no conflicts of interest requiring notification in 2012. In the future, the Supervisory Board will continue to analyze the situation regarding affiliated companies where minority shares are held by board members directly or indirectly and will develop strategies to avoid conflicts of interests where necessary.

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 proceed.

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 the members were Mr. Gordon Albert Rapp, Mr. Morten Bergesen, Mr. Luca Pesarini, Mr. Eberhard Hascher, Mr. Philipp J. N. Vogel and Mr. Hans Furuholmen. After Mr. Hascher resigned from his position at the end of the 2012 annual shareholders meeting on May 15, 2012, Mr. Kaare M. Krane was elected by the 2012 annual shareholders' meeting as the successor to Mr. Hascher on the Supervisory Board. Mr. Krane is Chief Executive Officer in Oslo, Norway.

At the beginning of the reporting year, Mr. Gordon Albert Rapp served as Chairman of the Supervisory Board, while Mr. Morten Bergesen acted as Deputy Chairman. On May 10, 2012, Mr. Morten Bergesen assumed the role of Chairman. Mr. Gordon Albert Rapp took on the post of Deputy Chairman of the Supervisory Board. At the December 18, 2012 meeting of the Supervisory Board, Mr. Kaare M. Krane was elected Chairman of the Supervisory Board.

The following committees existed during the reporting year:

- a Ruling and Personnel Committee (until May 15, 2012)
- an Acquisitions/Planning & Construction/Sales Committee (until May 15, 2012)
- a Compliance and Audit Committee.

The members of the Ruling and Personnel Committee were Mr. Gordon Albert Rapp, Mr. Luca Pesarini and Mr. Morten Bergesen. No meetings were held and the committee was dissolved on May 15, 2002.

The Acquisitions/Planning & Construction/Sales Committee was composed of Mr. Gordon Albert Rapp, Mr. Philipp J. N. Vogel and Mr. Hans Furuholmen in the reporting year. This committee was primarily concerned with reviewing potential opportunities for acquisitions and sales in the year concerned. The committee met once during the year, on March 12, 2012. This committee was also dissolved on May 15, 2012.

The Nominating Committee did not meet in either the fiscal years 2011 or 2012. The Committee's members when it was dissolved on May 15, 2012 were Mr. Luca Pesarini and Mr. Philipp J.N. Vogel.

The members of the Compliance and Audit Committee until May 15, 2012 were Mr. Morten Bergesen (Chairman), Mr. Eberhard Hascher and Mr. Gordon Albert Rapp. These members of the committee met three times. From May 15, 2012, the committee consisted of Mr. Morgen Bergesen (Chairman), Mr. Gordon Albert Rapp and Mr. Kaare M. Krane. These members of the Committee met six times. Since December 18, 2012, the Compliance and Audit Committee has been composed of Mr. Kaare M. Krane (Chairman), Mr. Gordon Alpert Rapp and Mr. Hans Furuholmen. This committee in this configuration did not meet in the 2012 fiscal year.

The committee worked on preparing the annual financial report for the fiscal year 2011 as well as the subsequent quarterly and semiannual reports in that year and dealt with matters of corporate governance and risk management, among others. Due to the strict modifications to the Law to Modernize Reporting Requirements, the committee commissioned outside consultants to carry out a dedicated review of the internal control system. It also assigned the audit to the auditor, received the auditor's statement of independence and defined the main points of focus of the audit. The committee met nine times during the 2012 fiscal year.

Members of the Executive and Supervisory Board

The company’s Executive Board initially consisted of Mr. Georg Glatzel. On November 1, 2012, Mr. Tobias Sauerbier was appointed to the Executive Board of IFM Immobilien AG by the Supervisory Board. Mr. Georg Glatzel left the Executive Board of IFM Immobilien AG on December 21, 2012. At the same time, the Supervisory Board appointed Mr. Volker de Boer as Chairman of the Executive Board (CEO) of IFM Immobilien AG.

The Supervisory Board of IFM Immobilien AG underwent the following changes during the year under review: After Mr. Eberhard Hascher resigned from his position as member of the Supervisory Board with the end of the 2012 shareholders meeting on May 15, 2012, the shareholders of the company recommended the election of Mr. Kaare M. Krane to the Supervisory Board and duly elected him. Mr. Krane is Chief Executive Officer in Oslo, Norway. Furthermore, the aforementioned change in the position of the Supervisory Board as well as of the Deputy Chair of the Supervisory Board took place.

Annual Report and Consolidated Financial Statements

Based on the preliminary audit carried out by the Compliance and Audit Committee, the Supervisory Board of IFM Immobilien AG has audited the annual report for the fiscal year 2012 prepared by the Executive Board, the consolidated financial statements and the management report and consolidated management report for 2012. The annual report for the fiscal year 2012, the consolidated financial statements and the management and consolidated management reports for 2012 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 report of the auditor 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 Tuesday, March 26, 2013, 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 cooperation 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 Tuesday, March 26, 2013. The annual report was thus adopted.

The company's shareholder structure includes the three Norwegian incorporated companies Havfonn AS, Oslo, Skips AS, Oslo and Furuholmen Eiendom AS, Oslo, who exercise their subscription rights at the company's annual shareholders meeting jointly. Although these three companies together do not have control over more than 50% of all the subscription rights in the company, they can have a de facto majority at the annual shareholders meeting. Taking this into account, the Executive Board has compiled a report on relationships with affiliated companies for the fiscal year 2012 in accordance with § 311 AktG (dependence report) and submitted it to the Supervisory Board, together with the audit report compiled on this issue by FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Heidelberg, as independent auditors in accordance with § 313 AktG. Based on the audit, which was completed without complaint, the auditor gave the following opinion:

"Following our obligatory audit and assessment, we confirm that

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

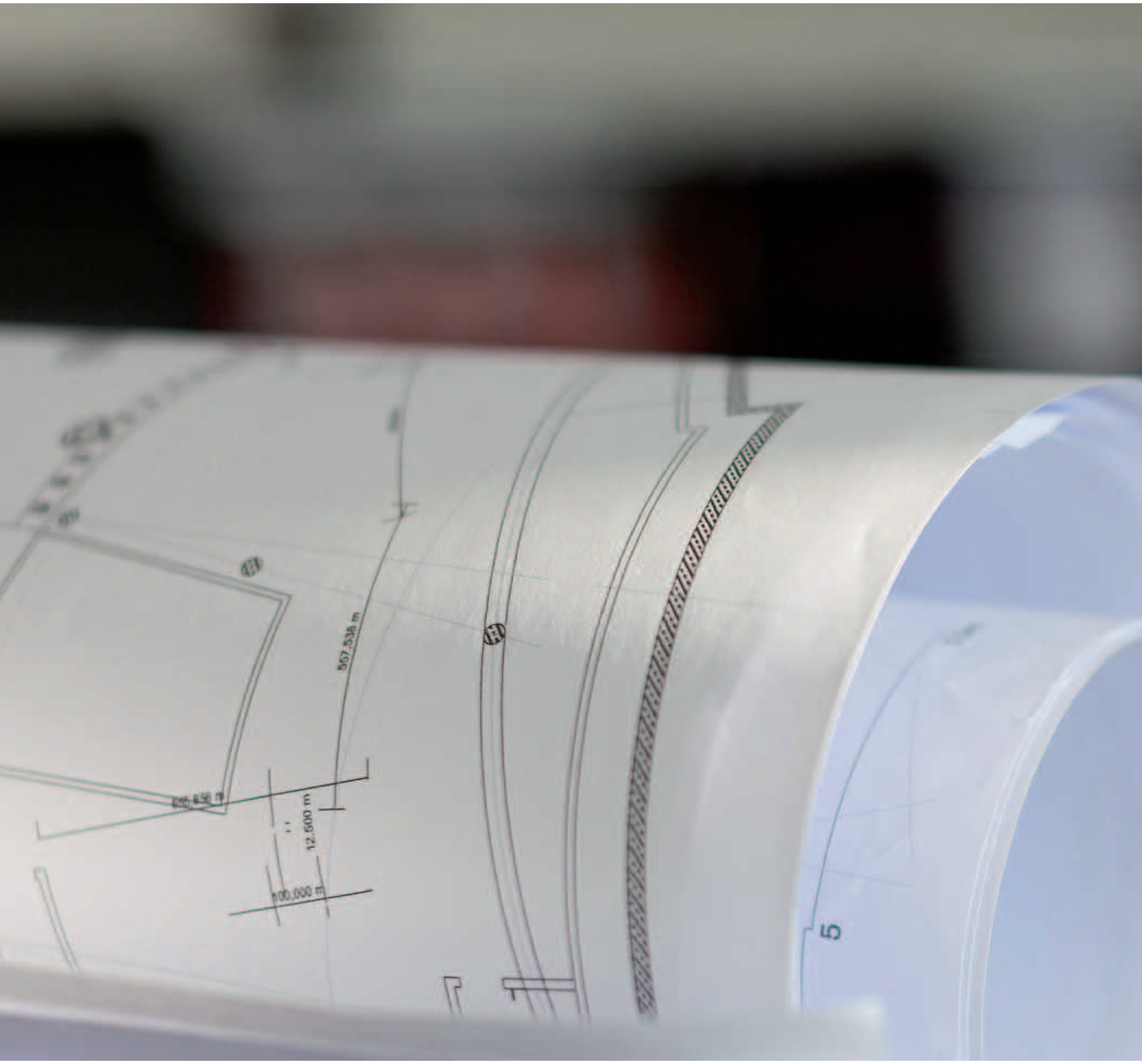
The Supervisory Board checked and approved the report on relationships with affiliated companies and the audit report compiled on this issue. The Supervisory Board has no objections to the closing remarks made by the Executive Board in the report.

Expression of gratitude

The Supervisory Board would like to sincerely thank the Executive Board and all IFM Immobilien AG employees for their great dedication during the fiscal year 2012.

Frankfurt am Main, March 26, 2013

For the Supervisory Board
Kaare M. Krane
Chairman


557,538 m
12,500 m
100,000 m
5

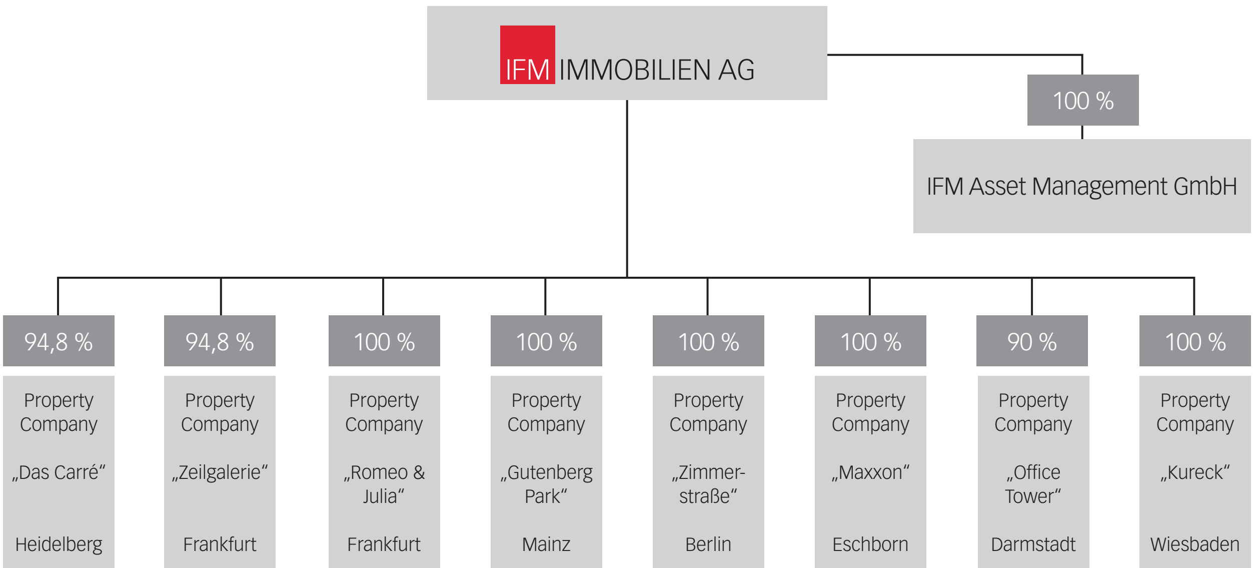
Business Model

IFM Immobilien AG – Project development and investments in premium locations

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

This is why IFM Immobilien AG has focused on this segment from the beginning. In view of the comparatively high rental rates and purchase prices in premium locations, investors and tenants also demand higher standards of building quality and facilities than elsewhere. IFM therefore seeks to invest in properties which, due to imbalanced tenancy structures, high vacancy rates, construction defects or technical facilities which are no longer up-to-date, offer the opportunity to tap unused value potential and to realize significant appreciation in value. The previous owners' insufficient expertise in asset management or their lack of intuition for the specific features offered by the micro-location are also common reasons why the economic potential of premium locations is not fully exploited.

Simplified Group structure of IFM Immobilien AG



Identifying opportunities – tapping potential for value appreciation

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

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

Developing and implementing innovative marketing concepts is particularly important to IFM. The group of companies is led by the recognition that the crucial conditions for the success of a revitalization project are created not only by appropriate construction measures, but in particular by repositioning and professionally marketing the properties in question. An integral part of IFM's revitalization concepts always includes transforming the properties into vibrant brands and positioning them appropriately on the market.

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

Steady profits and rising property values as a goal

IFM invests in particular in existing properties with an attractive opportunity/risk profile and potential for value appreciation and to some degree in new construction projects. The company orients itself, in all its investments, towards the fundamental strategic goal of building up a premium portfolio of landmark properties, which generate sustainable rental income while they are held in the portfolio and are attractive to potential buyers. IFM generates additional gains by selling properties it has developed itself.

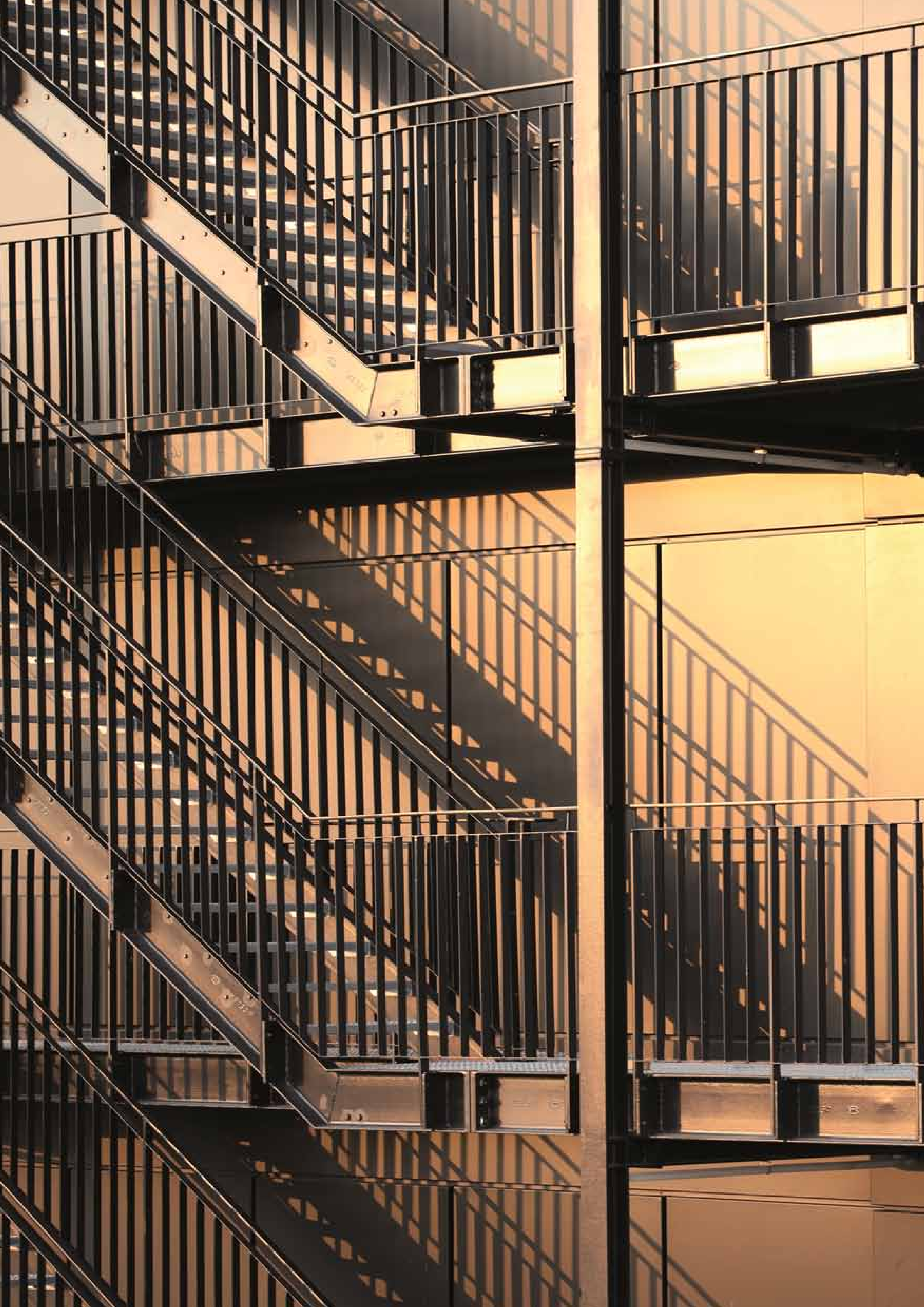
The income structure of IFM is thus based on two main components: continuous cash flow from rental income and revenues from the sale of properties.

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

- **Redevelopment:** This phase includes all construction work necessary for the complete refurbishment of the existing building structure. The entire structure of the property is optimized to give tenants maximum freedom in arranging their space. In the execution of its projects, IFM combines attractive design with the highest quality standards and a sustainable building concept. The results of these complex transformations are premium properties in top locations, which are in no way inferior to new constructions.

- **Restructuring:** The second phase of the revitalization process – restructuring – begins early on, during construction. This includes numerous organizational steps that target various goals. For example, new usage structures are developed that provide more flexibility in renting and thus reduce vacancy rates. In addition to this, the commercial and technical property management is optimized and the tenant structure is harmonized so that undesirable competitive situations are avoided to the greatest possible extent.

- **Repositioning:** Since existing properties often have an unfavorable image, repositioning has a very high priority in our marketing efforts. IFM develops a unique brand for each of its properties. Creative communication campaigns and innovative leasing concepts ensure that each of the developed properties has a new public image. This positive repositioning ensures that existing tenants identify more strongly with the property and that the property has an even greater appeal to potential new tenants.



Portfolio

Portfolio and Locations

Over the past years, IFM Immobilien AG has established a profitable and sound portfolio of commercial properties. The focus is on both office properties and urban retail properties. IFM's development initiatives, which form the core of the company's activities, have increased the value of a number of these properties. Some of this appreciation has already been realized through the sale of the property.

IFM concentrates exclusively on investing in properties in prime locations. The micro-environment must be of above-average location quality, compared to surrounding sub-segments, and the location must be in a region demonstrating strong economic and demographic growth. Geographically, IFM focuses on Frankfurt am Main. The portfolio also includes properties in the Rhine-Main area, the Rhine-Neckar metropolitan area and central Berlin.

In its other investments, the management places emphasis on prime city locations in Frankfurt and also monitors developments in metropolitan areas such as Munich and Hamburg, which are among Germany's top ten markets for office space.

IFM aims to sell properties that it has developed and repositioned in the market, and to use the liquidity generated for investment in additional development projects. The acquisition of a property is always preceded by an intensive and detailed review using the IFM investment criteria, which are based on well-founded market analyses. The crucial factors are the extent to which sustained demand for the property can be expected from tenants and investors, whether value appreciation can be achieved using suitable development measures, and whether the property is suitable for achieving sustainable income.

Portfolio

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

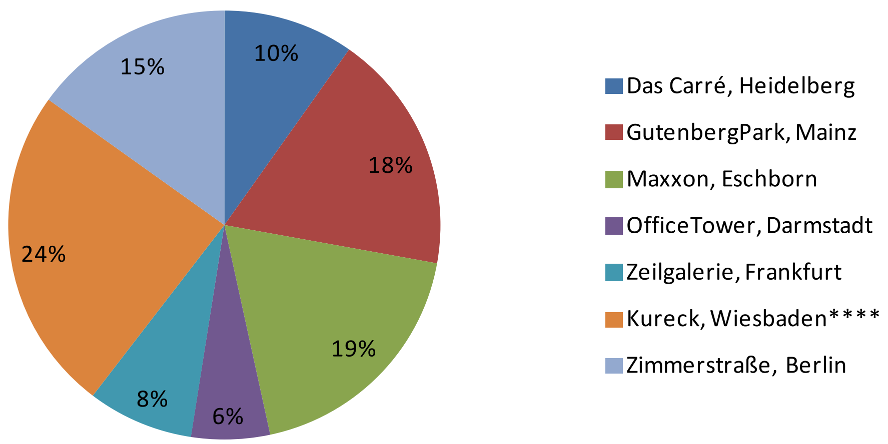
IFM locations

Portfolio overview

	Space (sqm)	Occupancy rate	Annual net rent (Actual in EUR million)	Annual net rent (Budget in EUR million)	IFRS Value* (EUR million)
Assets					
Das Carré, Heidelberg	13,634	99 %	2.3	2.3	31.5
GutenbergPark, Mainz	25,054	86 %	2.1	2.2	25.7
Maxxon, Eschborn	26,040	89 %	3.5	4.0	54.7
OfficeTower, Darmstadt	8,195	**75 %	0.7	0.9	13.0
Zeilgalerie, Frankfurt	11,029	76 %	3.3	> 4.5	75.6
Project Development					
Kureck, Wiesbaden****	***33,992	–	–	–	38.0
Zimmerstraße, Berlin	***21,000	–	–	–	17.6
Total	**138,944**				

* IFM expects a significant rise in value after completion of project developments
** Excl. storage areas
*** Area planned (Project development)
**** Incl. acquisition Schöne Aussicht

Area according to sqm in %



Zeilgalerie, Frankfurt am Main

zeil GALerie
FRANKFURT MAIN

The Zeilgalerie is one of the best-known German retail properties. IFM purchased the building in 2008 and carried out comprehensive revitalization activities while maintaining normal operations. In 2011, the Zeilgalerie received the coveted Red Dot Design Award for its redesigned façade. Tenants include H&M, L´Tur, Lush, Danny Shoes, Pizza Hut, United Colors of Benetton, Gamestop, Samsung Mobile Store, Astor Film Lounge, Essence, and many more.

General Information

Status quo	Portfolio asset
Occupancy rate	76%
Type of use	Retail
Space	11,029 sqm
On the Internet	www.zeilgalerie.de

Facts

Annual net rent	EUR 3.3 million (as of December 31, 2012)
Value according to IFRS (as of December 31, 2012)	EUR 75.6 million

Maxxon, Eschborn-Süd

MaXXON
ESCHBORN

Maxxon Business Park is located in easy-to-reach Eschborn-Süd, not far from the Main River metropolis Frankfurt. Three office buildings with a total rental space of around 26,000 square meters are located on one property. The highest-quality office space currently available has been created at this location thanks to the revitalization of two buildings from 2009 until 2010. The property was awarded LEED Gold certification in 2012.

Current tenants include Verbatim, McCain GmbH, DEHAG Hotel Services AG, Sixt European Holding and Manpower GmbH & Co. KG.

General Information

Status quo	Portfolio asset
Occupancy rate	89%
Type of use	Office
Space	26,040 sqm
On the Internet	www.maxxon-eschborn.de

Facts

Annual net rent	EUR 3.5 million (as of December 31, 2012)
Value according to IFRS (as of December 31, 2012)	EUR 54.7 million

Das Carré, Heidelberg

Das Carré, located in the city center of Heidelberg, consists of a two storey commercial base connected to a 14 storey residential tower. This makes Das Carré the only tower in the city center of Heidelberg. Between 2003 and 2005, IFM repositioned the property.

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

General Information

Status quo	Portfolio asset
Type of use	Retail, residential and offices
Occupancy rate	99%
Space	13,634 sqm
On the Internet	www.dascarre.de

Facts

Annual net rent	EUR 2.3 million (as of December 31, 2012)
Value according to IFRS (as of December 31, 2012)	EUR 31.5 million

OfficeTower, Darmstadt

The OfficeTower is a premium office address in the heart of Darmstadt. The building, which was completely revitalized in 2003, offers premium office and retail space in a central location, as well as a first class tenancy structure.

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

General Information

Status quo	Portfolio asset
Type of use	Office, retail, restaurants
Occupancy rate	75%
Space	8,195 sqm
On the Internet	www.officetower.ag

Facts

Annual net rent	EUR 0.7 million (as of December 31, 2012)
Value according to IFRS (as of December 31, 2012)	EUR 13.0 million

GutenbergPark, Mainz

The large business park GutenbergPark is located in Mainz-Hechtsheim, an economically dynamic commercial location close to Mainz city center. IFM took over the former Gutenberg Druckerei production facilities in 2006 and has been able to increase the occupancy rate from 15% at the time of the takeover to the current level of almost 90%.

In recent years, well-known companies such as Siemens and Deutsche Telekom AG have chosen the GutenbergPark as their location. The mix of tenants includes innovative companies active in renewable energies and research & development.

General Information

Status quo	Portfolio asset
Type of use	Commercial, restaurants
Occupancy rate	86%
Space	25,054 sqm
On the Internet	www.gutenbergpark.de

Facts

Annual net rent	EUR 2.1 million
Value according to IFRS (as of December 31, 2012)	EUR 25.7 million

Kureck, Wiesbaden

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

The existing buildings will be revitalized and supplemented by new buildings in the coming years, according to plans by international renowned architect Max Dudler, who designed the master plan for the project.

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

General Information

Status quo	Project development phase
Type of use	Office, hotel/restaurants, retail and premium residential
Space	33,992 sqm projected rental space (including Schöne Aussicht)
On the Internet	www.kureck-wiesbaden.de

Facts

Value according to IFRS (as of December 31, 2012)	EUR 38.0 million

BERLIN
Zimmerstraße

Zimmerstraße, Berlin

IFM purchased one of the last undeveloped lots in a top city location in central Berlin in 2006/2007, located directly between Checkpoint Charlie and the Federal Ministry of Finance.

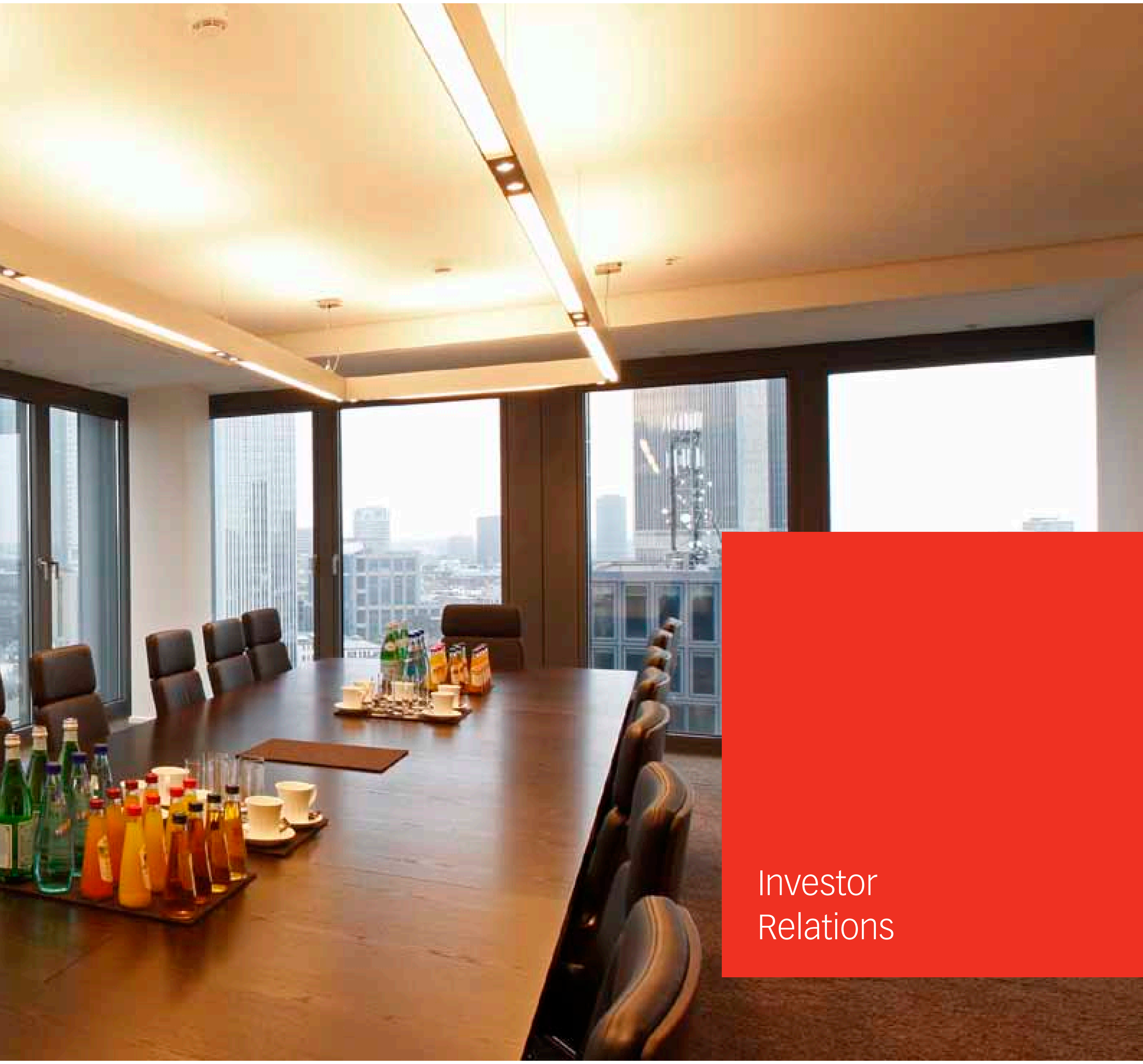
The property allows a development project with a volume of 21,000 square meters.

General Information

Status quo	Planning phase
Type of use	Commercial, residential, cultural
Development potential	21,000 sqm
Size of property	8,848 sqm

Facts

Value according to IFRS (as of December 31, 2012)	EUR 17.6 million



Investor Relations

Significant gains on the German stock market

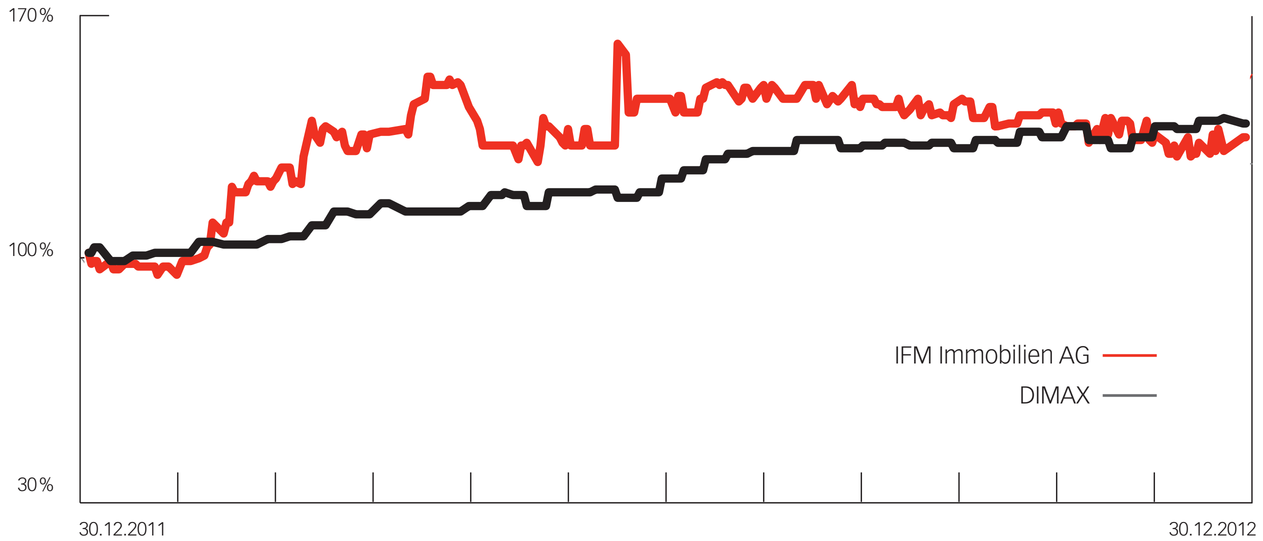
The year 2012, like 2011, was marked by the European sovereign debt crisis and the ongoing uncertainty regarding the future of some Euro countries. In contrast to the previous year, the stock markets performed very well. They profited from the continued low level of interest rates as investors increasingly added stocks to their portfolios as alternative investments. The DAX, the German equity index, recorded a gain of just over 29% in the reporting year. The index rose from 5,900 to over 7,000 in the first quarter. By mid-year the leading German index had then weakened. It then recovered, adding to its gains before closing the year at 7,612.

The German real estate index DIMAX also turned in an excellent performance, ending the year with a gain of 32.5%.

IFM stock

The share price of IFM Immobilien AG benefited from the positive mood on the stock market: It started the year at a price of EUR 8.67 per share and recorded significant gains, rising EUR 13 by mid-year. It subsequently lost some of its momentum and ended the year at EUR 11.20. This corresponds to a gain of 29.2%.

IFM stock compared to the DIMAX



Shareholder structure

According to the information available to IFM Immobilien AG, there were no essential changes to the shareholder structure in the course of 2012.

As far as the company is aware, a share quota of 48.78 % is apportionable to a Norwegian consortium of shareholders consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS. Furthermore, former CEO Georg Glatzel owns direct and indirect shares amounting to 11.12 % and Supervisory Board member Luca Pesarini owns shares amounting to 11.21 %.

About IFM stock

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

	2012	2011
No. of shares (at Dec. 31)	9,525,999	9,364,599
High (EUR)	13.25	10.57
Low (EUR)	8.17	7.80
Year-end close (EUR)	11.20	8.60
Market capitalization in EUR m*	106.70	80.54

* Calculated on basis of each year-end close

Transparency towards investors and the capital market

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

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

In 2012, IFM Immobilien AG attended an event of relevance to the capital markets, the SRC Forum, on September 12.

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

In 2013, the Executive Board will continue to ensure that investors, potential shareholders and analysts receive comprehensive information on IFM's development and it will pursue its dialogue with the different players on the capital market and with the media.

Net Asset Value (EUR million)

	2006	2007	2008	2009	2010	2011	2012
Assets in Total	**126.0**	**228.0**	**329.4**	**355.9**	**314.9**	**338.8**	**350.8**
westendFirst, Frankfurt	52.0	55.0	55.0	55.0			
Das Carré, Heidelberg	30.0	30.0	29.5	29.4	29.4	31.2	31.5
Romeo & Julia, Frankfurt	28.6	38.6	66.0	81.0	92.0	94.3	94.7
GutenbergpPark, Mainz	15.0	19.0	20.7	21.3	25.6	25.8	25.7
Zimmerstr, Mauerstr., Berlin	0.4	4.6	15.0	15.0	15.0	16.0	17.6
Feldbergstrasse, Frankfurt		3.4	3.5	2.9			
Maxxon, Eschborn		26.6	30.2	39.3	46.0	53.0	54.7
OfficeTower, Darmstadt		10.8	12.8	12.8	12.8	13.0	13.0
Kureck, Wiesbaden		31.3	33.4	33.2	34.6	38.0	38.0
Ulmenstrasse 22, Frankfurt		8.7	9.9 [1)]	11.0 [1)]			
Zeilgalerie, Frankfurt			53.5	55.0	59.5	67.5	75.6
Bank liabilities	-50.5	-155.0	-221.0	-239.6	-203.5	-207.9	-213.7
Other assets/liabilities	-14.4	-2.4	-8.9	-4.3	-1.0	-5.1	-6.1
Liquid funds	29.5	22.6	15.6	8.7	14.5	5.1	6.3
Net Asset Value (before deferred taxes and derivates)	90.6	93.2	115.1	120.7	125.0	130.9	137.3
NAV/share (EUR)	10.66	10.96	12.31	12.91	13.37	13.98	14.41

[1)] Sales price less transfer costs

Corporate Governance

General

IFM Immobilien AG believes that solid, responsible administration and corporate governance represent an important foundation for sustaining a relationship of trust with both the players on the capital market and the group's business partners over the long term. Corporate governance mainly comprises close, trustworthy cooperation between the Executive and Supervisory Boards, respect for shareholders' interests, and open and transparent corporate communication.

The Government Commission on the German Corporate Governance Code (DCGK) has established a standard for evaluating the management of listed German companies. The Code was first published on February 26, 2002 and most recently amended on May 15, 2012, with this amendment published in the Bundesanzeiger, Germany's Federal Gazette, on June 15, 2012. It contains recommendations and suggestions for the management and supervision of 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. Listed companies are, however, 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 pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz, AktG) since April 29, 2008, the day its stock was admitted for trading to the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange.

As stated in the Declaration of Conformity pursuant to § 161 AktG issued on March 21, 2013, 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. As such, all of our shareholders are involved in the resolutions requiring approval in the shareholders' meeting. Shareholders may either vote themselves or appoint a proxy to vote on their behalf. In particular, shareholders may appoint voting proxies, banks, or shareholders' associations electronically to vote on their behalf. IFM Immobilien AG makes it easier for shareholders to personally exercise their rights, providing them support in appointing a proxy: the Executive Board arranges for the appointment of a proxy to vote on behalf of shareholders at their instruction, and who is available for contact even during the shareholders' meeting. There are no plans to broadcast shareholders' meetings 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 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.

Executive and Supervisory Boards

At IFM Immobilien AG, the Executive and Supervisory Boards work closely together in the company's best interests. Both boards share the goal of sustainably enhancing the value of the company. In particular, the Executive Board consults with the Supervisory Board on the company's strategic alignment, holding discussions on the state of implementation of the company's strategy at regular intervals. The Executive Board notifies the Supervisory Board regularly, promptly and comprehensively of any matters affecting the company relating to planning, business performance, risk position, risk management and compliance.

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

In fiscal 2012, the Executive Board was comprised of just one member up until October 31, and from November 1 until the end of the year of more than one member. Should the Executive Board consist of more than one member, the articles of incorporation of IFM Immobilien AG prescribe that the Supervisory Board can appoint a chair to represent the Executive Board before the Supervisory Board and its chairman. In fiscal year, IFM Immobilien AG was first managed by Georg Glatzel as the sole member of the Executive Board who had been acting as chairman of the Executive Board since the company was founded. With effect from November 1, 2012, the Supervisory Board appointed Tobias Sauerbier to the Executive Board. Accordingly, the Executive Board has since been comprised of more than one member. When Georg Glatzel vacated his seat on the Executive Board, the Supervisory Board appointed Volker de Boer as chairman of the Executive Board. In fiscal 2012, Georg Glatzel was solely responsible for all business units as the only Executive Board member up until October 31. Since November 1, 2012, both members of the Executive Board have managed the business areas assigned to each of them under the organizational chart on their own responsibility and in accordance with the rules of procedure and any resolutions adopted by the Executive or Supervisory Board. The assignment of business areas has not relieved any member of the Executive Board of their joint general responsibility for managing the company. On the contrary, the members of the Executive Board are jointly responsible for managing the company, and keep each other informed of any and all material developments and issues.

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, care is always taken to ensure that the members of the Supervisory Board possess the requisite knowledge, skills and professional experience to properly perform their duties.

The Supervisory Board had formed a Ruling and Personnel Committee, an Acquisitions/Planning & Construction/Sales Committee, a Nominating Committee, and a Compliance and Audit Committee. With the exception of the Compliance and Audit Committee, all other committees were dissolved with effect from May 15, 2012.

Conflicts of Interest

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

Financial 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 semi-annual 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 semi-annual and quarterly reports are prepared in compliance with all relevant international reporting standards. FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Heidelberg, was engaged to audit the annual financial statements 2012.

Declaration of Conformity with the Corporate Governance Code

On March 21, 2013, the Executive and Supervisory Boards of IFM Immobilien AG declared that in the last fiscal year they have complied and will also comply in future with the recommendations of the Government Commission on the German Corporate Governance Code, with the following exceptions. For the period up until June 14, 2012, this declaration of conformity is based on the German Corporate Governance Code as amended on May 26, 2010 and published in the electronic Federal Gazette on July 2, 2010. For corporate governance of IFM Immobilien AG since June 15, 2012, the declaration is based on the recommendations of the German Corporate Governance Code as amended on May 15, 2012 and published in the Federal Gazette on June 15, 2012.

- Item 2.3.2 of the Code The company deems it sufficient to publish the invitation to the annual shareholders' meeting in the Federal Gazette (prior to April 1, 2012: the electronic Federal Gazette).

- Item 3.8 of the Code The D&O insurance does not include a deductible for the Supervisory Board. The company will continue to dispense with a deductible for the Supervisory Board in future, since it does not believe that a deductible would further boost the motivation and responsibility with which the members of the Supervisory Board perform their duties. Furthermore, the company believes that D&O insurance serves to secure significant own company risks and not just to protect the personal assets of the members of the advisory boards.

- Item 4.1.5 of the Code When recruiting candidates for management positions at the company, the professional expertise of candidates is the primary consideration (for both men and women). Attention is paid to diversity and including an appropriate number of women.

- Item 4.2.1 of the Code In fiscal year 2012 the Executive Board only comprised two members again from November 1, 2012 onwards. Following the resignation of Marcus Schmitz from the Executive Board as of December 31, 2011, the Executive Board comprised only one person between January 1, 2012 and October 31, 2012.

- Item 4.2.3 of the Code The contracts for Executive Board members do not contain any provisions to the effect that members of the Executive Board who terminates their contract prematurely 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. Equally, there are no provisions in the contracts stating that payments to the Executive Board member are not permissible if the contract is terminated for cause for which the member of the Executive Board is accountable. The company believes that including such provisions in contracts for members of the Executive Board would unreasonably restrict the freedom of the Supervisory Board and would not be appropriate for each individual case.

- Items 4.2.4, 4.2.5, 5.4.6, 7.1.3 of the Code As decided by the annual shareholders' meeting on June 22, 2010, the company refrains from disclosing the individual compensation of the members of the Executive Board. Neither the Corporate Governance Report nor the Notes or Management Report therefore include a remuneration 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 does not 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.

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

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

- Item 5.1.2 (1) of the Code The Supervisory Board generally supports the basic goal of encouraging diversity and an appropriate number of women when appointing members of the Executive Board. When appointing new members to the Executive Board in the past, the Supervisory Board gave primary consideration to the professional expertise of the candidates and will continue to base such appointment decisions solely on the qualifications of the candidates in future, while at the same time observing the principles of equality.

- Item 5.1.2 (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 5.3.1 Following the dissolution of the Ruling and Personnel Committee, Acquisitions/Planning & Construction/ Sales Committee, and the Nominating Committee with effect from May 15, 2012, the Supervisory Board only has one committee at present, the Compliance and Audit Committee. The Supervisory Board believes that the appropriate duties can be performed by the entire Supervisory Board at present, not least due to the small size of the Supervisory Board. Looking forward, further committees may be formed if necessary.

- Item 5.3.3 of the Code A Nominating Committee existed up until May 15, 2012 but was not quorate, given that it only had two members. The committee was disbanded with effect from May 15, 2012. The Supervisory Board believes that its duties can be performed by the combined Supervisory Board.

- Item 5.4.1 (2) and (3) of the Code According to Item 5.4.1 of the Code, the Supervisory Board shall provide specific goals which, in consideration of „the company's specific circumstances, address the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members as defined in Item 5.4.2, a set age limit for members of the Supervisory Board and diversity", especially the appropriate consideration of women.

  The Supervisory Board has not yet reached any final conclusions as to whether the formal proposal of such specific goals for the company is suitable in all aspects, given the company's small headcount and the fact that its operations are limited to Germany, nor as to which goals could be suitable for the company based on its specific situation. As a result, this new recommendation has not yet been conformed with. Accordingly, the goals stated have not been taken into account in any election proposals nor is an appropriate report in the Corporate Governance Report possible.

The Supervisory Board is likely to propose such formal goals in future and to report on them; however, it has not made a final decision yet and thus reserves the right to deviate from this recommendation in future.

- Item 5.4.3 Clauses 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 to the chair 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 engagement of outside consultants for this would be commensurate with the anticipated benefits for the company. The Supervisory Board may well perform internal efficiency tests in future, but has so far not made a final decision and thus reserves the right to waive formal efficiency testing in future as well.

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

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

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

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

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

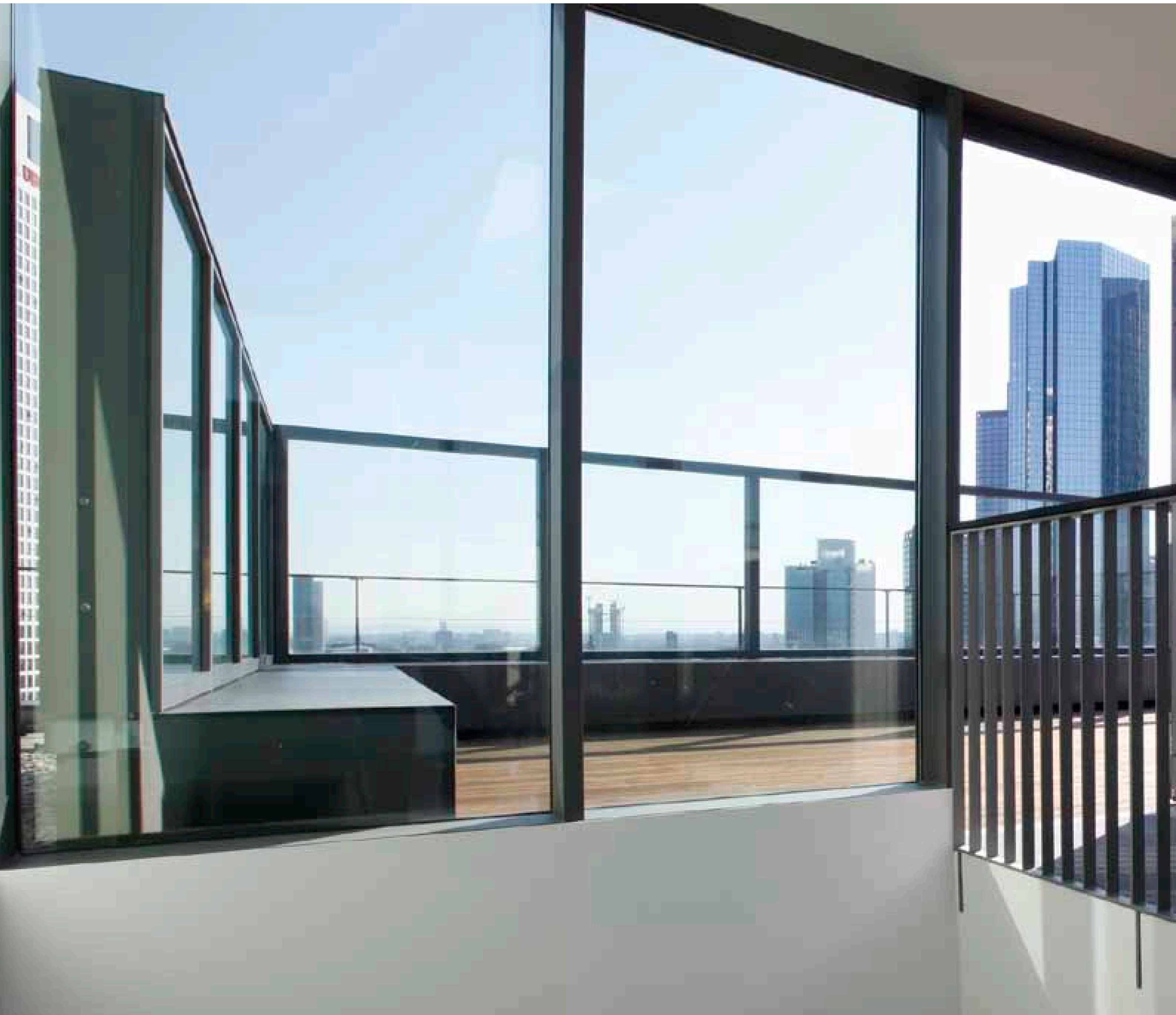
IFM Immobilien publishes the annual document including all notifications it contains relating to the laws of trade and securities on the Internet at www.ifm.ag. The annual document can also be requested directly from IFM Immobilien AG.

Stock Option Plans

Based on the authorization of the annual shareholders' meeting of April 24, 2006, the Supervisory Board of IFM Immobilien AG set up a stock option plan for members of the Executive Board under the name of SOP 2006 A and SOP 2006 B. Under this plan, 80,000 stock options were issued to the CEO, Georg Glatzel and 40,000 to Bernd Weber, a member of the Executive Board at the time. At the beginning of fiscal 2012, 120,000 options were issued in total under SOP 2006 A and SOP 2006 B, all of which expired during the fiscal year.

With the authorization of the annual shareholders' meeting of July 20, 2007, the Supervisory Board of the company set up an additional stock option plan entitled SOP 2007 for acting members of the Executive Board with a resolution 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 18, 2008, and a total of 146,000 stock options in a third tranche on April 3, 2009. Accordingly, a total of 625,400 stock options have been issued to Georg Glatzel and 104,600 to Marcus Schmitz. At the beginning of fiscal 2012, 425,400 options had been issued in total. A total of 161,400 stock options were exercised by Georg Glatzel in 2012. Thus, at the end of fiscal 2012, all options, which were not exercised during the year, expired either due to time lapse or as a consequence of the termination of an employment contract.

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



IFM Immobilien AG
Management Report

IFM Immobilien AG Management Report

Fiscal Year 2012 (January 1 to December 31, 2012)

As in the two previous years, the group management report for fiscal 2012 exempts IFM Immobilien AG from issuing a management report in accordance with Section 315a of the German Commercial Code (HGB) in conjunction with Section 315 (3) HGB and the provisions of Section 298 (3) HGB.

A. Business Performance and Environment

1. Group Strategy and Business Activities

The IFM Group (hereinafter: IFM) consisting of IFM Immobilien AG (hereinafter: IFM AG) as well as its subsidiaries is active in the commercial real estate market as an investor and project developer. IFM concentrates particularly on office properties and properties in the inner city retail segment. IFM's activities include both revitalizing existing commercial properties and the construction of new premium buildings for mainly commercial use in prime downtown locations.

Revitalization projects conducted by IFM Group typically involve the following three components:

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

Geographically, IFM concentrates its operations on Frankfurt am Main and the Rhine-Main region, occasionally extending this focus to include other cities that make up the „Big Five" (Frankfurt, Berlin, Düsseldorf, Hamburg, Munich) in Germany.

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

IFM generates its revenue from leasing properties, from business management agreements, and from the sale of shares in project companies (share deals) and of properties (asset deals) at project company level.

2. Group Structure and Organization

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

The Executive Board of the parent company is responsible for managing the IFM Group companies as part of its management of the Group's business and financial policies. They are supported by a managing director in some subsidiaries. The properties in the company's portfolio are typically held by individual project companies that are subsidiaries of IFM AG. In general, each individual project company is responsible for financing their respective property, but usually IFM AG acquires additional guarantees.

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

IFM outsources business activities which do not fall under the company's core competences to external service providers. These include architects, engineers and advertising agencies as well as property management and the preparation of financial statements. Outsourcing these areas assures both lean structures and a high level of flexibility and efficiency within the Group.

3. Managing Bodies

3.1. Executive and Supervisory Boards

From the start of the year under review until October 31, 2012, Georg Glatzel was the sole member of the Executive Board with responsibility for managing the company. Effective November 1, 2012, the Supervisory Board appointed Tobias Sauerbier to the Executive Board. Georg Glatzel left the Executive Board of the company on December 21, 2012. With effect from the same date, the Supervisory Board appointed Volker de Boer to the Executive Board. Consequently, at the end of the fiscal year under review, the Executive Board was comprised of two members: Volker de Boer (CEO) and Tobias Sauerbier.

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

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

3.2. Basic Features of the Compensation System

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

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

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

Variable compensation of the Executive Board is based on agreed targets measured with the use of balance sheet indicators, and also includes benefits in kind in the form of the use of a company car. Members were also entitled to stock-based compensation in the past. Stock options were issued under two stock option plans between 2006 and 2009.

The compensation scheme for members of the Supervisory Board is governed by the company's articles of incorporation. Members of the Supervisory Board receive fixed compensation only. The company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses (refer to the explanations in the Management Report under E as well as the statements on the Supervisory and Executive Boards in the notes).

4. Material Factors Affecting Business

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

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

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

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

During fiscal 2012, the financing margins facing the real estate industry were still significantly higher than they had been in the years prior to the financial crisis. When the European Central Bank lowered the base rate on July 5, 2012, interest rates reached their lowest-ever level of 0.75%, which partially offset the higher financing margins.

However, IFM still expects to face higher borrowing costs for new acquisitions and follow-up financing compared to previous financial years. This will hold especially true if the base rate is increased or the credit market tightens further overall. Nevertheless, banks that have worked with the Group and its subsidiaries know IFM's track record and are still prepared to finance the real estate investment and development projects of IFM companies at present.

Various legal requirements from different areas of law must be observed for properties held by the IFM Group, any potential new properties, as well as in all construction and development activities planned and carried out for these properties. These include above all public planning and zoning laws and the applicable state building law. Also included are suitable fire prevention measures as part of revitalization activities, for example. The laws governing environmental, soil and water protection are also extremely important to IFM and are suitably addressed in the due diligence process.

5. Corporate Management and Performance Indicators

5.1. Financial Performance Indicators

The long-term success of IFM is measured on the basis of value-oriented parameters. One particular financial performance indicator is the return on equity of the individual property holding company relative to their equity employed. In a comparison of actual performance with planned performance figures, the actual return on equity is compared with the potential return required per year in the range of 10% to 20% before tax based on the equity employed (including leverage).

5.2. Non-Financial Performance Indicators

In addition to financial parameters, certain non-financial performance indicators are key in determining 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, above all:

<u>Real estate market expertise</u> The economic success of IFM depends heavily on the experience and expertise of management and staff in identifying suitable properties in select locations with high potential for value appreciation, and assessing the possibilities for development as accurately as possible. Besides professional expertise and experience, this also demands detailed knowledge of the regional markets. The Executive Board members possess years of experience, especially in real estate project development and risk management, together with comprehensive knowledge of the real estate industry. Many other staff members also have several years of experience in property development, professional expertise in real estate economics, and a wide network of contacts in the real estate industry.

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

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

6. Research and Development

As an investor and project developer of commercial real estate in particular, IFM restricts its research and development activities to project development for properties within its portfolio, conceptualizing innovative marketing concepts, and real estate market analysis and observation. One key area of focus is the development of energy concepts that ensure the highest possible energy efficiency in the buildings erected or revitalized by IFM, taking account of both statutory requirements and the standards issued by well-known certification bodies, such as DGNB, LEED or BREEAM. Examples of the successful implementation of such concepts include the „Maxxon" building in Eschborn (LEED gold certificate) and „Romeo & Julia" in Frankfurt am Main (BREEAM DE certificate, graded „Excellent", with five stars). No other research and development activities are undertaken.

7. Economic Environment in 2012

The growth of the German economy was less dynamic in 2012 than in the two previous years. According to the Federal Statistical Office, gross domestic product (GDP) increased by 0.7% (2011: 3.0%). Nevertheless, this gave Germany one of the highest economic growth rates in the Eurozone. As in the previous year, economic growth was higher in the first half of the year than in the second; the fourth quarter even saw a slight drop in GDP.

The main reason for the overall robust development of German GDP was the increase in private and public consumption (+0.8% and +1.0%, respectively) and net exports (+1.1%). Price-adjusted exports rose by 4.1%, while imports increased just 2.3%. The decrease in construction and equipment investment (-1.1% and -4.4%, respectively) was a drag on the economy.

The labor market benefited from the comparatively stable performance of the economy. According to the Federal Statistical Office, the number of employed people in Germany increased to an average of 41.5 million for the year, after hitting a record high of 41 million in 2011. According to the Federal Employment Agency, the number of unemployed fell to just under 2.9 million, the lowest level since 1991. The unemployment rate dropped to 6.8%. At the same time, the number of people employed in jobs requiring social insurance contributions increased significantly: In June 2012, 28.92 million people were required to have social insurance, just over half a million more than in the previous year. For 2013, experts expect a largely stable labor market with only a slight increase in the unemployment rate.

Sources:
Press releases from the Federal Statistical Office dated January 2, 2013 and January 15, 2013; Figure from the Federal Statistical Office: Unemployment rate in international comparison, December 2012; Press release from the Federal Employment Agency dated 3 January 2013.

8. Trends in the Commercial Real Estate Market in 2012

The German commercial real estate market recorded a very positive performance in the 2012 fiscal year. According to Jones Lang LaSalle (JLL), transaction volumes totaled EUR 25.3 billion, EUR 1.8 billion more than in 2011. Investors are more focused on core real estate which has increased competition for the "safest" properties. However, the supply of such properties is limited. Particularly given this lack of supply, retail properties placed a smaller role in 2012: This segment accounted for EUR 7.9 billion or 31% of the transaction volume, compared with EUR 10.4 billion (45%) in 2011. Office properties were the most important asset class in the reporting period, representing a share of more than 40% of the total transaction volume.

The office rental markets in the seven major office locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) were weaker overall in 2012 than in the previous year: Sales of office space fell by 11% to 3.04 million sqm, partly as a result of less dynamic economic growth. While sales in Frankfurt rose significantly and remained stable in Berlin, all other cities saw a decline.

The net absorption weakened somewhat, but still stood at more than one million square meters. Because of the fairly stable demand and continued low level of new construction activity, vacancy rates fell in 2012. The vacancy rate fell to an average of 8.8%, a ten-year low.

In the top seven cities a total of 820,000 sqm of new office space was built in the reporting period, 60,000 sqm less than in 2011. This represents the lowest completion rate in five years. Prime rents rose in all cities except Frankfurt. JLL's prime rent index reached its highest level since 2002. While in Frankfurt, rents at top locations remained constant at EUR 33 per square meter and month, prime rents in Düsseldorf rose by 8.3% to EUR 26 per square meter per month. The average overall increase for the seven cities was 3%. After Frankfurt, Munich is the second most expensive location with rents of EUR 31 per square meter per month. Average rents also increased slightly by 0.5%. Because of the stable demand for top properties, JLL assumes that prime rents will continue to increase in 2013.

Sources:
JLL Office Market Overview, 4th quarter 2012 and press information dated January 4, 2013

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

1. General

IFM Immobilien AG's consolidated financial statements have been prepared for fiscal 2012 according to the International Financial Reporting Standards (IFRS) as prescribed for the reporting period in the European Union (EU). The previous year's figures were also calculated according to IFRS, as prescribed in the EU.

In addition to complying with the statutory regulations governing financial reporting, the financial statements prepared by IFM also incorporate the recommendations of the European Public Real Estate Association (EPRA), which are not only increasingly gaining acceptance as a „best practice" solution for stock exchange listed real estate companies, but also pursue the goal of improving and standardizing the presentation and transparency of financial statements.

2. Overall performance

IFM Immobilien AG showed solid performance as a group in fiscal 2012 and again produced a clearly positive result. Rental income increased to EUR 15,620 thousand, mainly as a result of the improved occupancy rates in „Romeo & Julia" in Frankfurt am Main and „Maxxon" in Eschborn. Operating profit (earnings before taxes) in fiscal 2012 amounted to EUR 5,954 thousand, following EUR 8,934 thousand in 2011. After deduction of taxes, the consolidated profit of IFM totaled EUR 4,627 thousand. The year on year decline of 19.7% in consolidated profit was mainly due to substantial charges that were recognized in income in the year under review in connection with the sale of „Romeo & Julia" in December 2012.

3. Revenue and Results

In fiscal 2012, the IFM Group generated revenue from rents and from charging incidental expenses of EUR 19,899 thousand in total, most of which came from rental income and prepayment of incidental expenses. This equates to an increase of about 13% year on year (2011: EUR 17,613 thousand), and was mainly due to the fact that increased leasing activities in other projects - particularly „Romeo & Julia" in Frankfurt and „Maxxon" in Eschborn – more than made up for the effects of the vacancies that were planned to allow for revitalization works.

Rental revenues totaled EUR 15,620 thousand in the year under review, an increase of 10.6% compared with the previous year (EUR 14.126 thousand). Revenues due to the charge of incidental expenses increased by 22.7% to a total of EUR 4,279 thousand (previous year: EUR 3,487 thousand), which can primarily be attributed to higher rental quotas in the aforementioned properties.

Rental costs in fiscal 2012 totaled EUR 1,015 thousand, representing a marked increase by year on year comparison (2011: EUR 469 thousand). In addition to the rental cost of the premises leased by IFM in the office properties Ulmenstrasse 22 and westendFirst in Frankfurt, this figure also includes a compensatory payment in connection with the lease contract for the property at Ulmenstrasse 22.

Costs due to incidental expenses amounted to EUR 5,568 thousand. The increase compared to the prior year figure of EUR 4,909 thousand was due to the higher occupancy rates in several projects and also includes charges incurred in connection with the „Kureck“ project in Wiesbaden.

Other real estate related income primarily includes construction costs reimbursed by tenants and reversals of provisions. These amounted to EUR 1,743 thousand in 2012 (previous year: EUR 859 thousand). Other real estate-related expenses totaled EUR 4,665 thousand and were significantly higher compared to fiscal 2011 (EUR 1,628 thousand). They primarily include costs for real estate brokers in connection with leasing activities, non-recoverable expenses – especially in connection with the „Kureck“ property in Wiesbaden – for maintenance and renovation work, specific valuation allowance for receivables, additions to provisions for possible losses, and brokerage commissions and other expenses incurred in connection with the sale of „Romeo & Julia“ in Frankfurt.

No proceeds were earned on the sale of properties in fiscal 2012 since the sale of „Romeo & Julia“ was only completed in the 1st quarter 2013, in January.

Income from the market assessment of investment properties amounted to EUR 10,609 thousand in fiscal year 2012 (previous year: EUR 11,101 thousand) and is mainly attributable to revaluations that reflect the leasing success achieved in the year under review and the positive development of the market overall. Leasing activities were particularly successful in „Maxxon“ in Eschborn and „Zeilgalerie“ in Frankfurt. In fiscal 2012, expenses from the market assessment of investment properties totaled EUR 224 thousand (previous year: EUR 0) and arose in connection with adjustments to the market values of properties in Mainz and Wiesbaden. Consequently, net income from the market assessment of investment properties amounted to EUR 10,385 thousand in 2012, following EUR 11,101 thousand in 2011.

Administrative expenses amounted to EUR 2,466 thousand in 2012. The considerable reduction compared with the previous year's figure of EUR 3,141 thousand was achieved primarily by bringing several administrative entities together in Frankfurt. The increased personnel expenses from EUR 3,600 thousand to EUR 5,771 thousand were substantially attributable to bonus payments, which were paid in connection with the sale of „Romeo & Julia“.

Other operating income amounted to EUR 731 thousand in fiscal year 2012 (2011: EUR 923 thousand). It primarily includes compensation for asset management services provided to third parties as well as reversals of provisions.

Year on year, other operating expenses declined to EUR 555 thousand from EUR 915 thousand, again as a result of costs for derivatives.

Interest and similar expenses amounted to EUR 7,246 thousand in the year under review. The decrease from the previous year's figure of EUR 9,914 thousand was substantially due tosecuring follow-on loans under more favorable terms and conditions.

The result from the market assessment of derivatives used to hedge interest rates amounted to EUR 212 thousand in 2012 (previous year: EUR 3,208 thousand). The marked decline was mainly due to expiration of derivatives.

The net finance result for fiscal 2012 totaled EUR –6,429 thousand (previous year: EUR –6,609 thousand).

In fiscal 2012, the IFM Group achieved an operating profit (earnings before tax) of EUR 5,954 thousand (previous year: EUR 8,934 thousand).

Income taxes amounted to EUR 1,327 thousand, of which deferred taxes accounted for EUR 1,290 thousand. After deduction of taxes, the consolidated profit of IFM totaled EUR 4,627 thousand in 2012 and therefore fell 19.7% short of the result for fiscal 2011 (EUR 5,759 thousand). This resulted in undiluted earnings per share of EUR 0.49 (previous year: EUR 0.61); diluted earnings per share also amounted to EUR 0.49 (previous year: EUR 0.60).

4. Net Assets

IFM Group's net assets amounted to EUR 366,522 thousand as of December 31, 2012 and thus increased 2.8% year on year (December 31, 2011: EUR 356,631 thousand), mainly as a result of the further development of IFM's real estate portfolio.

The value of non-current assets amounted to EUR 262,918 thousand as of December 31, 2012 (December 31, 2011: EUR 348,122 thousand). The 24.5% decrease was mainly due to the purchase contract concluded for „Romeo & Julia" in December 2012, which resulted in the property being reclassified as available for sale.

As of the reporting date, investment properties decreased by EUR 82,700 thousand or 24.4% to EUR 256,100 thousand (December 31, 2011: EUR 338,800) as a result of the reclassification of „Romeo & Julia", which was only partially offset by higher valuations of other properties.

Other non-current assets decreased by EUR 2,947 thousand or 52.8% to EUR 2,636 thousand (December 31, 2011: EUR 5,583 thousand). The figure primarily includes cash items to which IFM has no direct access – for example due to pledges – and deferred rents which, according to IFRS, arise when lease contracts grant rent-free periods, for example. The decrease is partially due to the expiration of pledges, and rent deferrals which have since expired or were derecognized when "Romeo & Julia" was sold.

Current assets amounted to EUR 8,895 thousand as of December 31, 2012 (December 31, 2011: EUR 8,509 thousand). Cash and cash equivalents increased from EUR 1,990 thousand to EUR 2,753 thousand.

As of the reporting date 2012, non-current assets available for sale amounted to EUR 94,709 thousand (previous year: EUR 0) and are related to „Romeo & Julia."

Equity of IFM Immobilien AG Group amounted to EUR 122,142 thousand as of December 31, 2012, representing an increase of 5.4% compared with the end of the previous fiscal year (December 31, 2011: EUR 115,852 thousand). The equity ratio, which was 32.5% on the reporting date in 2011, increased to 33.3% during the reporting period.

Long-term borrowed funds decreased from the previous reporting date by 10.4%, to EUR 115,919 thousand (December 31, 2011: EUR 129,369 thousand), mainly as a result of liabilities to banks decreasing to EUR 97,512 thousand (December 31, 2011: EUR 111,697 thousand). This was due to loan repayments on the one hand and the reclassification as short-term borrowings of financing agreements with the appropriate shorter residual terms, on the other. Deferred tax liabilities rose as a result of the higher valuations of the investment properties, from EUR 14,713 thousand to EUR 17,043 thousand.

Short-term borrowings increased from EUR 111,410 thousand to EUR 128,461 thousand in the year under review, mainly as a result of liabilities to banks, which increased by 20.8% to EUR 116,227 thousand (December 31, 2011: EUR 96,200 thousand). The value of derivative financial instruments fell by 35.6% to EUR 1,256 thousand as a result of adjustments in the market value, which resulted from changes to the interest rate and shorter residual terms (December 31, 2011: EUR 1,951 thousand).

5. Financial Position

5.1. Basic Principles of Financial Management

IFM finances real estate projects partially from equity and partially from long-term bank loans.

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

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

5.2. Financial Position

Cash flow from operating activities amounted to EUR –3,702 thousand in fiscal 2012, following EUR –2,680 thousand in fiscal 2011. As consolidated profit decreased to EUR 4,627 thousand (previous year: EUR 5,759 thousand), neutralized non-cash income amounted to EUR –9,423 thousand (previous year: EUR –11,228 thousand). Income tax payments, after deduction of reimbursements, resulted in total cash outflow of EUR 2,171 thousand in the fiscal year, compared with EUR 15 thousand in 2011.

At EUR –2,173 thousand, cash flow from investing activities was much lower in 2012 by year on year comparison. In 2011, this figure amounted to EUR –13,407 thousand due to investments in the continuing development of the „Zeilgalerie“ and „Maxxon“ projects. In 2012, these development projects were more or less completed. Overall, EUR 2,060 thousand were invested in investment properties, following EUR 13,105 thousand in 2011.

Cash flow from financing activities increased to EUR 6,554 thousand (2011: EUR 4,460 thousand), mainly as a result of EUR 988 thousand received as payment for the issuance of shares in the year under review, and of receipt of payment of several new or extended bank loans, some of which were increased.

6. Staff

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

As of December 31, 2012, IFM employed a staff of 29 (excluding the two members of the Executive Board), of whom 3 were employed by IFM AG and 26 by IFM Asset Management GmbH and the individual project companies.

The compensation system for Group staff is based on individual achievement. High performers therefore receive a voluntary bonus, decided on a case by case basis, in addition to their fixed salary.

C. Events After the Reporting Date

Following the close of the reporting period on December 31, 2012, the purchase price for the sale of „Romeo & Julia“ in Frankfurt was paid on January 28, 2013, and the benefits and obligations transferred accordingly. Apart from this, no other material events have occurred since the reporting date that might impact the position and business performance of IFM.

D. Opportunity and Risk Report

1. Risk Management

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

2. Internal Control System

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

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

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

3. Risks

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

3.1. Sector and Market Risks

Influence of real estate cycles: The demand for space in the two commercial real estate market segments that IFM concentrates on – office space and retail space – is in our experience governed by cyclical development. In addition, this market is influenced by a variety of factors that IFM has no influence on and which are difficult to predict. This includes economic developments in particular. Negative changes in economic conditions may lead to reduced demand for commercial space, which would have a negative impact on IFM's business performance.

Interest rate changes: IFM finances property purchases by its subsidiaries for the most part using borrowed funds. Due to the financial crisis, capital markets are subject to fluctuations in interest rates greater than the usual market fluctuations. The margins for new agreements with banks in particular have increased substantially, offsetting the overall low interest rate to some extent. Interest rates are still very low after the European Central Bank lowered the key lending rate to 0.75% in summer 2012 in view of the economic slowdown. However, given expectations of reduced tensions in the debt crisis and the associated improvement in the economy, higher key lending rates will become more likely once again.

To safeguard existing loan agreements at variable interest rates, which are thus subject to market fluctuations, IFM employed derivative instruments in some cases to hedge against interest rate changes in 2012. As of December 31, 2012, only one project company still had interest rate hedges outstanding. Should it be necessary to enter into interest rate hedging upon conclusion of future credit financing agreements, high volatility and medium-term interest rate expectations could lead to interest rate hedges only being available significantly higher than the current money market interest rate.

Availability of financing: The repercussions of the financial crisis coupled with regulatory changes in the banking sector and a potential worsening of the debt crisis are factors which constrain the capacity of banks and lower their readiness to issue credit. Several banks have completely withdrawn from the financing of commercial real estate or have announced their intention to do so. In many cases, financing for investment in real estate and project development is possible only if the risks for the bank financing the loan can be kept to a minimum. This means that the overall availability of financing for real estate projects will continue to be impaired. This is accompanied by an expected increase in demand for financing, as a large volume of financing for real estate companies will expire in the next few years and has to be refinanced. This can further exacerbate the shortage of financing options. Furthermore, approved lines of credit are liable to be suspended or canceled by the bank, and capital requirements may be increased if banks adjust their business policies to deal with market developments. Additionally, changed regulatory conditions may result in more limited bank financing possibilities. This applies in particular in connection with implementation of the banking regulation measures under Basel III which are expected to be adopted in the European Union gradually starting in 2013 through changes to the Capital Requirements Directive (CRD).

IFM has reported short-term liabilities to banks amounting to EUR 116,227 thousand in the balance sheet. This includes loans for Romeo & Julia in Frankfurt, Zimmerstrasse in Berlin, GutenbergPark in Mainz, and Kureck in Wiesbaden.

The company is in negotiations with several banks regarding financing. Loans for the properties Romeo & Julia and Zimmerstrasse were repaid in full prior to compilation of the balance sheet.

3.2. Risks Associated with IFM's Business Operations

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

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

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

The following additional risks exist for IFM:

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 extensive expertise and network of contacts its Executive Board members. In the event that these members 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. 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. In addition, tenants might terminate their leases or default in their rent payment. The effects of a potential economic slowdown or exacerbation of the federal debt crisis on the economic situation on the financial position of financial service providers and companies in other sectors too, could make leasing transactions more difficult and could result in liquid assets shortages for existing tenants leading to an increased risk of missed payments.

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

3.3. Financial Risks

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

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

Liquidity Risk: In-depth financial planning is undertaken at corporate level spanning many planning periods, so that investments can be coordinated with credit flow. Cash and the unencumbered securities of the Group increased from EUR 5,145 thousand to EUR 6,283 thousand in 2012. In addition, the Group had non-utilized credit facilities totaling around EUR 1,666 thousand as of December 31, 2012. Use of these credit facilities 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. Based on current financial planning, the Executive Board anticipates that current cash, unencumbered securities, non-utilized credit facilities, funds released as part of the refinancing activities of existing properties as well as the projected cash flows to be sufficient to cover the foreseeable liquidity needs of the group.

Interest Rate Risk: Market risks arising from financial instruments for IFM AG and its subsidiaries include in particular the interest rate risk. 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.

3.4. Legal Risks

Risks due to changes in the legal framework: Numerous statutes and other government regulations from different areas of law apply to IFM Immobilien AG, including, for example, planning law, construction law, corporate and commercial law as well as from tax law. Changes to these regulations or the entry into force of new regulations could restrict IFM's fundamental freedom to act or affect its business model, its tax situation or its economic success.

Legal risks in the business activities of IFM: Legal risks may also arise in connection with the business activities of IFM, especially from building code requirements and approval procedures with the relevant authorities. In addition, legal risks may arise from potential legal disputes in relation to business operations. As of the reporting date, IFM had no knowledge of any such legal disputes that could have a substantial influence on the Group.

3.5. Other Risks

Environmental damage/legacy pollution: When purchasing properties, it cannot be ruled out completely that legacy pollution as soil and groundwater contamination will not be detected at a later point in time. In such an event, IFM may be liable for the removal of legacy pollution and be held responsible for the decontamination. This could result in substantial financial expenses which IFM might not be able to pass on 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 D, Note 42).

4. Opportunities

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

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

Geographical expansion: From the point of view of management, regions in which many offices are located, particularly in Munich and Hamburg, continue to offer further long-term growth potential. For this reason, IFM is observing these markets closely and studying the extent to which they may later be considered for IFM investments.

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

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

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

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

Information about the structure of Supervisory Board compensation (§ 315 Para. 2 No. 4 HGB)
The compensation scheme for members of the Supervisory Board is governed by § 14 of IFM AG's articles of incorporation. Each member of the advisory body receives a fixed annual amount of EUR 27,000. The Chairman of the Supervisory Board receives three times the amount and the Vice-Chairman receives double the amount of ordinary Supervisory Board members. In addition, the Chairman of the Supervisory Board receives monthly office expenses of EUR 500. Members of committees receive additional compensation in the amount of EUR 3,000 per committee per year. The Chairman of a committee receives double this amount. Furthermore, the company reimburses the Supervisory Board members for the value-added tax payable on their compensation and for all necessary expenses.

Information about composition of subscribed capital (§ 315 Para. 4 No. 1 HGB)
As of December 31, 2012, IFM AG's share capital was EUR 9,525,999, which was divided into 9,525,999 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 HGB)
The Executive Board is not aware of restrictions of any kind on the voting rights or on transfers of the company's stock. The Norwegian investor group (consisting of Havfonn AS, Skips AS Tudor, and Furuholmen Eiendom AS) concluded an agreement on the coordination of actions in regard to IFM on March 20, 2009.

Information about direct or indirect equity investments (§ 315 Para. 4 No 3 HGB)
At the time this management report was compiled, the structure of shareholders in IFM AG was as follows, according to the company's knowledge: An amount of 48.78% is allocated to a Norwegian consortium of shareholders, consisting of Havfonn AS, Skips AS Tudor and Furuholmen Eiendom AS. Furthermore, former CEO Georg Glatzel owns direct and indirect shares amounting to 11.12% and Supervisory Board member Luca Pesarini owns shares amounting to 11.21%.

Information about holders of shares with special rights (§ 315 Para. 4 No. 4 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 HGB)
There are no shares for employees that limit the holders' controlling rights.

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

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

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

Authorized capital
IFM Immobilien AG originally had authorized capital of EUR 4,250,000, as decided by the annual shareholders' meeting 2007 (Authorized Capital 2007). Of this, an installment of EUR 849,999 was used when the company's capital increase to EUR 9,349,999 was decided on July 18, 2008. At the annual shareholders' meeting on May 24, 2011, it was decided to completely cancel the remaining Authorized Capital 2007 in the amount of EUR 3,400,001 and to authorize the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by up to EUR 4,500,000 in one or more transactions by April 30, 2016, by issuing up to 4,500,000 new non-par bearer shares in return for cash contributions and/or contributions in kind. The new shares are generally to be available for purchase by shareholders.

Their subscription rights can be excluded in the following cases:
- for fractional amounts;
- for capital increases in return for contributions to guarantee shares for the purpose of purchasing companies, parts of companies or shares in companies, as well as land, property or shares in land or properties;

- if necessary, to allow the bearers or holders of convertible bonds issued by the company and/or warrants under warrant bond agreements subscription rights to new shares to the extent to which they would be entitled upon exercising option or conversion rights or upon fulfilling option or conversion obligations as shareholders; or
- if capital is increased in return for cash and the total proportional value of the share capital due for the new shares, for which subscription rights are excluded, does not exceed 10% of the share capital available when the new shares are issued and the issue value of the new shares is not significantly lower than the trading price of the already listed shares with the same class and conditions at the time of the final definition of the issue value by the Executive Board in accordance with §§ 203 Para. (1) and (2), 186 Para. (3) Clause 4 AktG.

No use was made of the authorized capital in 2012. The amount of EUR 4,500,000 was unused as of December 31, 2012.

<u>Stock Option Plans</u>

- SOP 2006 A and SOP 2006 B: With a resolution of April 24, 2006 and a clarification resolution of May 8, 2006, the annual shareholders' meeting authorized the Supervisory Board to issue up to 120,000 stock options with subscription rights to company shares with a maturity of five years to the members of the Executive Board of IFM AG immediately, but no later than March 31, 2011, under stock option plan 2006 A (SOP 2006 A) and stock option plan 2006 B (SOP 2006 B) following the registration of the 2006 conditional capital in the Commercial Register. Each stock option guarantees the right to purchase one share in IFM Immobilien AG. Existing shareholders have no subscription rights. All of these stock options were granted in 2006. These option rights expired in the fiscal year under review. By resolution of the annual shareholders' meeting on May 15, 2012, the conditional capital 2006 has been canceled in full.
- SOP 2007: With a resolution of July 20, 2007, the annual shareholders' meeting authorized the Supervisory Board to issue up to 730,000 stock options with subscription rights to company shares with a maturity of up to five years to acting members of the Executive Board of IFM AG under the stock option plan 2007 (SOP 2007) following the entry of the 2007 II conditional capital into the Commercial Register. Each stock option guarantees the right to purchase one share in IFM Immobilien AG. Existing shareholders have no subscription rights. It is at the sole discretion of the Supervisory Board to determine the exact group of individuals entitled to stock options and the scope of stock options to be offered to them for purchase. As of December 31, 2010, a total of 730,000 options had been issued in several tranches under this plan. Following termination of an employment contract or expiration of the vesting period, a total of 554,000 stock options have lapsed, while 176,000 stock options were exercised.

<u>Conditional Capital</u>

- Conditional capital 2007 I: The company's share capital was conditionally increased by up to EUR 3,400,000 to grant shares for the exercise of conversion rights and/or options or for 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. No bonds were issued under this authorization. The authorization has since expired.
- Conditional capital 2007 II: The company's share capital was conditionally increased by up to EUR 730,000 to secure subscription rights arising from stock options which were issued with the authorization of the annual shareholders' meeting of July 20, 2007 by the company under the 2007 stock option plan for the period through June 30, 2012. In fiscal 2012, 161,400 stock options were exercised. The unused conditional Capital 2007 II thus amounted to EUR 554 thousand as of December 31, 2012.

Purchase of Own Stock

- The annual shareholders' meeting of May 15, 2012 authorized the company to acquire own shares up to a total value of EUR 936,459 (10% of the share capital at the time). In this, it was stipulated that the shares acquired as a result of this authorization, together with the company's other shares which the company has already acquired and is still in possession of or which are to be assigned to the company in accordance with §§71a ff. AktG, may at no point exceed 10% of the share capital. Compliance with the provisions of §71 Paras. 2 and 3 is also mandatory. The authorization can be exercised as a whole or in installments, once or multiple times. It expires on May 14, 2017.

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

No applicable compensation agreements exist.

F. Closing Remarks on the Subordinate Status Report of IFM Immobilien AG

Our company has received an appropriate consideration 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.

As far as legal transactions concluded before November 1, 2012 are concerned, this declaration is made to the best of our knowledge, based on circumstances known to the member of the Executive Board in office up to that point in time.

No measures subject to reporting requirements were taken in fiscal 2012.

G. Declaration Pursuant to § 289a HGB

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

H. Business Forecast

1. Economic Environment

The International Monetary Fund (IMF) expects global economic growth of 3.5% for 2013, a somewhat improved result over the previous year. The IMF cites political measures to stem the crises in the Eurozone and the US as reasons for its assessment. However, the IMF also states that budgetary consolidation will continue to present a challenge to the industrial countries, as will the continuation of reforms in the financial sector. The IMF predicts growth of 1.4% for the industrial countries and 5.5% growth for the economies of the emerging countries. Analysts expect the global economy to continue to recover in 2014 and assume global economic growth of 4.1%.

For the Eurozone, the IMF forecasts another decline in economic growth of 0.2% in 2013, while the European economy is expected to grow again by 1.0% in 2014. In contrast, German gross domestic product is expected to increase by 0.6% in 2013 and 1.4% in 2014, meaning that Germany would continue to outperform the Eurozone overall.

In its annual economic report, the German government is somewhat more pessimistic than the IMF and expects economic growth of just 0.4% for 2013. However, the Germany economy will begin to recover and will gain momentum during the year following the weak winter months. The German government also assumes that the Eurozone's economic performance will be weaker than that of Germany. The German labor market is expected to remain broadly stable; however, unemployment may increase slightly.

A basic assumption of these forecasts is that there will be no new negative developments regarding the European debt crisis that would increase investor uncertainty. For this reason, the German government continues to view the debt crisis, which has not yet been fully resolved in some euro countries, as the greatest risk to economic development.

In its monthly report of February 2013, the Bundesbank expects overall economic production to increase in the first quarter of 2013. In the assessment of the Bundesbank, there is likely to be a gradual economic recovery during the year, with export demand initially remaining relatively weak, but then strengthening. Housing construction and private consumption is expected to spur the economy. The outlook for the labor market is viewed as relatively positive. Companies will be increasingly willing to hire new employees and the Ifo employment barometer will also trend upward. The business outlook for companies also improved notably by the end of 2012.

Sources:
International Monetary Fund: World Economic Outlook Update January 23, 2013.
German Federal Ministry for Economics and Technology: 2013 Annual Economic Report.
Deutsche Bundesbank: Monthly Report, February 2013.

2. Projected Trends for the Commercial Real Estate Market

Jones Lang LaSalle (JLL) expects a fairly stable user market to serve as a solid basis for the investment market in 2013. In addition, continued low interest rates will ensure that real estate investments remain attractive. The brokerage and consulting firm believes that high risk premiums will favor investments in German properties. However, improvement on the previous year's results in the investment market will only be possible if both equity investors and lenders consider properties outside the core area in their investment decisions. Whether this will be the case and investors will be less risk averse remains to be seen.

In addition, in JLL's assessment, borrowing for commercial real estate will remain a challenge in 2013 as banks in particular will be more risk averse due to new regulations such as Basel III and will restructure their portfolios in response. The existing funding gap in subordinated loans could be closed at least in part by debt funds.

JLL forecasts stable sales volume of around 3.0 million sqm for the German office rental market in 2013, which would be in line with the five-year average. However, the analysts' forecast assumes economic growth of 0.8%. If growth is lower, the result could be turn out to be less than predicted. JLL expects new construction volume of 937,000 sqm, which would be an increase of more than 100,000 sqm. Only slightly more than one-third of the new office space will actually go on the market;

the rest is already pre-let or will be occupied by the owner. Because of moderate construction activity, vacancy rates are expected to stabilize at a low level. Modern spaces in particular are expected to see their vacancy rates fall further.

JLL also assumes further growth in prime rents in 2013, as demand for modern spaces in central locations remains high. However, at around 1%, the increase will be lower than in 2012.

According to estimates by BNP Paribas Real Estate, the German retail real estate market will turn in a stable performance this year. They rule out a recession, and project that the labor market will be only slightly weaker while the consumer climate and domestic demand are likely to remain strong. However, the relatively low growth in gross domestic product will make consumers somewhat more cautious in the first half of the year, making it unlikely that retail sales will rise significantly.

Nevertheless, analysts assume that there will be solid demand for retail space, especially in sought-after luxury locations. Competition between retailers will continue to decline somewhat and prime rents will increase only moderately as a result. With the growth in internet retailing, analysts are seeing a trend toward smaller spaces. Investments in retail properties are likely to remain the focus of German and foreign investors in 2013 as the German market is considered very stable. The level of transaction volume that can be achieved, however, depends very strongly on the supply of high-quality properties.

Sources:
JLL: Germany's real estate market with a strong final spurt. Press release of January 4, 2013.
JLL: Office market overview 4th quarter 2012.
JLL: The German investment market Q4 2012.
BNP Paribas Real Estate: Property Report Retail Market Germany 2013.

3. Strategic Focus of IFM

The IFM Group will continue to concentrate mainly on project development of commercial properties with a focus office space. A particular focus is on the revitalization of existing properties. However, traditional project development for new buildings is also possible. The focus in general is on activities that match the IFM's core competences in the areas of redevelopment, restructuring and repositioning.

In the future, the IFM Group will continue to focus on investing in properties with an attractive risk/opportunity profile, a high potential for development and value appreciation, and which are in coveted locations and thus stand out from other offers on the market.

Geographically, the IFM Group and thus IFM Immobilien AG in its role as the ultimate parent company focuses on Frankfurt am Main. The management is also closely monitoring other attractive real estate locations in major cities like Hamburg and Munich. For the short and medium term, however, the focus will remain on Frankfurt and its high-quality office locations.

In order to grow organically and to be in a position to acquire new projects with the potential for development and value appreciation, IFM must conduct sales transactions. . The Executive Board therefore regularly monitors the market for opportunities that could provide the desired value appreciation in the portfolio through the sale of certain properties as long as this can be done under attractive terms.

4. Financial Outlook

The Executive Board is confident that IFM's existing project portfolio can be further developed in 2013 and 2014, thereby tapping opportunities to increase the value of properties, which will once again have a positive effect on the Group's profit. This also applies for planned sales to round out the portfolio and the geographic focus on the Frankfurt location. However, it must be mentioned that the performance of the properties depends not only on factors which IFM can control, but also to a great extent on factors which the Group cannot influence, such as the general performance of the real estate market.

The Executive Board assumes that results can be achieved for 2013 and 2014 that will meet or exceed the level for 2012. However, it should be noted here, too, that economic conditions have a major influence on the market valuation of properties and thus on the Group's earnings.

Barring any unforeseen negative events with significant consequences for the company, IFM can, in the view of the Executive Board, continue to implement its previously successful business policies in the coming year, and in doing so it will bring even sharper focus to creating value in the area of the project development.

I. Additional information on the company's position

1. General

In fiscal 2010, the management report of IFM AG and IFM Group was summarized in this report on the position of the company and the Group for the first time in accordance with the relevant provisions of § 315a of the German Commercial Code (HGB) in conjunction with §315 (3) HGB and the provisions of §298 (3) HGB. Additional information on the position of IFM AG (the company) which has not been addressed sufficiently in the previous sections of this report on the position of the company and the Group, or which result from the difference in accounting standards, is presented below. The financial statements of IFM Group are compiled in accordance with International Financial Reporting Standards (IFRS) and associated interpretations thereof as applicable in the European Union. In addition, the company heeds the supplemental requirements of commercial law pursuant to §315a (1) HGB. The IFM AG annual report, however, is compiled exclusively in accordance with the provisions of the HGB, the German Stock Corporation Act (AktG) and the company's articles of incorporation. Please refer to the explanations by the company in the Notes to the annual financial statements for the year ended December 31, 2012.

2. Net Assets

The net assets of IFM AG increased from EUR 96,239 thousand as of December 31, 2011 to EUR 103,828 thousand as of December 31, 2012. In terms of assets, the increase was substantially due to receivables from affiliated companies, which mainly comprise loans to subsidiaries and which increased from EUR 32,319 thousand to EUR 56,193 thousand. This increase more than offsets the decrease in „Shares in affiliated companies", which are reported under financial assets and which fell from EUR 57,333 thousand to EUR 42,120 thousand, primarily as a result of converting equity into loans and writing down investments in subsidiaries in Wiesbaden and Frankfurt. The reduction in „Other assets" was strongly influenced by the release of a pledged bank balance following the expiration of guarantees.

Current assets developed as follows:

- Accounts receivable from affiliated companies: EUR 56,193 thousand (previous year: EUR 32,319 thousand).
- Other assets: EUR 359 thousand (previous year: EUR 2,054 thousand).
- Securities: EUR 2,401 thousand (previous year: EUR 2,401 thousand).
- Cash and cash equivalents: EUR 1,021 thousand (previous year: EUR 352 thousand).

The company's total equity decreased to EUR 84,766 thousand as of December 31, 2012 (December 31, 2011: EUR 88,543 thousand) as the increase in subscribed capital and capital reserves following the exercise of stock options was more than offset by the net loss for the year of EUR 4,765 thousand. The equity ratio thus decreased from 92.0% to 81.6% as of the reporting date.

The increase in other provisions from EUR 602 thousand to EUR 3,141 thousand is largely attributable to bonus payments for the sale of "Romeo and Julia" and to an increased provision for possible letting related losses.

Liabilities can be broken down as follows:

- Liabilities to banks decreased from EUR 1,462 thousand to EUR 1,351 thousand.
- Trade accounts payable: EUR 50 thousand (previous year: EUR 310 thousand).
- Liabilities to affiliated companies, which mainly comprise loans from subsidiaries to IFM Immobilien AG, increased from EUR 3,845 thousand in 2011 to EUR 13,609 thousand.
- Other liabilities: EUR 912 thousand (previous year: EUR 751 thousand).

3. Results of operations

IFM Immobilien AG closed fiscal 2012 with a net loss for the year of EUR 4,765 thousand (previous year: EUR –2,680 thousand). Sales proceeds increased from EUR 1,494 to EUR 4,687 thousand, primarily as a result of charging bonus payments for the sale of "Romeo and Julia" on to a subsidiary. The decline in other operating income from EUR 1,388 thousand to EUR 495 thousand is primarily due to lower charges of compensatory payments in connection with interest rate hedges to subsidiaries of IFM Immobilien AG as a result of the expiration of interest rate hedging contracts.

The cost of materials increased in fiscal 2012 to EUR 819 thousand (previous year: EUR 330 thousand), mainly as a result of a rental compensation payment relating to the relocation of company premises from Ulmenstrasse 22 and westendFirst to „Romeo & Julia". Personnel expenses increased to EUR 3,786 thousand (previous year: EUR 1,359 thousand), which was substantially due to bonus payments for the sale of "Romeo and Julia".

Depreciation and amortization amounted to EUR 44 thousand (previous year: EUR 49 thousand). Other operating expenses increased from EUR 3,977 thousand to EUR 4,115 thousand. The sub-item „Office rents" decreased from EUR 390 thousand to EUR 33 thousand following the move to „Romeo & Julia", for which a rent-free period spanning several months was agreed. No income was earned on investments in 2012 (previous year: EUR 139 thousand).

Interest income, mainly related to interest on loans from IFM AG to its project companies, increased from EUR 806 thousand to EUR 1,337 thousand in line with higher loan volumes. Financial assets and securities from current assets were written down by EUR 2,074 thousand (previous year: EUR 150 thousand). This figure mainly relates to write-downs on investments in a subsidiary in Wiesbaden. Interest and similar expenses increased to EUR 278 thousand (previous year: EUR 113 thousand) and are primarily attributable to loans from affiliated companies to the company.

Expenses relating to the transfer of losses were EUR 161 thousand (previous year: EUR 596 thousand) following the transfer of the losses of IFM Asset Management GmbH under its profit and loss transfer agreement with IFM AG.

4. Financial Position

IFM AG used mainly interest income from subsidiaries, cost allocations and cash and cash equivalents to finance its operations in fiscal 2012. At the beginning of the fiscal year, the company had liquid funds of EUR 352 thousand, which increased to EUR 1,021 thousand by the reporting date December 31, 2012.

In addition, the company holds securities from current assets that were valued at a carrying amount of EUR 2,401 thousand (previous year: EUR 2,401 thousand).

In the year under review, borrowings increased from EUR 7,696 thousand to EUR 19,062 thousand overall, primarily due to the increase from EUR 3,845 thousand to EUR 13,609 thousand in liabilities to affiliated companies, which mainly related to loans from subsidiary companies. Year on year, the overall debt level of the company increased from 8.7% to 22.5% as of December 31, 2012.

5. Financial outlook for IFM AG

The current market situation continues to be strongly influenced by insecurity on the capital markets brought about by the continuing debt crisis. Even if forecasts for 2013, and especially for 2014, assume a brighter economic environment, various areas of the economy, and especially the real estate markets, could continue to be subject to considerable burdens. As such, the performance of IFM Immobilien AG could also be affected by economic and financial developments in 2013.

As the result of fiscal 2013 and 2014 will depend strongly on future developments in the economy, the sale of additional properties, and the legal form of the associated companies through which they are sold, we would like to refer you to the main statements on this matter in the section outlining the Group's financial outlook.

Heidelberg, March 26, 2013

Volker de Boer	Tobias Sauerbier
CEO	COO

Consolidated Financial Statements IFRS

Consolidated balance sheet of IFM Immobilien AG on December 31, 2012

Assets	Note	12/31/2012 EUR 000	12/31/2011 EUR 000
Non-current assets			
Investment properties	3000	256,100	338,800
Office and other equipment	3001	466	638
Goodwill	3002	389	389
Other intangible assets	3003	177	306
Advance payment made		27	37
Other non-current assets	3004	2,636	5,583
Deferred tax assets	3005	3,123	2,369
Total non-current assets		**262,918**	**348,122**
Current assets			
Trade accounts receivables	3010	2,056	1,763
Inventory		75	34
Other current assets and accruals and deferrals	3011	267	682
Tax receivables	3012	214	885
Securities	3013	3,530	3,155
Cash and cash equivalents	3014	2,753	1,990
Total current assets		**8,895**	**8,509**
Non-current assets held for sale	**3015**	**94,709**	**0**
Total assets		**366,522**	**356,631**

Consolidated balance sheet of IFM Immobilien AG on December 31, 2012

Liabilities and Equity	Note	12/31/2012 EUR 000	12/31/2011 EUR 000
Total Equity			
Issued capital	3020	9,526	9,365
Additional paid-in capital	3020	80,363	79,536
Other reserves	3021	8,652	7,977
Retained earnings	3022	23,234	18,590
Equity attributable to Group shareholders		121,775	115,468
Minority interests	3023	367	384
Total equity		**122,142**	**115,852**
Non-current borrowings			
Liabilities to banks	3040	97,512	111,697
Other long-term liabilities	3041	1,364	2,082
Derivative financial instruments	3042	0	877
Deferred tax liabilities	3043	17,043	14,713
Total non-current borrowings		**115,919**	**129,369**
Current borrowings			
Provisions for taxes	3050	278	2,477
Other provisions	3051	3,990	3,900
Liabilities to banks	3052	116,227	96,200
Trade accounts payable	3053	2,889	4,396
Derivative financial instruments	3054	1,256	1,951
Other current obligations and accruals and deferrals	3055	3,821	2,486
Total current borrowings		**128,461**	**111,410**
Total liabilities and equity		**366,522**	**356,631**

Group Statement of Comprehensive Income for the period from Jan 1 to Dec 31, 2012

	Note	1/1 - 12/31/2012 EUR 000	1/1 - 12/31/2011 EUR 000
Total income before EBIT	**310**	**32,982**	**30,496**
Total expenses before EBIT		**-20,599**	**-14,953**
1. Rental income	311	15,620	14,126
2. Revenues due to charge of incidental expenses	311	4,279	3,487
3. Rental expenses	312	-1,015	-469
4. Expenses from incidental expenses	312	-5,568	-4,909
5. Other real estate related income	313	1,743	859
6. Other real estate related expenses	314	-4,665	-1,628
Result from property management		**10,394**	**11,466**
7. Profit from the sale of properties		0	0
8. Carrying amounts and expenses from the sale of properties		0	0
Result due to sale of investment properties		**0**	**0**
9. Profit from market assessment of investment properties		10,609	11,101
10. Expenses from market assessment of investment properties		-224	0
Result from markets assessment of investment properties	**315**	**10,385**	**11,101**
11. Administrative expenses	316	-2,466	-3,141
12. Personnel expenses	317	-5,771	-3,600
13. Depreciation and amortization	318	-335	-291
14. Other operating income	319	731	923
15. Other operating expenses	320	-555	-915
Other operating result		**-8,396**	**-7,024**
Earnings before interest and taxes (EBIT)		**12,383**	**15,543**
16. Other interest and similar income		605	97
17. Interest and similar expenses		-7,246	-9,914
18. Gain or loss on market assessment of derivatives		212	3,208
Net finance result	**321**	**-6,429**	**-6,609**

Group Statement of Comprehensive Income for the period from Jan 1 to Dec 31, 2012

	Note	1/1 - 12/31/2012 EUR 000	1/1 - 12/31/2011 EUR 000
Earnings before Taxes (EBT) – Operating profit		**5,954**	**8,934**
19. Income taxes	322	-1,327	-3,175
(of which: deferred taxes)		(-1,290)	(-3,323)
Consolidated profit after taxes		**4,627**	**5,759**
attributable to minority interests	323	-17	84
attributable to IFM AG shareholders		**4,644**	**5,675**
Undiluted earnings per share (in EUR)	32	0.49	0.61
Diluted earnings per share (in EUR)	32	0.49	0.60
Income and expenses recognized directly in total equity			
20. Cash flow hedges Fair value adjustments recognized in total equity		961	672
21. Deferred taxes		-286	-201
Result of income and expenses recognized directly in total equity		**675**	**471**
Total result attributable to IFM shareholders		**5,302**	**6,230**
attributable to minority interests		-17	84
attributable to IFM AG shareholders		**5,319**	**6,146**

Group Changes in Equity for the period from Jan 1 to Dec 31, 2012

		Reserves		
	Subscribed capital EUR 000	Paid-in capital EUR 000	Other reserves EUR 000	Retained earnings/ balance sheet profit EUR 000
As of January 1, 2011	**9,350**	**79,431**	**7,506**	**12,915**
Stock option plans		41		
Total result			471	5,675
Changes to the scope of consolidation				
Capital increase with stock options	15	64		
Contribution paid-in capital minority interests				
As of December 31, 2011	**9,365**	**79,536**	**7,977**	**18,590**

As of January 1, 2012	**9,365**	**79,536**	**7,977**	**18,590**
Total result			675	4,644
Capital increase with stock options	161	827		
As of December 31, 2012	**9,526**	**80,363**	**8,652**	**23,234**

Group Changes in Equity for the period from Jan 1 to Dec 31, 2012

	Equity attributable to Group Total EUR 000	Minority interests EUR 000	Shareholders Equity EUR 000
As of January 1, 2011	**109,202**	**239**	**109,441**
Stock option plans	41	0	41
Total result	6,146	84	6,230
Changes to the scope of consolidation	0	7	7
Capital increase with stock options	79	0	79
Contribution paid-in capital minority interests	0	54	54
As of December 31, 2011	**115,468**	**384**	**115,852**

As of January 1, 2012	**115,468**	**384**	**115,852**
Total result	5,319	-17	5,302
Capital increase with stock options	988	0	988
As of December 31, 2012	**121,775**	**367**	**122,142**

Group Cash Flow Statement on December 31, 2012

Group Statement of Comprehensive Income	2012 EUR 000	2011 EUR 000
1. Consolidated result	4,627	5,759
2. + Depreciation and amortization of intangible assets and non-current assets	335	291
3. -/+ Other non-cash income / expenses	-9,423	-11,228
4. -/+ Profit / loss from the sale of real estate and of property, plant and equipment	0	8
5. - Increase / +decrease in inventories, trade accounts receivables and other current and non-current assets as well as other assets	2,709	451
6. - Decrease / + increase in trade accounts payable and as well as other liabilities	-1,950	2,039
7. = Cash flow from operating activities (total of 1 to 6)	**-3,702**	**-2,680**
8. - Cash paid for investments in investment properties	-2,060	-13,105
9. - Cash paid for investments in intangible assets and property, plant and equipment	-122	-335
10. + Proceeds from the sale of fixed assets	9	33
11. = Cash flow from investing activities (total of 8 to 10)	**-2,173**	**-13,407**
12. + Proceeds from the issuance of shares	988	79
13. + Proceeds from bank loans	27,044	6,728
14. - Cash repayments of bank loans and other loans	-21,079	-2,347
15. - Other payments from financing activities	-399	0
16. = Cash flow from financing activities (total of 12 to 15)	**6,554**	**4,460**
17. Cash changes in cash and cash equivalents (total of items 7, 11, 16)	679	-11,627
18. Other changes in cash and cash equivalents	84	2,301
19. + Cash and cash equivalents at beginning of period	1,990	11,316
20. = Cash and cash equivalents at end of period (total of items 17 to 19)	**2,753**	**1,990**


ZEIL GALERIE

A General Information

01 IFM Immobilien AG Consolidated Financial Statements

IFM Immobilien AG (also referred to as: "IFM AG," or the "parent company") has its registered office and principal place of business in Heidelberg, Germany. The fiscal year 2012 is the same as the calendar year at all Group companies.

The preparation date for the consolidated financial statements as of December 31, 2012 was March 26, 2013, the date on which the Executive Board of IFM AG approved the consolidated financial statements for release. The consolidated financial statements have been prepared in euros (EUR), and all figures are indicated in thousands of euros (EUR thousand).

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

02 Declaration of Conformity by the Executive Board

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

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

IFM AG has observed the following new and revised standards and interpretations of the IASB in the fiscal year. However, they have not affected the Group:

- Amendment to IFRS 7, Financial Instruments: Disclosures – Transfer of Financial Assets: The object of the amendments is the expanded disclosure obligations in relation to the transfer of financial assets. Even if a financial asset is fully derecognized, comprehensive data must be provided on any rights and obligations retained or assumed as part of the transaction. This may include default guarantees or repurchase agreements. In particular, the amended IFRS 7 requires expanded quantitative information in this regard. The application of the standard is mandatory for reporting periods beginning on or after July 1, 2011.

Standards and interpretations and their amendments that were issued but are not yet mandatory in the fiscal year were not voluntarily adopted early. The ultimate effects on the consolidated financial statements of IFM AG have not been fully determined for issued standards which are not yet mandatory. In particular, these provisions are as follows:

- Amendment to IFRS 1, severe hyperinflation and the removal of fixed dates for first-time adopters. These amendments concern special regulations for first-time IFRS adopters, which apply for the first time for fiscal years beginning on or after January 1, 2013. However, they are not relevant for the IFM Group.

- Amendment to IAS 12, Income Taxes: Deferred Taxes – Recovery of Underlying Assets: A new paragraph 12.51c was inserted in the standard, which states that current tax assets and deferred tax liabilities based on the tax consequences of the sale must be assessed unless the reporting entity provides clear evidence that it will fully realize the carrying amount of the asset by using it. The application of the standard is mandatory for reporting periods beginning on or after January 1, 2013. Early application is permitted. The company forms current tax assets and deferred tax liabilities on the basis of the tax consequences of the sale. This has not resulted in any changes to the Group's current approach.

- Amendment to IAS 1, Presentation of Financial Statements: Under this amendment, companies must subdivide items presented in other results into those that are reclassified (recycled) to profit and loss in subsequent periods, and those that are not. The application of the amendment is mandatory for reporting periods beginning on or after July 1, 2012.

- IFRS 10, Consolidated Financial Statements, is based on existing principles. The focus of IFRS 10 is on the introduction of a uniform consolidation model for all companies which considers the subsidiary being controlled by the parent company. Furthermore the standard includes additional guidelines that support the determination of an existing control, particularly for difficult cases. The provisions are to be applied to fiscal years beginning on or after January 1, 2014.

- IFRS 11, Joint Arrangements: This amendment does away with the previous option of using proportionate consolidation for joint ventures. In accordance with the provisions of IAS 28, application of the equity method for joint ventures will be required in the future. The standard is to be implemented in the first period of a fiscal year beginning on or after January 1, 2014.

- IFRS 12, Disclosure of Interests in Other Entities, combines the revised reporting requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11 as well as IAS 28 into one standard. The Group has not yet evaluated the complete effects of IFRS 12 and will apply IFRS 12 at the latest in the fiscal year beginning on January 1, 2014.

- IFRS 13, Fair Value Measurement, aims to improve measurement continuity and reduce complexity. It describes how to define fair value, how to determine the valuation and which disclosures must be made. The regulations, representing an alignment of IFRS and US GAAP, do not expand the scope of application for measurement of fair value. However, for cases where this fair value measurement is already required or allowed by the standard, the regulations explain how the fair value is to be applied. The Group will apply IFRS 13 for the first time in the fiscal year beginning on January 1, 2013.

- IAS 19, Employee Benefits, was amended in June 2011. This results in changes in the recognition and valuation of expenses for defined benefit pension plans and from benefits associated with employee termination. The option of using the corridor method is eliminated and all actuarial profits and losses are recorded in other results when they occur. Past service costs are recorded immediately, and interest expense and expected income on plan assets are determined taking into account the interest rate underlying the defined benefit obligation. The amendments are to be applied to fiscal years beginning on or after January 1, 2013. However, this provision does not currently affect the Group.

- IAS 27, Separate Financial Statements, was amended in 2011 in connection with the publication of the new standard IFRS 10, Consolidated Financial Statements. Significant consolidation guidelines were incorporated into the new standard. IAS 27 thus now contains only rules that are applicable to separate financial statements. For this reason, the standard was renamed IAS 27 Separate Financial Statements (revised 2011). Application of the new version of the standard is mandatory for fiscal years beginning on or after January 1, 2014.

- IAS 28, Investments in Associates and Joint Ventures (revised 2011): In accordance with the amendments to IFRS 11 and the mandatory application of the equity method to joint ventures, corresponding provisions were added to IAS 28 and the standard was renamed IAS 28, Investments in Associates and Joint Ventures (revised 2011). Application of the new version of the standard is mandatory for fiscal years beginning on or after January 1, 2014.

- Amendments to IFRS 7, Financial Instruments: The offsetting of financial assets and financial liabilities was revised in this standard. The relevant provisions were published in the form of amendments to IAS 32, Financial Instruments – Presentation, and IFRS 7, Financial Instruments – Disclosures. The disclosures on offsetting are to be applied retroactively and take effect for fiscal years beginning on or after January 1, 2013.

- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, deals with the recognition and measurement of stripping costs incurred during the operation of a surface mine. This has no relevance for the IFM Group.

- Amendment to IFRS 32, Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities. As a result of these amendments, additional application guidelines for the current offsetting model under IAS 32 were established. The offsetting of financial assets and financial liabilities is only permitted when a company has a firm legal claim as of the reporting date, which does not depend on a future event and is legally enforceable. The amended standard is to be applied to reporting years beginning on or after January 1, 2014.

- IFRS 9, Financial Instruments, deals with the classification, recognition and measurement of financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010. This standard replaces those sections of IAS 39 Financial Instruments: Recognition and Measurement that deal with the classification and measurement of financial instruments. Under IFRS 9, financial assets are classified in two measurement categories: those that are measured at the fair value and those that are measured at amortized cost. Definition is carried out at initial recognition. Classification depends on the way the Group has managed its financial instruments and on the contractually agreed payment flows which are connected to the financial instruments. Most of the regulations of IAS 39 for financial liabilities were retained. The main change is that in case of the exercising of the measurement at fair value, the changes to the value which result from the company's own risk are recorded in other result instead of in the statement of comprehensive income, unless this results in profit and loss. According to the latest knowledge, these regulations are required to be applied no earlier than fiscal years beginning on or after January 1, 2015. The EU has not yet adopted these regulations ("Endorsement").

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

B Summary of Material Accounting Principles

10 Consolidated Accounting Principles

100 Presentation Principles

The Group statement of comprehensive income has been prepared in accordance with the nature of expense method on the recommendations of EPRA (European Public Real Estate Association). The consolidated financial statements have been prepared uniformly for the periods shown here in accordance with the following consolidation, reporting and accounting principles.

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

110 Scope of Consolidation

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

Company	Property / Function
GP Properties GmbH, Heidelberg	Das Carré, Heidelberg
IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg	"westendFirst", Frankfurt; sale of the property in the fiscal year 2010; company still exists
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	General partner in IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg
IFM Property Project Ulmenstraße GmbH, Heidelberg	"Romeo & Julia", Frankfurt
IFM Property Project Mainz GmbH, Heidelberg	"GutenbergPark", Mainz
IFM Property Project Zimmerstraße GmbH, Heidelberg	"Zimmerstraße/Mauerstraße", Berlin
IFM Property Project Eschborn GmbH, Heidelberg	"Maxxon", Eschborn-Süd
IFM Property Project Feldbergstraße GmbH, Heidelberg	"Feldbergstraße", Frankfurt; sale of the property in the fiscal year 2010; company still exists
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	Shareholder in IFM Property Project Darmstadt GmbH, Heidelberg
NEWCOM Property Verwaltungs GmbH, Heidelberg	General partner in NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg
IFM Property Project Darmstadt GmbH, Heidelberg	"Office Tower", Darmstadt
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	Shareholder in the following entities: IFM Property Project - Adolfsberg GmbH & Co. KG - Hochhaus GmbH & Co. KG - Sonnenberger Straße 2/2a GmbH & Co. KG - Sonnenberger Straße 2b GmbH & Co. KG - Taunusstraße 1 GmbH & Co. KG - Taunusstraße 3 GmbH & Co. KG
IFM Property Project IX GmbH, Heidelberg	General partner in IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg, and the following individual project companies of the property "Kureck"
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden
IFM Property Project Taunusstraße 1 GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden

IFM Property Project Taunusstraße 3 GmbH & Co. KG, Heidelberg	"Kureck", Wiesbaden
IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG, Heidelberg	Shareholder in IFM Property Project Frankfurt-Zeil GmbH, Heidelberg and Sankthorst Concept Store GmbH, Heidelberg
IFM Property Project VIII GmbH, Heidelberg	General partner in IFM Property Project Frankfurt-Zeil Holding GmbH & Co. KG, Heidelberg
IFM Property Project Frankfurt–Zeil GmbH, Heidelberg	"Zeilgalerie", Frankfurt
IFM Asset Management GmbH, Heidelberg	Asset Management
Sankthorst Concept Store GmbH, Heidelberg	Service company for the management of retail, restaurant and event space

Because of contractual obligations with banks, the subsidiaries are usually able to make distributions or capital repayments to the parent company only to a limited extent. A control and profit transfer agreement was concluded on April 22, 2009 between IFM Immobilien AG and its wholly owned subsidiary, IFM Asset Management GmbH. Under this agreement, IFM Immobilien AG assumes management of IFM Asset Management GmbH and may issue instructions. Furthermore, IFM Asset Management GmbH is obliged to transfer its total profits to IFM AG, which in turn is obliged to assume any losses pursuant to the provisions of Stock Corporation Act (§ 302 AktG). The contract has a fixed term through December 31, 2013. It was approved by the annual shareholders' meeting on June 10, 2009.

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

120 Consolidation Principles

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

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

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

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

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

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

130 General Reporting and Accounting Principles

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

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

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

1301 Investment properties

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

Properties that are held partly for generating rental income and/or capital appreciation and partly for the company's own use are accounted for separately if the conditions of IAS 40.10 are satisfied. Otherwise these properties represent investment property only, and are accounted for as such. They are also reported as investment property if the part held for the company's own use or for administrative purposes is insignificant overall.

In compliance with IAS 40, investment properties are measured at their fair value. Changes in fair value are credited or charged to the income statement. The method provided in IAS 40 for measuring the fair value of properties under development is not applied if the value cannot be reliably determined. A fair value can be reliably determined for all properties of the Group as of the end of 2012.

If available, current prices for similar properties in active markets are used 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 experts based on the income capitalization approach (for details see Note 20).

1302 Office and other equipment

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

1303 Goodwill

Goodwill acquired as part of a corporate merger is allocated to the relevant cash-generating unit and is subsequently checked for impairment on each balance sheet date, as well as when there is an indication that the value of the cash-generating unit might be impaired. If impaired, goodwill is written down to the lower recoverable amount on an unscheduled basis.

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

1304 Other intangible assets

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

1305 Non-current assets held for sale

In accordance with IFRS 5, non-current assets to be disposed of through sale are presented as „non-current assets held for sale" in a separate balance sheet item if the sale is considered highly probable. Property, plant and equipment must be recognized at the lower of its carrying amount before reclassification in accordance with the provisions of IAS 16 and its fair value less estimated costs to sell at the date of the reclassification. Any impairment loss incurred here is recognized in profit or loss in results from operating activities.

Properties held for sale which are attributable to "investment property" are subject to the provisions of IFRS 5 only with regard to their presentation and are thus also presented in the item "non-current assets held for sale". IFRS 5 does not explicitly apply to valuation, which will continue to take place in accordance with IAS 40.33ff.

1306 Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1307 Total

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

- Authorized capital 2011
- Acquisition and use of own shares in accordance with § 71 Para. 1 No. 8 of the German Stock Corporation Act

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 current 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.

1308 Provisions and Other Non-Financial Liabilities

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

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

The costs incurred by transactions settled in cash are first assessed with their relevant fair value, at the time they are settled under use of a binomial model (see Note 3055). The fair value is recognized as profit or loss with a distribution across the period until the first possible day of exercise under recognition of a corresponding disposal. The disposal is reassessed on each reporting date and on the day of fulfillment. Changes to the fair value are recognized in profit or loss.

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

1309 Realization of Income

Rental income, revenues due to charge of incidental expenses and other real estate related income include all income from the usual business activities of the Group. Income from usage fees are recognized over time using the realization principle in accordance with the underlying contracts.

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

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

13010 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.

13011 Income Tax

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

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

Deferred tax assets for temporary differences and tax loss carry forwards are 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.

13012 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.

13013 Changes in Reporting and Accounting Principles

There were no 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;
- method and valuation of provisions;
- whether criteria have been satisfied for the extended local business tax deduction for land at special-purpose entities.

In accordance with IAS 40, the fair value of investment properties amounting to EUR 256,100 thousand (previous year: EUR 338,800 thousand) is assessed in appraisals prepared by independent, external experts. These appraisals are based on the income capitalization method according to the property valuation regulation, taking into account current market data. Underlying assumptions and estimates in these cases relate especially to sustainable annual net income, management costs and property yields. Investment costs still to be made and differences of the gross annual earnings currently obtainable according to the lease agreement to the gross annual earnings usual in the market are recognized through special values. Similar to the resulting fair values, the underlying assumptions and estimates may fluctuate greatly over time and affect profits accordingly.

The carrying value of non-current assets held for sale amounted to EUR 94,709 thousand as of December 31, 2012 (previous year: EUR 0 thousand).

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

	12/31/2012		**12/31/2011**	
	Average	**Range**	**Average**	**Range**
Property yield in %	5.43	4.50 – 6.75	5.67	4.50 – 6.75
Maintenance costs in % gross annual rental earnings	5.87	3.10 – 9.03	5.87	2.50 – 9.30
Administration costs in % of gross annual rental earnings	3.03	2.00 – 4.00	3.12	2.00 – 4.00
Remaining period of use in years*	45.81	33 – 56	46.92	34 – 57
Risk of loss of rent in % of gross annual rental earnings	4.08	3.50 – 5.00	4.14	3.50 – 5.50

*incl. the property "Romeo & Julia", which is being sold in the first quarter of 2013; not including this property, the average remaining period of use is 41.76 years and the range is 33-50 years

As a result of the progress in project development, further marketing success and the improved risk profile, the property interest rates and risk premiums were adjusted downward for some properties in comparison to the previous year. If the property interest rates and risk premiums had been unchanged from the previous year, the fair value of investment properties would have been a total of around EUR 13 million lower. In addition, the other underlying assumptions and estimates were adjusted to current conditions. Overall, the result from the market assessment of investment properties was EUR 10,385 thousand.

If the discount rates had increased or decreased by 0.25 percentage points, the fair values on the balance sheet date would have been reduced by EUR 9,000 thousand (previous year: EUR 12,800 thousand) or increased by EUR 9,650 thousand (previous year: EUR 13,350 thousand).

C Explanatory Notes to the Consolidated Financial Statements

30 Explanatory Notes to the Consolidated Balance Sheet

300 Non-current assets

3000 Investment properties

The line item for investment properties represents properties held to generate rental income and/or for capital appreciation, in addition to properties still under development.

In compliance with IAS 40, investment properties are measured at their fair value. Changes in fair value are credited or charged to the income statement. Additions comprise subsequent costs of acquisition and creation.

This refers to the following properties:

	As of Jan 01, 2012 EUR 000	Additions/ Reclassifications EUR 000	Changes in fair value EUR 000	Reclassifications IFRS 5 EUR 000	As of Dec 31, 2012 EUR 000
„Das Carré“ Heidelberg	31,200	96	204	0	31,500
„GutenbergPark“, Mainz	25,800	0	-100	0	25,700
„Kureck“, Wiesbaden	38,000	124	-124	0	38,000
„Office Tower“, Darmstadt	13,000	0	0	0	13,000
„Romeo & Julia“, Frankfurt	94,300	165	177	-94,642	0
„Zeilgalerie“ Frankfurt	67,500	903	7,197	0	75,600
„Maxxon“, Eschborn	53,000	219	1,481	0	54,700
„Zimmer- / Mauerstraße“, Berlin	16,000	50	1,550	0	17,600
	338,800	1,557	10,385	-94,642	256,100

The major project developments were largely brought to an end in the reporting year, in particular regarding the properties Maxxon, Eschborn, the Zeilgalerie and Romeo & Julia, Frankfurt. Accordingly, significant new rental agreements were concluded for the properties Maxxon and Zeilgalerie, which led to an increase in their market values.

The property Kureck in Wiesbaden was put on hold in the reporting year pending political decisions after the property Schöne Aussicht had been acquired in the previous year as part of the further development of the project and recorded in additions at EUR 1,350 thousand. The market value of the property Zimmerstrasse has increased due to positive market developments in Berlin.

Because of the sales contract existing on the balance sheet date, the property Romeo & Julia, Frankfurt, was presented in non-current assets held for sale in accordance with IFRS 5. The economic transfer does not take place until the following year.

The carrying amounts of investment properties have changed since 2011 as shown below.

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

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

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

The land in Mainz for GutenbergPark is encumbered with a land charge held by a bank at a nominal sum of EUR 16,100 thousand plus 15% interest per year and a one-time incidental payment of 5%.

The lots of land in Wiesbaden for Kureck are encumbered 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 encumbered with two land charges with no certificate held by a bank to a total nominal sum of EUR 58,000 thousand plus 16% interest per year. In addition, lease claims and receivables from land purchase contracts were assigned to the bank as well. In connection with the sale of this property (see presentation as non-current asset held for sale), the loan is to be settled and the property presented as unencumbered.

The land in Darmstadt for the Office Tower is encumbered 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 encumbered 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 encumbered 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 encumbered with a land charge held by a bank at a nominal sum of EUR 10,600 thousand plus a 15% interest and 5% one-time incidental payment.

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

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

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

	2012 EUR 000	2011 EUR 000
Income from property management	21,642	18,472
Expenses from property management	-11,248	-7,006
	10,394	11,466

3001 Office and other equipment

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

3002 Goodwill

As of December 31, 2012, 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, 2012; 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 budget calculations for the 2013-2017 fiscal years. Cash flow was projected for the periods thereafter as a perpetual annuity.

3003 Other intangible assets

Other intangible assets include software and licenses amortized over 3 to 8 years. An advantageous lease agreement was acquired in the takeover of the main part of the business operations of IFM Immobilien-Finanz-Management GmbH, which is amortized over its remaining term.

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

3004 Other non-current assets

This item comprises term deposits invested by Group companies, rental income accounts and a securities portfolio at a value of EUR 1,512 thousand (previous year: EUR 3,271 thousand), security deposits to a sum of EUR 738 thousand (previous year: EUR 647 thousand), and non-current receivables from rental installments and incentives in the amount of EUR 386 thousand (previous year: EUR 1,665 thousand). Due to restrictions on availability, the term deposits and rental income accounts do not represent cash and cash equivalents.

3005 Deferred taxes

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

		12/31/2012 EUR 000	12/31/2011 EUR 000
Deferred tax assets			
	Carried forward	11,288	8,919
	Derivative financial instruments	375	734
	Investment properties	630	458
	Other	282	80
		12,575	10,191
Offset against deferred tax liabilities		-9,452	-7,822
Total		**3,123**	**2,369**

Deferred tax liabilities			
	Investment properties	-25,984	-21,611
	Other	-511	-924
		-26,495	-22,535
Offset against deferred tax assets		9,452	7,822
Total		**-17,043**	**-14,713**
Deferred taxes, net		**-13.920**	**-12.344**

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

A tax rate of 15.8% (previous year: 15.8%) was assumed for corporate income tax and solidarity tax for project companies that are corporate entities where the extended deduction for property could be assumed for the local business tax. In cases where the extended deduction for property could not be assumed, the local business tax was calculated based on the usual municipal rates. The local business tax was calculated based on the usual municipal rates for project companies that are partnerships. The tax rate was calculated for IFM AG at a rate of 31.0% (previous year: 31.0%) taking corporate income tax, solidarity tax and local business income tax rates into account. No deferred taxes were recognized for the difference between net assets in the consolidated balance sheet and the taxable carrying amounts of shareholdings in subsidiaries, as the Group is able to control the timing of the reversal of the difference and it is not probable that the temporary differences will be reversed in the foreseeable future.

If current projections and tax structuring options allow tax loss carry forward to be used in future years, deferred tax items are recognized as such even where there are no taxable temporary differences and the company has had sustained losses in the current and/or previous reporting period. This applies in particular to deferred tax assets in the amount of EUR 2,334 thousand (previous year: EUR 1,478 thousand) on loss carry-forward of IFM AG and deferred assets with other companies of EUR 789 thousand (previous year: EUR 435 thousand).

No deferred tax assets were recognized for unused tax loss carry-forward in the amount of EUR 4,180 thousand (previous year: EUR 3,519 thousand) for local business income tax, or EUR 1,726 thousand (previous year: EUR 1,306 thousand) for corporate income tax. Loss carry-forwards will not expire over time under the current legal provisions.

301 Current assets

3010 Trade accounts receivable

At EUR 2,056 thousand (previous year: EUR 1,763 thousand), trade accounts receivable pertain to receivables under leases, from invoices for incidental costs, for incidental cost estimates which have not yet been invoiced and the differentiation of rental income installments. Receivables are usually assigned to the banks in question under loan agreements.

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

	12/31/2012 EUR 000	12/31/2011 EUR 000
Differentiation of rental income installments	54	343
Neither overdue nor impaired	1,225	704
Not overdue and impaired	375	234
Thereof with individual allowances	-271	-163
Overdue		
up to 1 month	130	88
up to 3 months	48	100
up to a year	575	406
over a year	360	527
Thereof with individual allowances		
up to a year	-260	-136
over a year	-180	-340
	2,056	**1,763**

3011 Other Current Assets and Deferred Income and Accrued Expenses

	12/31/2012 EUR 000	12/31/2011 EUR 000
Other current assets	100	487
Deferred income and accrued expenses	167	195
	267	**682**

Other current assets of EUR 100 thousand (previous year: EUR 487 thousand) result primarily from debtors with credit balances. In the previous year, the item included receivables from a minority shareholder of EUR 210 thousand which were settled during the fiscal year.

3012 Tax receivables

Current tax receivables are recognized at EUR 214 thousand (previous year: EUR 885 thousand). This item includes value added tax receivables in the amount of EUR 196 thousand (previous year: EUR 726 thousand), receivables from the local business income tax in the amount of EUR 7 thousand (previous year: EUR 51 thousand) and receivables of EUR 11 thousand (previous year: EUR 108 thousand).

3013 Securities

The Group invests free cash in investment funds. The fair value of these securities was EUR 4,339 thousand at the reporting date (previous year: EUR 3,870 thousand). Because part of the account is pledged, EUR 809 thousand (previous year: EUR 715 thousand) was listed under other non-current assets. The investment goal of these funds is to generate above-average returns through active portfolio management, allowing for risk diversification in euros.

3014 Cash and cash equivalents

The total balance at financial institutions and in cash came to EUR 2,753 thousand (previous year: EUR 1,990 thousand). This pertains to highly liquid financial assets which the Group can use at short notice.

3015 Non-current assets held for sale

This item includes the fair value of the property Romeo & Julia, Frankfurt, of EUR 94,643 thousand, taking into account the provisions of the purchase contract. The sale of this property entails the removal of office and other equipment with a value of EUR 66 thousand from property, plant and equipment.

A sales agreement for this property was concluded in December 2012. The entitlements and obligations were transferred with the payment of the purchase price on January 28, 2013. Bank liabilities in connection with this property of EUR 55,000 thousand were extinguished with the payment of the purchase price in 2013 in order to provide the property free of encumbrances.

302 Equity

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

3020 Share Capital and Additional Paid-In Capital

	Share capital EUR 000	Additional paid-in capital EUR 000
As of December 31, 2010 / January 1, 2011	9,350	79,431
Issuing shares from stock option plans	15	64
Stock option plans	0	41
As of December 31, 2011 / January 1, 2012	9,365	79,536
Issuing shares from stock option plans	161	827
As of December 31, 2012	**9,526**	**80,363**

a) Share Capital and Additional Paid-In Capital:

IFM AG stock was admitted for trading in the Entry Standard segment of the Frankfurt Stock Exchange in May 2006. Security identification number (WKN): A0JDU9, ISIN: DE000A0JDU97. The first quotation was on May 19, 2006. As of April 30, 2008, IFM AG stock began trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. As of December 31, 2012, the share capital equals EUR 9,526 thousand and is divided into 9,525,999 non-par shares. The 161,400 shares issued from the conditional capital in the current fiscal year are the result from the exercising of subscription rights on the basis of the existing stock option plan. 131,400 of these no-par ordinary shares were subscribed at an exercise price of EUR 5.40, and 30,000 at an exercise price of EUR 9.28. The amount of EUR 827 thousand which exceeded the nominal value of EUR 161 thousand was added to the additional paid-in capital. The capital increase was entered into the Commercial Register on February 12, 2013.

No expense (previous year: EUR 41 thousand) was incurred by the stock option plans. The expense is recognized as an increase in additional paid-in capital.

b) Authorization to acquire and use own shares in accordance with § 71 Para. 1 no. 8 AktG

At the annual shareholders' meeting of May 15, 2012, the company was authorized to acquire up to a total of EUR 936,459 in own shares (10% of the share capital at the time). It was stipulated that the shares acquired as a result of this authorization, together with other company shares which it has already acquired and is still in possession of or which are to be assigned to the company in accordance with §§ 71a ff. AktG, may at no point exceed 10% of the share capital. In addition, the requirements §71 Paras. 2 and 3 AktG must be observed. The authorization can be exercised as a whole or in installments, once or multiple times. It is valid until May 14, 2017.

c) Authorized Capital

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

d) 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 convertible bonds and/or warrant bonds (hereinafter referred to collectively as bonds), in bearer and/or registered form, 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). No bonds were issued on the basis of this authorization. The authorization has expired.

e) 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. The deadline for exercising these stock option has since expired without any of the corresponding stock options having been exercised. As a result, the Conditional Capital 2006 can no longer be made use of. For this reason, it was decided at the annual shareholders' meeting of May 15, 2012 to completely cancel the Conditional Capital 2006 and to amend the articles of incorporation accordingly.

Conditional Capital 2007 II

At the annual shareholders' meeting of July 20, 2007, it was decided to increase the share capital of IFM AG by up to EUR 730 thousand by issuing up to 730,000 new non-par shares. In the 2007 fiscal year, 292,000 stock options were granted and an additional 292,000 were granted in the 2008 fiscal year as part of the Stock Option Plan 2007. The last tranche of the Stock Option Plan 2007 (shown below as Tranche 5) was granted effective April 3, 2009. By exercising options, 14,600 new shares were issued in the previous year and 161,400 new shares were issued in the current fiscal year from this capital. At the end of the 2012 fiscal year, all stock options that were not exercised during the year expired as a result of the deadline passing or termination of an employment contract. The partially unused conditional Capital 2007 II still recorded in the Commercial Register thus amounts to EUR 554,000.00.

The stock options issued to the members of the Executive Board are presented below.

Nature of agreement	**Stock-based compensation for Executive Board**				
Tranche	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Date granted	10/06/2006	10/06/2006	09/13/2007	02/19/2008	04/03/2009
Stock options granted	60,000	60,000	292,000	292,000	146,000
Maximum term (years)	5.00	5.00	5.00	5.00	5.00
Strike price (EUR)	5.00	5.00	10.94	9.28	5.40
Contractual remaining term as of 12/31/2012 (in years)	0.0	0.0	0.0	0.1	1.3
Outstanding options at the start of the 2012 reporting period	0	0	262,000	232,000	131,400
Options exercised in the 2012 reporting period				30,000	131,400
Options expired in the 2012 reporting period	0	0	262,000	202,000	0
Outstanding or exercisable options at the end of the 2012 reporting period	0	0	0	0	0

Conditions of Exercise for Tranche 1 and Tranche 2

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

Conditions of Exercise Tranches 3, 4 and 5

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

- Subscription 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.

- As a consequence of the termination of employment contracts, a total of 202,000 stock options from Tranche 3 and 4 expired (previous year: 90,000 stock options). Another 262,000 options from Tranche 3 expired as a result of the deadline passing. 161,400 options (previous year: 14,600 options) from Tranches 4 and 5 were exercised for a subscription price of EUR 5.40 and EUR 9.28 per share, respectively. The average market value of the share at the date of issue was EUR 11.50.

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

	Issue Date	Option Value in EUR (rounded)
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 0 thousand as of December 31, 2012 (previous year: EUR 1,472 thousand).

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

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

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

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

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

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

Fluctuation was determined by weighting historical data for the elapsed months of the vesting period against the fluctuation expected by the management for the remaining months from the reporting date until the end of the vesting period. Tranches 3, 4 and 5 were only granted to members of the Executive Board; fluctuation was not expected for these members at the valuation date.

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

The following expenses were incurred by IFM Immobilien AG from the stock option program for the grant period from 2006 to 2012 (as of: year-end):

	12/31/2012 EUR 000	12/31/2012 EUR 000
Total expense for equity-based compensation	2,278	2,278
thereof stock-based compensation settled using equity instruments	2,278	2,278
Expense for equity-based compensation in the reporting period	0	41

3021 Other reserves

At a sum of EUR 8,652 thousand (previous year: EUR 7,977 thousand), other reserves are mainly a result of contributions of ownership interests in IFM Property Project Frankfurt GmbH and GP Properties GmbH to IFM AG in 2006 and the changes in the fair value of derivative financial instruments covered by hedge accounting, which are recognized in equity with no effect on profit or loss. The fair values from cash flow hedges less deferred tax assets were set off against other reserves in the amount of EUR 675 thousand (previous year: EUR 471 thousand) in the fiscal year.

3022 Retained earnings

Retained earnings are shown below:

	EUR 000
Retained earnings January 01, 2011	12,915
Annual net Group profit for 2011 without minority interests	5,675
Retained earnings December 31, 2011/ January 1, 2012	**18,590**
Annual net Group profit for 2012 without minority interests	4,644
Retained earnings December 31, 2012	**23,234**

3023 Minority interests

Minority shareholders hold 5.2% of subsidiary GP Properties GmbH and 30% of the shares of subsidiary Sankthorst Concept Store 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 borrowings and deferred income and accrued expenses" in accordance with IAS 32.

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

Minority interests were EUR 367 thousand at the reporting date (previous year: EUR 384 thousand).

303 Borrowings

Borrowings recognized in the consolidated balance sheets as of December 31, 2012 can be broken down as follows:

	long-term capitalshort-term EUR 000	short-term borrowings EUR 000
Liabilities to banks	97,512	116,227
Trade accounts payable and other liabilities	1,364	2,889
Derivative financial instruments	0	1,256
Other short-term liabilities and Deferred income and accrued expenses	0	3,821
Provisions for taxes	0	278
Other provisions	0	3,990
Deferred tax liabilities	17,043	0
	115,919	**128,461**

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

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

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

304 Non-current borrowings

3040 Liabilities to banks

A breakdown of the contractual maturity of existing liabilities to banks as of December 31, 2012 is presented below:

	Total EUR 000	Variable rate of interest EUR 000	Fixed rate of interest EUR 000
Up to 1 year	116,227	115,370	857
1 to 2 years	2,456	1,580	876
2 to 3 years	2,659	1,764	895
3 to 4 years	52,065	34,046	18,019
4 to 5 years	900	900	0
Over 5 years	39,432	39,432	0
	213,739	**193,092**	**20,647**

In connection with the sale of the property Romeo & Julia, loans totaling EUR 55,000 thousand are repaid from the sale proceeds of the property in 2013.

The breakdown of liabilities into current and non-current is carried out on the basis of the contractual regulations in the loan agreements. In accordance with IAS 1.69, the liabilities are presented as current if the debt is expected to be settled within 12 months of the balance sheet date or no unconditional right exists to postpone the settlement of the debt by at least 12 months after the balance sheet date.

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

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

Liabilities to banks pertain mainly to property loans granted by various banks. These loans are generally charged interest at a variable rate. Taking into account interest-rate hedging transactions for all loans, the weighted rate of interest was 2.55% as of the balance sheet date (previous year: 4.61%). The weighted interest rate for fixed-rate loans was 2.23% as of the balance sheet date (previous year: 5.49%).

The variable-rate loans are charged interest based on the 4- to 6-month EURIBOR or the 3-month EURIBOR plus the margin specified under contract. In some cases, interest rate hedging agreements (swaps, collars, caps or floors) with varying effectiveness are signed as part of the loan agreements.

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

3041 Other non-current liabilities

Deposits received totaling EUR 764 thousand (previous year: EUR 679 thousand) and the non-current portion of construction cost subsidies totaling EUR 600 thousand (previous year: EUR 1,021 thousand) are presented in other non-current liabilities. In the previous year, this item also included obligations from employee compensation programs of EUR 63 thousand; as of December 31, 2012 these are presented under current liabilities.

3042 Derivative financial instruments

Please refer to the explanation in Note 3054 as only short-term derivatives were used in the reporting year.

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	-141	4,192
Floor	IFM Immobilien AG	-320	50,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-2,148	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-132	2,600
Swap	IFM Property Project Ulmenstraße GmbH	-55	20,000
Swap	IFM Property Project Ulmenstraße GmbH	-26	9,726
Swap	IFM Property Project Ulmenstraße GmbH	-6	2,143
Total		**-2,828**	

3043 Deferred tax liabilities

Deferred tax liabilities are mainly attributable to the market assessment of investment properties. Please refer to the explanations provided on tax liabilities in Note 3005 for further information.

305 Current borrowings

3050 Provisions for taxes

At a sum of EUR 278 thousand (previous year: EUR 2,477 thousand), provisions for taxes pertain to local business income tax in the amount of EUR 197 thousand (previous year: EUR 1,765 thousand) as well as corporate income tax and the solidarity surcharge in the amount of EUR 0 thousand (previous year: EUR 712 thousand) and real estate transfer tax of EUR 80 thousand.

3051 Other provisions

At EUR 3,990 thousand (previous year: EUR 3,900 thousand), other provisions pertain mainly to deferrals for construction services performed and provisions for anticipated losses for pending continuing obligations. Other provisions are due within twelve months.

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 2,889 thousand (previous year: EUR 4,396 thousand). This reduction is the result of fact that the revitalizations and project developments have largely been concluded.

3054 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
Collar	IFM Property Project Frankfurt-Zeil GmbH	-1,185	41,000
Collar	IFM Property Project Frankfurt-Zeil GmbH	-71	2,600
Total		**-1,256**	

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

As of December 31, 2012, non-current liabilities resulting from derivative financial instruments corresponded to EUR 0 thousand (previous year: EUR 877 thousand) and current liabilities to EUR 1,256 thousand (previous year: EUR 1,951 thousand).

3055 Other Current Liabilities and Deferred Income and Accrued Expenses

This item can be broken down as follows:

	12/31/2012 EUR 000	12/31/2011 EUR 000
Liabilities for wages and salaries	2,251	131
Liabilities for value-added tax	347	280
Deferred income and accrued expenses	284	439
Liabilities for the compensation for members of the Supervisory Board	259	257
Preemptive right of minority shareholders	250	0
Net assets of minority interests	185	188
Liabilities for the share-based staff compensation program	111	0
Other liabilities to the tax office	0	990
Other	134	201
Total	**3,821**	**2,486**

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

The liabilities from the share-based employee compensation program are presented under current liabilities in the reporting year.

In the 2010 fiscal year, the company concluded a plan to issue virtual staff shares and communicated this to the staff. At the time the virtual shares are issued, those eligible receive a cash payment linked to the performance of the shares. The company deposited the corresponding shares in a securities account in January 2011. There is no entitlement to the provision of company shares. In the 2011 fiscal year additional value appreciation rights were issued. In the 2012 fiscal year, no further virtual shares were granted. The virtual share plan represents share-based compensation with cash settlement. This plan was neither canceled nor modified in the current fiscal year. The virtual shares are subject to the following conditions:

- The amount paid out corresponds to the market value of the shares in the relevant deposit.
- The virtual shares can be exercised after a waiting period of 3 years. The program runs for an unlimited period. It was assumed that the value appreciation rights granted in 2010 would be exercised by December 1, 2013, and that the value appreciation rights granted in 2011 would be exercised by August 5, 2014.
- If the member of staff leaves the company before the waiting period of 3 years has expired, he forfeits any claim to the options, regardless of the reason for leaving. Once the waiting period of 3 years has expired, the virtual shares are vested.
- Cash payment is net and corresponds to the full deposit value. The taxes and social security payments payable on the cash payment are undertaken by the company.

The virtual shares have performed as follows in the 2012 fiscal year:

	2012	2011
Outstanding virtual shares at start of reporting period	13,390	14,190
Virtual shares granted in the reporting period	0	2,200
Virtual shares forfeited in the reporting period	5,300	3,000
Virtual shares exercised in the reporting period	0	0
Virtual shares expired in the reporting period	0	0
Outstanding virtual shares at end of reporting period	8,090	13,390
Exercisable virtual shares at end of reporting period	0	0

The weighted average remaining term expected for the value appreciation rights granted in 2010 is 0.9 years and for those granted in 2011 1.6 years.

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

The following parameters were used for the assessment at December 31, 2012:

Parameters	12/31/2012	12/31/2011
Dividend return (%)	0.00	0.00
Expected volatility (%)	26.61%-29.67%	18.82%-23.77%
Risk-free interest rate (%)	0.02%	0.10%-0.26%
Expected term (years)	0.9 years – 1.6 years	1.9 years – 2.6 years
Share price at the reporting date (EUR)	11.20	8.60
Model applied	Binomial	Binomial

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

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

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

The personnel expenses recorded for services received during the fiscal year amounted to EUR 48 thousand (previous year: EUR 55 thousand).

The carrying value of the liability from virtual shares totaled EUR 111 thousand as of December 31, 2012 (previous year: EUR 63 thousand). The liability was presented under other non-current liabilities in the previous year.

306 Leases

3060 Operating Leases (Group as Lessor)

The Group generates most of its rental income, revenues due to charge of incidental expenses and other real estate related income from leasing investment properties. The lease agreements that the Group enters into are classified as operating leases under IAS 17.

In operating lease agreements, a carrying amount of EUR 256,100 thousand (previous year: EUR 338,800 thousand) was reported for leased completed investment properties. Lease agreements of various forms and of varying terms have been signed with both commercial and non-commercial tenants. Tenants have been granted the option to extend in some cases; no purchase options have been offered. Options to extend the lease term generally include price adjustment agreements in industry-standard stable value clauses.

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

	12/31/2012 EUR 000	12/31/2011 EUR 000
Up to 1 year	11,163	15,383
1 to 5 years	26,951	47,070
Over 5 years	23,869	25,566
	61,983	**88,019**

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

This took into account the sale of the property Romeo & Julia.

3061 Operating leases (Group as lessee)

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

In this, liabilities from the sale and lease back agreement from the sale of Ulmenstrasse 22 in 2010 are EUR 686 thousand for one year (previous year: EUR 653 thousand), EUR 1,497 thousand for two to five years (previous year: EUR 2,182 thousand) and EUR 0 thousand for over five years (previous year: EUR 0 thousand). The leasing contract was concluded until January 31, 2016.

The rental income generated each year from the sub-leasing amounts to EUR 478 thousand (previous year: EUR 187 thousand).

For a part of the rental space in the sold property westendFirst, a leasing contract with a term of four years was concluded at the start of the previous year. Accordingly, rental agreements were concluded for the sub-leasing of this space. The liabilities for one year amount to EUR 439 thousand (previous year: EUR 284 thousand), EUR 439 thousand for two to five years (previous year: EUR 632 thousand).

The rental income generated each year from the sub-leasing amounts to EUR 115 thousand (previous year: EUR 316 thousand).

Reserves for potential losses were formed for the resulting risks.

31 Explanatory Notes to the Consolidated Income Statement

The consolidated income statement has been prepared based on the recommendations of EPRA (European Public Real Estate Association).

310 Total Income and Total Expenses EBIT

	2012 EUR 000	2011 EUR 000
Total income EBIT	32,982	30,496
Total expenses EBIT	-20,599	-14,953
EBIT	**12,383**	**15,543**

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

311 Rental income and change of incidental expenses

The rental income is a result from the following properties:

	2012 EUR 000	2011 EUR 000
„Romeo & Julia“, Frankfurt am Main	4,038	3,520
„Maxxon“, Eschborn-Süd	3,084	2,355
”Zeilgalerie”, Frankfurt am Main	3,066	2,849
„Das Carré“, Heidelberg	2,240	2,190
„GutenbergPark“, Mainz-Hechtsheim	1,827	1,788
„Office Tower“, Darmstadt	651	665
„westendFirst“, Frankfurt am Main	321	295
„Ulmenstraße 22“, Frankfurt am Main	281	194
„Schöne Aussicht“, Wiesbaden	69	20
„Zimmerstraße“, Berlin	43	43
„Kureck“, Wiesbaden	0	208
	15,620	**14,127**

The changes in the rental income are due to recently concluded leasing contracts or those agreed with better terms, in particular for the properties Romeo & Julia, Maxxon and Zeilgalerie. The omission of rental income from the Kureck property is due to the current revitalization of the existing properties.

Revenues due to charge of incidental expenses are as follows:

	2012 EUR 000	2011 EUR 000
„Zeilgalerie“, Frankfurt am Main	996	906
„Das Carré“, Heidelberg	969	725
„Romeo & Julia“, Frankfurt am Main	770	716
„Maxxon“, Eschborn-Süd	680	392
„GutenbergPark“, Mainz-Hechtsheim	591	518
„Office Tower“, Darmstadt	150	140
„Ulmenstraße 22“, Frankfurt am Main	65	36
„westendFirst“, Frankfurt am Main	45	35
„Schöne Aussicht“, Wiesbaden	13	6
„Zimmerstraße“, Berlin	0	13
	4,279	**3,487**

The increase in income from the charging of incidental rental costs results from the increase in expenses from incidental costs and from the increase in newly leased spaces.

312 Rental Costs and Expenses from Incidental Costs

Rental costs and costs due to incidental costs includes all expenditures made by external parties from IFM Group properties.

For the property Ulmenstrasse 22, the rental costs amounted to EUR 656 thousand (previous year: EUR 214 thousand) and for the property westendFirst, rental costs amounted to EUR 359 thousand (previous year: EUR 255 thousand). The increase for Ulmenstraße 22 results from the expansion of sub-leased spaces.

Expenses from incidental costs can be broken down as follows:

	2012 EUR 000	2011 EUR 000
„Zeilgalerie", Frankfurt am Main	1,793	1,562
„Romeo & Julia", Frankfurt am Main	935	784
„Das Carré", Heidelberg	789	733
„Maxxon", Eschborn-Süd	722	665
„GutenbergPark", Mainz-Hechtsheim	628	516
„Kureck", Wiesbaden	240	232
„OfficeTower", Darmstadt	195	200
„Zimmerstraße", Berlin	106	97
„Ulmenstraße 22", Frankfurt am Main	69	72
„westendFirst", Frankfurt am Main	49	34
„Schöne Aussicht", Wiesbaden	42	7
Other	0	7
	5,568	**4,909**

313 Other real estate related income

Income from benefits as part of increases in the number of tenants (EUR 653 thousand; previous year: EUR 508 thousand) the depreciation of specific valuation allowances in the fiscal year amounting to EUR 141 thousand (previous year: EUR 158 thousand) as well as marketing income connected to the leasing of usable space amounting to EUR 122 thousand (previous year: EUR 119 thousand) are also listed here. In the reporting year, the reversal of provisions from construction costs of EUR 670 thousand were also presented here (previous year: EUR 0 thousand).

314 Other real estate related expenses

Expenditure which occurred in connection with project development on individual properties is listed under this item. This includes costs for increasing the number of tenants which cannot be capitalized and other non-recoverable maintenance (EUR 1,798 thousand; previous year: EUR 446 thousand) as well as costs for marketing (EUR 275 thousand; previous year: EUR 421 thousand) and costs for real estate brokers (EUR 328 thousand; previous year: EUR 215 thousand). The allocations to the corrections of specific valuation allowances for receivables, estimates of incidental expenses and losses on receivables amounting in total to EUR 396 thousand; previous year: EUR 346 thousand) are also reported here. Also presented are expenses from additions to provisions for anticipated losses for unlet spaces in the reporting year of EUR 670 thousand (previous year: EUR 31 thousand). This item also contains expenses arising from the derecognition of rents and subsidies in connection with the sale of the property Romeo & Julia which were deferred pursuant to IAS 18.

Other operating expenses are as follows:

	2012 EUR 000	2011 EUR 000
„Kureck“, Wiesbaden	611	77
„westendFirst“, Frankfurt am Main	577	118
„Ulmenstraße 22“, Frankfurt am Main	534	98
“Romeo & Julia“, Frankfurt am Main	489	145
„GutenbergPark“, Mainz-Hechtsheim	408	70
„Das Carré“, Heidelberg	358	289
„Maxxon“, Eschborn-Süd	288	262
”Zeilgalerie”, Frankfurt am Main	263	443
„Office Tower“, Darmstadt	106	106
„Zimmerstraße“, Berlin	17	17
“Schöne Aussicht“, Wiesbaden	12	3
Derecognition of receivables from deferred rents and subsidies für „Romeo & Julia“	1,002	0
	4,665	**1,628**

315 Result from market assessment of investment properties

The fair valuation of investment properties in accordance with IAS 40 yielded a result of EUR 10,385 thousand in 2012 (previous year: EUR 11,101 thousand). Please refer to Note 3000 for further details.

316 Administrative expenses

Administrative expenses primarily include the purely administrative management of all Group companies. These costs include rent for owner-occupied spaces, car costs, insurance, compensation for Supervisory Board members and general costs for accounting and consultancy.

Specifically, the breakdown is as follows:

	2012 EUR 000	2011 EUR 000
Legal counsel, consultants, accounting and annual financial statements	1,058	1,089
Compensation for members of the Supervisory Board	296	304
Vehicle costs	186	210
Costs of investor relations and AGM	135	116
Staff recruitment costs	97	68
Rental expense for own-used space	91	435
Trade fair and marketing costs	83	215
Travel, catering and representation costs	65	114
Other costs and expenses	455	590
	2,466	**3,141**

The change in rental expense from owner-occupied spaces in the reporting year results from the move from IFM AG's Frankfurt office to the Group's own property Romeo & Julia.

317 Personnel expenses

Personnel expenses can be broken down as follows:

	2012 EUR 000	2011 EUR 000
Wages and salaries	5,282	2,982
Payroll deductions	382	407
Stock-based compensation	0	41
Employee compensation based on virtual shares	48	55
Voluntary and other payments	59	115
	5,771	**3,600**

The increase in wages and salaries in the reporting year is based primarily on variable compensation, some of which is not paid out until the following year.

Services associated with employee termination total EUR 297 thousand.

318 Depreciation and amortization

Reported at EUR 335 thousand (previous year: EUR 291 thousand), the allocation of depreciation and amortization of fixed assets to the individual balance sheet items is presented in the consolidated statement analysis (Appendix 1 to the Notes).

319 Other operating income

Other operating income predominantly includes income from the write-back of provisions (EUR 223 thousand; previous year: EUR 368 thousand), income from property management of third-party properties (EUR 136 thousand, previous year: EUR 156 thousand) as well as from other calculations in expenses, remuneration and other compensation.

320 Other operating expenses

Other operating expenses predominantly include expenses which are not related directly to property. This includes consulting costs, expenses from compensation liabilities for derivatives, non-deductible input tax as well as other cost allocations and non-period expenses.

321 Net finance result

The net financial result can be broken down as follows:

	2012 EUR 000	2011 EUR 000
Other interest and similar income	605	97
Interest and similar expenses	-7,246	-9,914
Gain or Loss on Market Assessment of Derivatives	212	3,208
	-6,429	**-6,609**

Interest income is mainly a result of IFM AG's current financial investments in the reporting year amounting to EUR 470 thousand (previous year: EUR 46 thousand).

Interest expense is to a great extent a result of funds borrowed for property projects and interest rate hedges. Reported at EUR 100 thousand (previous year: EUR 176 thousand), capitalized financing costs have already been taken into account as a reduction in the interest expense.

322 Income taxes

Income taxes can be broken down as follows:

	2012 EUR 000	2011 EUR 000
Income taxes	-37	148
Deferred taxes	-1,290	-3,323
	-1,327	**-3,175**

See Note 3005 "Deferred taxes" for additional details.

Reported at EUR -1,290 thousand (previous year: EUR -3,323), the expense from deferred taxes pertains to:

	2012 EUR 000	2011 EUR 000
Temporary differences from the valuation of properties	-4,179	-3,979
Deferred tax loss carry forward	2,760	1,201
Deferred taxes on derivatives	-73	-442
Other temporary differences	202	-103
	-1,290	**-3,323**

When the tax rate of 29.8% (previous year: 29.8%) is applied, the tax expense for the fiscal years 2012 and 2011 deviates from the effective values and results in a Group tax rate of 22.3% (previous year: 35.5%).

	2012 EUR 000	2011 EUR 000
Profit (loss) for the period before income tax	5,954	8,934
Expected tax expense based on prescribed tax rate	-1,774	-2,662
Non-deductible expenses	-161	-102
Tax-free income	137	540
Loss of tax credits for companies with operating losses	-218	-744
Tax credits from the reversal of tax loss carry-forwards	592	0
Retrospective tax payments for previous years	33	0
Corporate income tax additions/reductions	-22	-43
Other	86	-164
Income tax according to income statement	**-1,327**	**-3,175**

323 Minority Interests

Minority interests amounted to EUR -17 thousand in the fiscal year (previous year: EUR 84 thousand). Minority interests are the minority shareholders stake in the company's equity.

32 Earnings per Share

	2012	2011
Consolidated profit after minority interests EUR 000	4,644	5,675
Weighted average number of shares for the undiluted result	9,525,999	9,364,599
Stock options	0	178,099
Weighted average number of shares for the diluted result	9,525,999	9,542,698
Undiluted earnings per share (EUR)	0.49	0.61
Diluted earnings per share (EUR)	0.49	0.60

The stock options issued as part of the conditional capital increase (see also Note 3020) which had not been exercised as of the reporting date have expired as a result of the deadline passing or the termination of an employment contract. In the current fiscal year 161,400 stock options were exercised. The shares participate in the consolidated profits from the beginning of the fiscal year in which the corresponding option was exercised.

No payment of dividends is planned for the fiscal year 2012.

33 Events after the Reporting Date

The sale of the property Romeo & Julia, Frankfurt, to a Swiss foundation for real estate investment was completed after the reporting date. The economic transfer took effect as of January 28, 2013.

34 Group Changes in Equity Statement

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

35 Cash Flow Statement

The financial position of the Group 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.

The cash flow from operating activities includes:

	2012 EUR 000	2011 EUR 000
Received interests	82	137
Interest payments	7,411	9,824
Income taxes paid less income taxes received	2,171	15

Cash flow from operating activities after interest and taxes was EUR -3,702 thousand (previous year: EUR -2,680 thousand).

At EUR -9,423 thousand (previous year: EUR -11,228 thousand) other non-cash income relate mainly relates to gain or loss on the market assessment of real estate at EUR -10,384 thousand (previous year: EUR -11,101 thousand), gain or loss on market assessment of derivatives at EUR -212 thousand (previous year: EUR -3,208 thousand), and deferred tax expenses at EUR 1,290 thousand (previous year: EUR 3,323 thousand). In addition, non-cash changes in provisions were recognized with EUR -547 thousand (previous year: EUR -326 thousand).

Other changes in cash and cash equivalents in the amount of EUR 84 thousand (previous year: EUR 2,301 thousand) include term deposits, rental income accounts, the restrictions on availability of which were suspended in the fiscal year. Thus, the accounts are part of the cash and cash equivalents again.

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

36 Segment reporting

No segment report as per IFRS 8 was prepared in the fiscal year 2012 or for the comparison period since the Group companies operate in a single business segment.

4 Further Information

40 Information About the Parent Company

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

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

41 Corporate Purpose and Principal Activities

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

By a decision of the shareholders' meeting of May 15, 2012, the articles of incorporation of IFM AG (Para. 4, No. 4) were changed. The change related to the cancellation of the 2006 conditional capital.

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

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

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

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

42 Risks Associated with IFM's Business Operations

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

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

The success of the business model was confirmed despite the economic conditions in the fiscal year 2012 remaining difficult. For example, the properties Romeo & Julia, Maxxon, GutenbergPark and the Zeilgalerie were able to conclude long-term tenancy agreements with tenants with high credit ratings.

The market is being constantly reviewed for possible exits. As part of this review, a sales agreement was concluded for the property Romeo & Julia shortly before the end of the fiscal year. The economic transfer of the entitlements and obligations took place on January 28, 2013. In the 2010 fiscal year three properties were sold. The property Ulmenstrasse 22 was sold as part of a sale and lease back transaction.

In addition to the work on the property portfolio, the Group is constantly looking into potential new purchases in its established regions Rhine-Main and Rhine-Neckar as well as central Berlin. In addition, the IFM Group regularly explores new opportunities to establish a presence in other metropolitan areas in Germany. The company aims to generate value appreciation in properties purchased for attractive selling prices, further strengthen established regions and continue to diversify the portfolio geographically in the mid-term.

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

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

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

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

The company's typical investment in developed land and the protection that comes 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, though a consistent diversification strategy in terms of tenant structure (multi-tenant strategy vs. single tenant) 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 mitigates this risk with its expertise in creating unique leasing and marketing concepts. Furthermore, the Group believes that its marketing department can position existing spaces successfully in the market without the aid of outside real estate agents and service providers, which also minimizes the risk associated with leasing.

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

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

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

To reduce the risk of employee 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.

An internal controlling and auditing team works in close coordination with external service providers such as auditors and tax advisors to identify, analyze and assess risks within the Group.

Please see the report on the position of the company and the group (Section D) regarding risks and risk management.

43 Information About Financial Instruments

Risk Management and Risks Associated with Financial Instruments

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

Currency Risks

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

Liquidity and Credit Risks

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

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

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

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

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

The Group had unexhausted credit approvals totaling around EUR 1,666 thousand as of December 31, 2012 (as of December 31, 2011: EUR 5,944 thousand). These credit approvals are valid for a term of up to 4 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 302 for an explanation on total equity.

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

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

Further information can be found in the report on the position of the company and the group.

Risks from Interest Rate Changes

The risk of interest rate changes, which are partially controlled using hedging transactions and risk distribution, are a particular market risk posed to IFM by financial instruments. A small part of the liabilities to banks are therefore charged at fixed interest rates as a result of this mix strategy. The loans are predominantly charged interest at a variable rate, for example based on the 3-month Euribor plus an agreed margin. In order to reduce the risk of interest rate changes, these loans are sometimes protected using interest rate hedging agreements with varying effectiveness, such as COLLAR constructions (CAPS and FLOORS). At the balance sheet date, there are interest rate hedges on only a small part of the floating-rate loans. More details on this area can be found in the explanations on derivative financial instruments and hedge relationships.

If market interest rates had been 25 basis points higher as of December 31, 2012, the consolidated profit (before tax) would have been EUR 378 thousand (previous year: EUR 40 thousand) lower. If market interest rates were 25 basis points lower, the consolidated profit would have been EUR 380 thousand higher (previous year: EUR 40 thousand). These hypothetical effects on profit were calculated based on the potential effects of interest derivatives and derivative financial debt charged at variable interest rates. If market interest rates had been 25 base points higher at December 31, 2012, equity would have been EUR 50 thousand higher (previous year: EUR 152 thousand), as a result of the change in reserves from cash flow hedges recognized as profit or loss. If market interest rates were 25 base points lower, the equity would have been reduced by EUR 25 thousand (previous year: EUR 151 thousand) (without taking tax effects into account).

Other Information About Financial Instruments

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2012

Assets	Carrying amount EUR 000	Total carrying amount in the scope of application of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Calculated using stock market prices EUR 000
Trade accounts receivable	2,056	1,987	LAR	1,987	–
Other non-current assets	2,636	2,250	LAR HFT	1,441 809	809
Other current assets	267	100	LAR	100	–
Securities	3,530	3,530	HFT	3,530	3,530
Cash and cash equivalents	2,753	2,753	LAR	2,753	–

* 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**)

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2012

Liabilities	Carrying amount EUR 000	Total carrying amount in the scope of application of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Calculated using stock market prices EUR 000
Liabilities to banks	213,739	213,739	AMC	215,219	–
Trade accounts payable	2,889	2,889	AMC	2,889	–
Other non-current liabilities	1,364	764	AMC	764	–
Derivatives not part of hedge accounting	71	71	HFT	71	–
Derivatives part of hedge accounting	1,185	1,185	–	1,185	–
Other current liabilities	3,821	828	AMC	828	–

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

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

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

* Measurement categories according to IAS 39

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**)

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

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

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

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

Information on Measurement Hierarchies:

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

Carrying amounts, fair values and measurement categories according to IFRS 7 classifications as of December 31, 2012

Assets	Carrying amount EUR 000	Total carrying amount in the scope of application of IFRS 7 EUR 000	Measurement categories according to IAS 39*	Fair Value EUR 000	Measurement hierarchy EUR 000
Securities	3,530	3,530	HFT	3,530	1
Other non-current assets	809	809	HFT	809	1
Liabilities					
Derivatives not part of hedge accounting	71	71	HFT	71	2
Derivatives part of hedge accounting	1,185	1,185	–	1,185	2

The values for the previous year are as follows:

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

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

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

The carrying amount of financial assets intended as collateral for liabilities was about EUR 4.0 million as of December 31, 2012 (previous year: ca. 4,7 Mio. EUR). Financial assets primarily include trade accounts receivable, term deposits, securities and derivatives provided as collateral for loan approvals by banks or under interest rate hedging agreements.

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

	2012 EUR 000	2011 EUR 000
Financial instruments held for trading (HFT)	331	196
Loans and receivables (LAR)	-155	-77
Financial liabilities measured at amortized cost (AMC)	-5,685	-5,928
Total	**-5,509**	**-5,809**

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 75 thousand in 2012 (previous year: EUR 129 thousand).

The total interest expenses from financial liabilities not measured at fair value with an effect on profit or loss was EUR 7,074 thousand in 2012 (previous year: EUR 7,081 thousand).

Derivative Financial Instruments and Hedge Relationships

The IFM Group uses financial instruments such as interest rate swaps, caps and floors as part of its interest rate management. There are no currency risks. Derivative financial instruments are concluded for the properties by the applicable organizational unit. Hedge accounting is applied here if all requirements have been fulfilled.

Changes in the fair value of derivatives that do not meet the requirements of hedge accounting are reflected in profit or loss. The market values of all derivatives (given) was EUR -1,256 thousand at the reporting date (previous year: EUR -2,828 thousand). In the consolidated financial statements, derivatives yielded an income of EUR 212 thousand (previous year: income of EUR 3,208 thousand) for market assessment. Allowing for deferred taxes results in an increase in equity with no impact on profit or loss to the sum of EUR 675 thousand (previous year: EUR 471 thousand).

Reserves from cash flow hedging performed as follows:

	2012 EUR 000	2011 EUR 000
At beginning of year	**-1,506**	**-1,978**
Profit/loss from cashflow hedges		
Interest rate derivatives (incl. reduction due to ineffectiveness)	-366	-501
Income tax due on income and expenses recognized in total equity	109	149
Transfer to statement of comprehensive income		
Interest rate derivatives	1,327	1,174
Income tax due on income and expenses recognized in total equity	-396	-350
At end of year	**-832**	**-1,506**

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

The Group applies the hedge accounting principles of IAS 39 to cash flow hedges. Cash flow hedges provide protection against risks from variable interest flows. A collar, which is a combination of two options (cap and floor), is used to limit the risk of changes in interest rates. These instruments secure cash flows from non-current financial liabilities on which interest is charged by way of cash flow hedge accounting. At December 31, 2012, existing hedging transactions were included under cash flow hedges with a term of up to one year.

For the collar, only the intrinsic value of an option is designated to be a hedging instrument (not the fair value) due to the IASB restriction on the hypothetical derivative method. Correspondingly, the change in the fair value of the option was fully recognized in profit or loss at EUR 2 thousand (previous year: EUR 24 thousand).

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

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

	Carrying amount 12/31/2012	Cash flows 2013		Cash flows 2014		Cash flows 2015		Cash flows 2016-2018	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
Underlying financial liabilities									
Liabilities to banks	(213,739)	(2,803)	(116,227)	(1,888)	(2,456)	(1,862)	(2,660)	(2,401)	(92,396)
Other financial liabilities	(4,481)	–	(3,717)	–	–	–	(764)	–	–
Derivative financial liabilities									
Interest-rate derivatives with no hedging relationship	(71)	(71)	–	–	–	–	–	–	–
Interest-rate derivatives as cash flow hedges	(1,185)	(1,185)	–	–	–	–	–	–	–

The variable interest payments were identified on the basis of the yield curves valid at December 31, 2012.

The previous years' figures were as follows:

	Carrying amount 12/31/2011	Cash flows 2012		Cash flows 2013		Cash flows 2014-2016	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Underlying financial liabilities							
Liabilities to banks	(207,897)	(4,502)	(96,200)	(2,468)	(44,838)	(4,511)	(66,859)
Other financial liabilities	(6,338)	–	(5,607)	–	–	–	(731)
Derivative financial liabilities							
Interest-rate derivatives with no hedging relationship	(680)	(692)	–	(82)	–	–	–
Interest-rate derivatives as cash flow hedges	(2,148)	(1,227)	–	(975)	–	–	–

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

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 173% as of December 31, 2012 (previous year: 178%).

45 Description of Business Combinations

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

46 Additional Information Pursuant to § 315a Para. 1 HGB

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

On average, 44 members of staff were employed at Group companies throughout the year (excluding Executive Board) (previous year: 47).

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:

	2012 EUR 000	2011 EUR 000
Fee for audit of the financial statements	99	120
Other services	25	31
Equity	**124**	**151**

47 Supervisory Board and Executive Board

470 Supervisory Board

The Supervisory Board of IFM AG comprised the following members in 2012 and 2011:

- Mr. Kaare M. Krane (Chairman of the Supervisory Board as of December 18, 2012), Chief Executive Officer; Member of the Supervisory Board since May 15, 2012
- Mr. Gordon Rapp (Vice Chairman of the Supervisory Board as of May 10, 2012; previously Chairman of the Supervisory Board), Attorney-at-Law
- Mr. Morten Bergesen, (Chairman of the Supervisory Board from May 10, 2012 until December 18, 2012; previously Vice Chairman), Chief Executive Officer
- Mr. Luca Pesarini, graduate in business administration (Diplom-Kaufmann)
- Mr. Eberhard Hascher, Tax Consultant (through April 30, 2012)
- Mr. Philipp Vogel, Entrepreneur
- Mr. Hans Furuholmen, Investment Director (since May 24, 2011)
- Mr. John Skogen (until May 24, 2011), Chief Executive Officer

Morten Bergesen, previously Vice Chairman of the Supervisory Board, was elected as the Chairman of the Supervisory Board in May 2012. He assumed the position from Mr. Gordon Rapp. Mr. Eberhard Hascher resigned from his position on the Supervisory Board of IFM Immobilien AG on April 30, 2012. Mr. Kaare M. Krane, Chief Executive Officer, was elected as his successor by a decision of the shareholders' meeting of May 15, 2012.

The total amount for fixed and variable compensation for members of the Supervisory Board was EUR 296 thousand (previous year: EUR 304 thousand).

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

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

Mr. Luca Pesarini is the Chair of the Administrative Board of the Swiss companies Ethna Independent Investors AG, Ethna Capital Management AG, Haron Holding AG and Mellinckrodt & Cie. Holding AG, of Erlenburg Immobilien AG, as well as holding the same function at the Luxembourg company ETHENEA Independent Investors S.A. In addition, Mr. Pesarini is a member of the Administrative Board of the Swiss company Colin & Cie AG. In German companies, he acts as the Chair of the Supervisory Board of Corix Capital AG and as a member of the Supervisory Board at DFV Deutsche Familienversicherung AG and Greiff Management AG.

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

Mr. Philipp Vogel is a member of Administrative Board ofKKH Kaufmännische Krankenkasse, Chair of the Supervisory Board of MeinPlus Servicegesellschaft, and a member of the Advisory Board at Combitel GmbHa.

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

471 Executive Board

The Executive Board of IFM AG comprised the following members in 2012 and 2011:

Mr. Georg Glatzel (CEO), Chairman of the Board, graduate economist (Diplom-Volkswirt) and real estate economist (EBS), Heidelberg (until December 21, 2012)

Mr. Tobias Sauerbier (COO), graduate engineer (Diplom-Ingenieur), real estate economist (EBS), Frankfurt am Main, since November 1, 2012

Mr. Volker de Boer (CEO), member of the Executive Board since December 18, 2012, Chairman of the Board since December 21, 2012, economist and businessman in the real estate and housing management industry, Hamburg

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

	2012 EUR 000	2011 EUR 000
Executive Board salaries	521	686
Other compensation and salaries	2,450	0
Stock option plans	0	41
Total	**2,971**	**727**

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.

No share options were granted to the members of the Executive Board in the current fiscal year. Stock options with a nominal value of EUR 161,400 were exercised by one Executive Board member.

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

48 Related Party Transactions

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

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

The following disclosures are required of IFM AG:

According to the information available to the company, a Norwegian group of investors consisting of Havfonn AS, Furuholmen Eiendom AS, and Skips AS Tudor holds a share of 48.78% of IFM Immobilien AG. In 2009, these investors concluded an agreement (consortial agreement) on the coordination of actions in regard to IFM Immobilien AG (acting in concert). The Norwegian investor group has a control relationship to IFM as defined by the German Stock Corporate Act.

Related parties to be considered in connection with the IFM AG Group are primarily the members of the Executive and Supervisory Boards, their immediate families, and entities they control. This includes IFM Immobilien-Finanz-Management GmbH as well as the NEWCOM Real Estate Network GmbH, which is held by a member of the Executive Board (Georg Glatzel).

The following transactions with related parties were conducted during the 2012 fiscal year.

Results from property management include EUR 33 thousand (previous year: EUR 78 thousand) in rental income from services performed for IFM Immobilien-Finanz-Management GmbH. In addition, interest income of EUR 3 thousand (previous year: EUR 15 thousand) payable to IFM, Immobilien-Finanzmanagement GmbH, as well as interest expenses amounting to EUR 2 thousand (previous year: EUR 2 thousand) payable to NEWCOM Real Estate Network GmbH were reported.

As of December 31, 2012, the Group had receivables of EUR 3 thousand from IFM Immobilien-Finanz-Management GmbH (previous year: EUR 256 thousand). Furthermore, there are liabilities to NEWCOM Real Estate Network GmbH amounting to EUR 60 thousand (previous year: EUR 58 thousand).
IFM AG invests some of its liquid funds in ETHNA Global Defensive. The management company of ETHNA Bond Premium is ETHENEA Independent Investors S.A., Munsbach (Luxembourg). Luca Pesarini is Chairman of the Administrative Board of this company. As of December 31, 2012, IFM AG had invested EUR 4,339 thousand in the fund (previous year: EUR 3,870 thousand). No shares in the funds were sold in 2012. IFM has also leased office spaces since 2012 to ETHENEA Independent Investors S.A. EUR 50 thousand in rental income was received for this.

49 Other Financial Liabilities

Other financial liabilities from rental, leasing, maintenance and repair contracts amounted to EUR 1,900 thousand in total as of December 31, 2012 (previous year: EUR 5,140 thousand). This figure includes obligations that are part of the operating lease contract terms less the contractually agreed rental income.

Commitments under current investment and ordering obligations amounted to EUR 719 thousand as of December 31, 2012 (previous year: EUR 1,868 thousand).

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

The **Executive and Supervisory Boards** of IFM AG issued notifications in accordance with § 21 Para. 1a WpHG:

Voting rights notification of February 20, 2012.

Pursuant to § 21 Para. 1 of the German Securities Trading Act, LRI Invest S.A., Munsbach, Luxembourg informed IFM Immobilien AG on February 20, 2012 that their share of voting rights in IFM Immobilien AG, Heidelberg, Germany (ISIN: DE000A0JDU97) had exceeded the threshold of 5% on February 15, 2012. On the day of this notification, they held 6.84% of the voting rights (640,406 voting rights).

Voting rights notification of April 10, 2012.

In accordance with § 21 Para. 1 WpHG, Mr. Georg Glatzel, Germany, informed us on April 10, 2012 that his share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 10% of the voting rights on April 5, 2012. On the day of this notification, he held 11.12% of the voting rights (corresponding to 1,056,353 voting rights). According to § 22 Para. 1 No. 1 WpHG , 5.82% of the voting rights (corresponding to 552,453 voting rights) were attributable to Mr. Glatzel via IFM Immobilien Finanz Management GmbH.

Voting rights notification of April 12, 2012.

In accordance with § 21 Para. 1 WpHG, LRI Invest S.A., Munsbach, Luxembourg, informed us on 4/12/2012 that its share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 10% of the voting rights on April 11, 2012. On the day of this notification, it held 10.11% of the voting rights (corresponding to 946,707 voting rights).

Voting rights notification of June 1, 2012.

In accordance with § 21 Para. 1 WpHG, Haron Holding AG, Switzerland, informed us on June 1, 2012 that its share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 5% of the voting rights on May 25, 2012. On the day of this notification, it held 6.59% of the voting rights (corresponding to 627,500 voting rights).

Voting rights notification of June 1, 2012.

In accordance with § 21 Para. 1 WpHG, Mr. Luca Pesarini, Switzerland, informed us on 6/1/2012 that his share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 10% of the voting rights on 5/25/2012. On the day of this notification, he held 11.21% of the voting rights (corresponding to 1,067,592 voting rights). According to § 22 Para. 1 No. 1 WpHG , 6.59% of the voting rights (corresponding to 627,500 voting rights) were attributable to Mr. Pesarini via Haron Holding AG.

Voting rights notification of June 4 2012.

In accordance with § 21 Para. 1 WpHG, Haron Holding AG, Zug, Switzerland, informed us on June 4, 2012 that its share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 10% of the voting rights on June 1, 2012. On the day of this notification, it held 11.21% of the voting rights (corresponding to 1,067,592 voting rights).

Voting rights notification of August 16, 2012

In accordance with § 21 Para. 1 WpHG, Mellinckrodt 1 SICAV, Munsbach, Luxembourg, informed us on August 16, 2012 that its share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 3% of the voting rights on November 21, 2011. On the day of this notification, it held 3.23% of the voting rights (corresponding to 302,406 voting rights).

Voting rights notification of August 16, 2012

In accordance with § 21 Para. 1 WpHG, Mellinckrodt 1 SICAV, Munsbach, Luxembourg, informed us on August 8, 2012 that its share of the voting rights in IFM Immobilien AG, Heidelberg, Germany had exceeded the threshold of 5% of the voting rights on February 14, 2012. On the day of this notification, it held 6.30% of the voting rights (corresponding to 590,406 voting rights).

Heidelberg, March 26, 2013

Volker de Boer Tobias Sauerbier


Deka

Appendix to the Notes of the Consolidated Financial Statements

Appendix 1

Changes in Consolidated Non Current Assets as of December 31, 2012

	Costs of acquisition or creation					Depreciation and amortization	
	As of 01.01.2012 EUR 000	Additions EUR 000	Disposals EUR 000	Transfers in accordance with IFRS 5 EUR 000	As of 31.12.2012 EUR 000	As of 01.01.2012 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	287,677	1,558	0	64,709	224,526	0	0
II. Office and other equipment	1,370	110	207	0	1,273	732	206
III. Goodwill	389	0	0	0	389	0	0
IV. Other intangible assets	592	0	12	0	580	286	129
V. Advance payments made	37	12	22	0	27	0	0
	290,065	**1,680**	**241**	**64,709**	**226,795**	**1,018**	**335**

Changes in Group assets as of December 31, 2011

	Costs of acquisition or creation					Depreciation and amortization	
	As of 01.01.2011 EUR 000	Additions EUR 000	Disposals EUR 000	Reclassifications EUR 000	As of 31.12.2011 EUR 000	As of 01.01.2011 EUR 000	Additions (scheduled) EUR 000
I. Investment properties	274,878	12,793	0	6	287,677	604	0
II. Office and other equipment	1,234	188	38	-14	1,370	541	196
III. Goodwill	389	0	0	0	389	0	0
IV. Other intangible assets	350	120	0	122	592	191	95
V. Advance payments made	128	23	0	-114	37	0	0
	276,979	**13,124**	**38**	**0**	**290,065**	**1,336**	**291**

Changes in Consolidated Non Current Assets as of December 31, 2012

Depreciation and amortization		Changes in fair value per IAS 40					Carrying amount	
Disposals EUR 000	As of 31.12.2012 EUR 000	As of 01.01.2012 EUR 000	Additions EUR 000	Devaluations EUR 000	Disposals EUR 000	As of 31.12.2012 EUR 000	As of 31.12.2012 EUR 000	As of 31.12.2011 EUR 000
0	0	51,123	10,609	224	-29,934	31,574	256,100	338,800
131	807	0				0	466	638
0	0	0				0	389	389
12	403	0				0	177	306
0	0	0				0	27	37
143	**1,210**	**51,123**	**10,609**	**224**	**-29,934**	**31,574**	**257,159**	**340,170**

Changes in Group assets as of December 31, 2011

Depreciation and amortization			Changes in fair value per IAS 40				Carrying amount	
Appreciation EUR 000	Disposals EUR 000	As of 31.12.2011 EUR 000	As of 01.01.2011 EUR 000	Additions EUR 000	Disposals EUR 000	As of 31.12.2011 EUR 000	As of 31.12.2011 EUR 000	As of 31.12.2010 EUR 000
-604*		0	40,626	10,497	0	51,123	338,800	314,900
0	5	732	0	0	0	0	638	693
0	0	0	0	0	0	0	389	389
0	0	286	0	0	0	0	306	159
0	0	0	0	0	0	0	37	128
-604	**5**	**1,018**	**40,626**	**10,497**	**0**	**51,123**	**340,170**	**316,269**

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

Appendix 2

List of interests held as of December 31, 2012

1) Direct equity interests

Company	Interests held in %
IFM Asset Management GmbH, Heidelberg	100%
IFM Property Project Frankfurt GmbH & Co. KG, Heidelberg	94.8%
IFM Property Project Frankfurt Verwaltungs GmbH, Heidelberg	100%
IFM Property Project Ulmenstraße GmbH, Heidelberg	100%
GP Properties GmbH, Heidelberg	94.8%
IFM Property Project Zimmerstraße GmbH, Heidelberg	100%
IFM Property Project Mainz GmbH, Heidelberg	100%
IFM Property Project Eschborn GmbH, Heidelberg	100%
IFM Property Project Feldbergstraße GmbH, Heidelberg	100%
IFM Property Project Frankfurt–Zeil Holding GmbH & Co. KG, Heidelberg	100%
IFM Property Project VIII GmbH, Heidelberg	100%
NEWCOM Property GmbH & Co. Joint Venture KG, Heidelberg	90%
NEWCOM Property Verwaltungs GmbH, Heidelberg	90%
IFM Property Project Wiesbaden GmbH & Co. KG, Heidelberg	100%
IFM Property Project IX GmbH, Heidelberg	100%

2) Indirect equity interests

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

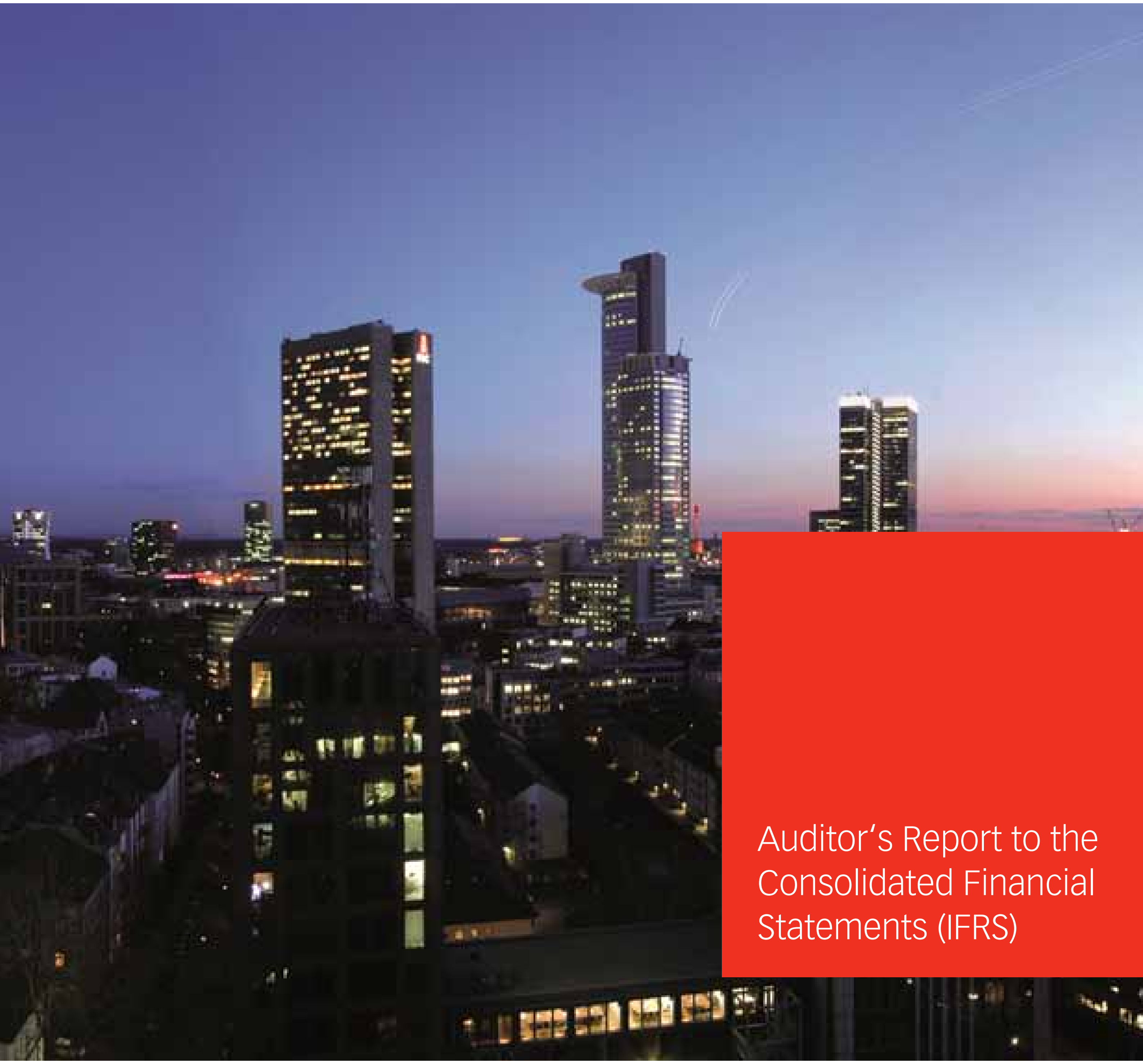
Company	Interests held in %
IFM Property Project Adolfsberg GmbH & Co. KG, Heidelberg	100%
IFM Property Project Hochhaus GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2/2a GmbH & Co. KG, Heidelberg	100%
IFM Property Project Sonnenberger Straße 2b GmbH & Co. KG, Heidelberg	100%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

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

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

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

Company	Interests held in %
IFM Property Project Frankfurt–Zeil GmbH, Heidelberg	94.8%
Sankthorst Concept Store GmbH, Heidelberg	70%



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

Audit Opinion

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

We have audited the consolidated financial statements prepared by IFM Immobilien AG, Heidelberg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the report on the position of the Company and the Group 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 report on the position of the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB 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 report on the position of the Company and the Group ,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 report on the position of the Company and the Group 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 report on the position of the Company and the Group. 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, 2012 comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB 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 report on the position of the Company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position, and suitably presents the opportunities and risks of future development.

Heidelberg, March 26, 2013

FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Meyer)	(Bischoff)
Auditor	Auditor

Forward-Looking Statements and Information Obtained from Third Parties

This annual report contains certain forward-looking statements. Forward-looking statements are any statements that are not about historical facts and events. Such statements appear at numerous points in this annual report, particularly where information is given about the Company's intentions, beliefs or current expectations in regard to its future financial earnings, plans, liquidity, outlook, growth, strategy and profitability, as well as the economic conditions to which it may be exposed. Such statements are based on the Company's current estimates, arrived at to the best of the Company's knowledge, but they are subject to risks and uncertainties, inasmuch as they refer to events and are based on assumptions that may not bear out in the future. For that reason they cannot constitute a warranty for future developments. In view of the risks, uncertainties and assumptions involved, the future events mentioned in this annual report may also not come to pass, and certain assumptions may prove inaccurate. The business activities of IFM Immobilien AG are subject to a number of risks that may likewise render a forward-looking statement, estimate or prediction inaccurate, and that may cause the business performance as well as the asset position, financial position and results of operations of IFM Immobilien AG to deviate from projections. Such deviations may be negative or substantial in nature. The most important factors that may result in such deviations include the regulatory environment of the real estate market, measures taken by regulatory and permit-issuing authorities, the permit environment, and changes in the real estate industry in those states and regions where IFM Immobilien AG does business. Other uncertainty factors include acceptance of and demand for real estate, competitors' behavior, uncertainties as to whether developed properties can be let at the expected prices, and changes in legislation, particularly changes regarding taxes. Additional risk factors and events published in annual reports and other declarations by IFM Immobilien AG must also be taken into account. This annual report includes information about the market and the real estate sector, as well as other statistical data and predictions about the markets that are of relevance for IFM Immobilien AG. This information is based on market statistics and industry reports, as well as other information available to the public, as well as estimates by IFM Immobilien AG, which in turn are (generally) based on published data or figures from sources available to the public. The Company itself has not separately checked the information taken or derived from market and industry publications or other third-party studies and reproduced in this annual report. For that reason it assumes no liability or warranty as to the accuracy of such information contained in this annual report. The reader should note that certain estimates on the part of the Company are based on such third-party studies. These estimates by the Company have not been checked by independent experts. Other parties may arrive at other conclusions by applying other methods for the collection, analysis or calculation of market data. Therefore, for all third-party publications relating to the market and industry and referred to in this annual report, it must be understood that the Company believes that the information they contain is reliable, but cannot guarantee the correctness or completeness of that information. Such market and industry studies are often based on information and assumptions that may be neither accurate nor appropriate to the circumstances, and their methods by their nature are often prospective and speculative. Neither IFM Immobilien AG nor its Executive Board offers any guarantee that the opinions expressed in this annual report will prove to be correct, or that projected developments will actually occur. The Company assumes no obligation to amend forward-looking statements or revise them in light of future events or developments, or to update them in any other way.

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Financial calender

Financial calender 2013	
Annual Shareholders' Meeting	15 May 2013
Release Q1 2013 Report	23 May 2013
Release 2013 Semi-annual Report	22 August 2013
Release Q3 2013 Report	21 November 2013

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