



Semiannual Report 2008

Q2

■ Key Figures for the IFM Group (IFRS)

Performance figures

EUR m	H1 2008	H1 2007
Revenues	6.75	3.77
Gain or loss on fair valuation of investment properties	2.33	2.38
Operating profit	3.00	3.76
Profit after taxes and minority interests	2.30	2.33
Earnings per share (basic, in EUR)	0.27	0.27

Key figures from balance sheet

EUR m	June 30, 2008	December 31, 2007
Total assets	285.4	260.7
Non-current assets	251.5	233.6
- including: Investment properties	141.6	138.8
- including: Properties under development	92.8	80.6
Equity	106.7	94.2
- including: Issued capital	9.4	8.5
Equity ratio (in %)	37	36
Liabilities	178.7	166.5
- including: Financial liabilities	165.8	155.0

Cover picture: Project development "Zimmerstraße / Mauerstraße", Central Berlin

Foreword from the CEO	Page 3
1. Summary	Page 4
2. Condition of the Group	Page 4
2.1. The IFM Group at a glance	Page 4
2.2. Economic environment	Page 5
2.3. Performance of the commercial real estate market	Page 5
2.4. Principal events of the period	Page 6
2.5. Revenue and earnings performance	Page 6
2.6. Net assets	Page 8
2.7. Financial position	Page 8
3. Risk report	Page 9
4. Events after the reporting date	Page 9
5. Outlook	Page 10
6. Interim Consolidated Financial Statements (IFRS)	Page 11
Group interim Balance Sheet	Page 12
Group interim Profit and Loss Statement	Page 14
Group interim Cash Flow Statement	Page 15
Group interim Changes in Equity	Page 16
Notes to the interim Financial Statements	Page 18
Appendix Interim Consolidated Financial Statements	Page 28
Auditor's Review Report	Page 31
Responsibility Statement by the Management	Page 32
Disclaimer	Page 33
Imprint	Page 34
Financial Calendar	Page 35

■ Foreword from the CEO

Dear Shareholders,
Ladies and Gentlemen,

In times when economic conditions become more and more demanding, the selection and quality of each real estate investment become all the more important.

Our skill and years of experience are a solid foundation for generating positive added value in our investments.

The main theme governing IFM's first half was the continuing progress of our successful business strategy of adding value to our real estate portfolio through active project development. In addition to the progress of our project development operations, in the second quarter IFM made two major strategic choices.

By changing in April 2008 to Prime Standard, the highest segment of the Frankfurt Stock Exchange, we have raised our Company's standards for transparency, and have particularly responded to the requirements of our institutional investors from outside Germany.

The capital increase in June, which was significantly oversubscribed, strengthened our equity base substantially amid the current economic environment, and prepared us to take over an extraordinary retail property in an absolutely prime location – the "Zeilgalerie" in downtown Frankfurt.

In our project development operations, our "Maxxon" investment in Eschborn saw a major change during the first half. Because the Frankfurt Stock Exchange will be moving to Eschborn, we have decided to combine the original two construction phases, even at the cost of short-term reductions in rental income, and thus to carry out the redevelopment project for a total of 12,500 m² in a single step. Consequently this project will be finished about 12 months earlier, and can be positioned in the market at the beginning of 2010. Because of this time component, we believe our project has a crucial competitive advantage on the market in Eschborn.

Despite the work just described and the one-time expenses we incurred to change segments, we maintained our earnings at the same level as last year, with no noteworthy write-ups of property.

Since IFM has significant know-how in investing in distressed properties, we also foresee interesting potential for development in our core business of revitalizing existing properties, especially in the near future.

We also believe that our strategic decision to focus increasingly on downtown retail properties, alongside our investments in office properties, will improve IFM's risk structure within the property portfolio, in view of the expected future market environment.

Thus, even though the economic environment has become more strenuous, we remain optimistic and positive about the second half of the current year and about 2009 as well.

Heidelberg, August 2008

Georg Glatzel
CEO

1. Summary

- IFM Immobilien Group shows positive performance in H1 2008
- Consolidated revenues up 79% to EUR 6.8 million
- After-tax profit for first half maintains same level as last year, despite one-time expenses for segment change

IFM Immobilien AG, an investor and project developer especially engaged in commercial real estate, with an emphasis on office and downtown retail uses, booked a positive performance in the first half of 2008, continuing the trend from last year. Revenues grew 79%, to about EUR 6.8 million. The consolidated profit maintained the same level as for the comparable period last year, despite substantial one-time costs for the Company's change to the Prime Standard segment of the Frankfurt Stock Exchange. The Executive Board views this performance as a promising indicator for the remainder of 2008.

2. Condition of the Group

2.1. The IFM Group at a glance

IFM Immobilien AG is an investor and project developer that is particularly engaged in commercial real estate, with an emphasis on office and downtown retail uses.

Its business operations include both new construction as part of classic project development activities, and a core business in revitalizing existing properties.

IFM's core operations include

- Redevelopment (e.g., structural alterations, structural restoration)
- Restructuring (e.g., revision of tenancy structure), and
- Repositioning of commercial properties (e.g., with innovative marketing and leasing concepts).

Geographically, IFM's operations particularly focus on the Rhine-Neckar metropolitan region, the Rhine-Main region, and Berlin (central).

The property investments that IFM chooses are those where the Company finds an attractive risk/opportunity profile and foresees extensive potential for development and appreciation in a preferred location.

IFM Immobilien AG acts as the ultimate parent company of its corporate group. It has the responsibility for the Group's strategic management. As a rule, properties are held through individual project companies that are subsidiaries of IFM Immobilien AG. Business operations for the Group are handled by IFM Asset Management GmbH, a wholly owned subsidiary of IFM Immobilien AG.

2.2. Economic environment

The growth of the German economy will slow in 2008. On average, real gross domestic product (GDP) in Germany is expected to rise 1.7% for the year, down from last year's growth rate of 2.5%, according to the federal government. These expectations reflect the German economy's performance in the first half. While Destatis, the Federal Statistical Office, found that the German economy had grown a substantial 1.3% early in the year, over the later course of the year it showed a decline for the first time in four years, by 0.5%.

The reason is the increasing pressure of inflation, caused by sometimes sharp rises in the prices of commodities, energy and food. Under these conditions, both private consumption and corporate capital spending were lower in the second quarter than at the beginning of the year. Additionally, the crisis in the U.S. mortgage market and the resulting upheavals in the international capital and finance markets continue to hinder economic growth. Consequently the stock markets have seen corrections that especially impacted the financial and real estate sectors.

Sources:

Bundesverband deutscher Banken: Economic Report, July 2008

Destatis, Federal Statistical Office, Gross Domestic Product, status: August 14, 2008

Eurostat, Euroindicators, status: August 14, 2008

Federal Ministry of the Economy and Technology, status: August 14, 2008

2.3. Performance of the commercial real estate market in Germany

Office leasing markets in Germany grew in the first half, despite the turbulence in the financial markets. Because of the ongoing growth in employment, demand for office space continued to grow in Germany's largest real estate markets – Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart.

According to a Jones Lang LaSalle study, this growing demand also caused vacancy rates to decline in Germany's six leading urban areas. The average vacancy rate at the end of the second quarter of 2008 was 8.9%, compared to 9.7% at the end of 2007. The experts assumed that vacancies will continue to decrease up to the end of the year.

The percentage of vacant properties with high-quality appointments remained low. The heavy demand contrasted with a decline in building completions compared to the first half of 2007, even though the volume of new construction was up. Moreover, a large portion of the space completed during the year has already been leased out in advance, so that only a bit more than half of the projected volume will actually come on the market.

Source: Jones Lang LaSalle, Office Market Overview Q2 2008

2.4. Principal events of the period

2.4.1 Segment change completed

As of April 30, 2008, IFM Immobilien AG stock began trading on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange. The change in segments is intended to increase IFM's recognition in the capital market and make IFM stock even more attractive, especially to international investors, because of the more rigorous transparency requirements involved. It also is a way for IFM to take due account of its dynamic performance since its IPO in 2006.

2.4.2. Cash capital increase goes through

On June 20, IFM Immobilien AG successfully carried out a capital increase of about 10% of its share capital, in return for cash. The Company placed a total of 849,999 no-par shares with institutional investors from Germany and other European countries, excluding shareholders' preemptive rights. The price, set by an accelerated book-building method, came to EUR 11.00 per share, and was thus only insignificantly lower than the trading price at the close of the previous day. The capital increase generated proceeds of EUR 9.35 million for the Company, before transaction costs. The share capital increased from EUR 8.5 million to about EUR 9.35 million.

The issue met with vigorous demand and was significantly oversubscribed.

2.5. Revenue and earnings performance

IFM generated consolidated revenues of EUR 6.75 million in the first half of 2008, a 79% gain over the same period last year (EUR 3.77 million). The increase was founded on additional rental income from several properties acquired in 2007 – "Maxxon" in Eschborn, Kureck in Wiesbaden, and the Office Tower in Darmstadt – as well as the advancement of the leasing process at the "GutenbergPark" property in Mainz.

Revenues for the second quarter were EUR 3.32 million (same period last year: EUR 2.05 million). This increase too came from the new acquisitions mentioned above.

Other own work capitalized consists entirely of capitalized interest expenses for projects under development, and increased to EUR 1.05 million for the first half of 2008 (vs. EUR 0.36 million). Only the interest for current construction at the "Romeo & Julia" property in Frankfurt am Main was capitalized for the same period last year, while the figure for the first half of 2008 also includes the proportional share of interest expenses for the "Maxxon" property in Eschborn.

On an equivalent basis for the half, other own work capitalized for the second quarter of 2008 came to EUR 0.6 million, compared to EUR 0.2 million for the second quarter last year.

Other operating income came to EUR 0.33 million, compared to 0.08 million for the first half of 2007. It consisted of tenant payments incidental to rent obligations. The figure for the second quarter of 2008 was EUR 0.12 million, compared to EUR 0.05 million for the same quarter last year.

The gain on the fair valuation of investment properties for the first half of 2008 was EUR 2.33 million (H1 2007: EUR 2.38 million). Almost all of this figure reflects the appreciation of the "Kureck" property in Wiesbaden in the first quarter of this year, while last year's comparable figure came entirely from a write-up on the "GutenbergPark" property in Mainz in the second quarter of the year.

The cost of goods sold, which particularly includes costs for maintenance and management, increased to EUR 1.47 million because of the expansion of the property portfolio during 2007, compared to EUR 0.78 million for the first half of last year. Quarter-on-quarter, the cost of goods sold rose from the Q2 2007 figure of EUR 0.49 million to EUR 0.8 million for Q2 2008.

Personnel expenses for the first half were up slightly, to EUR 1.26 million, compared to EUR 1.05 million for the first half of 2007. The increase reflects the staff expansion to deal with the Company's growth. Quarter-on-quarter, the value remained almost constant, at EUR 0.69 million, compared to EUR 0.68 million for the second quarter of 2007. A severance payment of EUR 0.2 million was recognized for last year's period. As of June 30, 2008, the Group had 29 employees.

Because of one-time costs, other operating expenses rose to EUR 2.47 million, compared to 1.52 million for the first half of 2007. Of this figure, EUR 0.61 million particularly results from the cost of changing IFM Immobilien AG stock over to the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange, effective April 30, 2008. Other operating expenses for the second quarter of 2008, at EUR 1.15 million, were up from the Q2 2007 figure of EUR 0.77 million. The increase particularly resulted from the one-time expenses for the segment change (Q2: EUR 0.27 million).

Interest and similar expenses came to EUR 4.54 million (Q1 2007: EUR 1.56 million), because of financing for properties acquired in 2007, and the progress of construction at the "Romeo & Julia" project. For the reasons already mentioned, interest and similar expenses rose from EUR 0.88 million for Q2 2007 to EUR 2.32 million for Q2 2008.

The gain on the fair valuation of derivatives used to hedge interest rates was EUR 1.85 million, almost constant from the same period last year (EUR 1.88 million).

The IFM Immobilien Group showed an operating profit (earnings before taxes) of EUR 3.00 million for the first half of 2008, compared to EUR 3.76 million for the first half of 2007. The decrease resulted entirely from the exceptional costs, totaling about EUR 0.61, that have already been mentioned. Setting these costs aside, IFM's profit was almost on the same level as last year's first half. The operating profit for the second quarter of 2008 was EUR 2.39 million (same period last year: EUR 4.00 million). In contrast to the previous year, significant write-ups were renounced in the second quarter of 2008.

The consolidated profit after taxes and minority interests was EUR 2.30 million, almost constant from the first half of 2007 (EUR 2.33 million). Minority interests had only a minor effect on these figures. This is equivalent to earnings per share of EUR 0.27 (same period last year: EUR 0.27). For Q2 2008, IFM showed a consolidated profit after taxes and minority interests of EUR 1.76 million (Q2 2007: EUR 2.59 million). This development too is due to the renouncement of write-ups in the second quarter of 2008.

2.6. Net assets

The net assets of the IFM Immobilien Group had not changed significantly at June 30, 2008, against the end of fiscal 2007. The Group's total assets at the end of the first half came to EUR 285.4 million, up 9.5% from the figure at December 31, 2007 (EUR 260.7 million).

Non-current assets at June 30, 2008, came to EUR 251.5 million, up 7.7% from the comparable figure for the end of 2007 (EUR 233.6 million). The value of investment property increased to EUR 141.6 million, particularly as a consequence of appreciation of the "Kureck" property in Wiesbaden (December 31, 2007: EUR 138.8 million). The recognized value of property under development rose to EUR 92.8 million because of the progress of construction work at the "Romeo & Julia" property in Frankfurt am Main (December 31, 2007 EUR 80.6 million; +15.1%).

The item for derivative financial instruments increased to EUR 4.6 million (December 31, 2007: EUR 1.9 million).

Current assets as of June 30, 2008, were up 24.9%, to EUR 33.9 million (December 31, 2007: EUR 27.1 million). Cash funds, which include the items for securities and cash and cash equivalents, increased EUR 5.3 million, to EUR 27.9 million, because of the cash inflow from the capital increase.

2.7. Financial position

The capital increase and the profit for the half increased the Group's equity from EUR 94.2 million at December 31, 2007, to EUR 106.7 million at June 30, 2008. The equity ratio remained solid, at roughly 37% (December 31, 2007: 36%).

Long-term borrowings increased from EUR 157.3 million to EUR 166.6 million. Most of this figure was liabilities to banks, which grew from EUR 153.8 million to EUR 162.0 million because of the ongoing property project developments, especially for "Romeo & Julia" in Frankfurt am Main and "Maxxon" in Eschborn.

Short-term borrowings grew from EUR 9.3 million to EUR 12.1 million. Most of the rise was because of the increase in liabilities to banks, from EUR 1.3 million to EUR 3.7 million.

The cash flow from operating activities for the first half of 2008 was EUR –2.1 million, compared to EUR –1.2 million a year earlier. The change resulted primarily from the one-time expenses for the segment change.

The cash flow from investing activities for the first half was EUR –12.7 million, and had to do mostly with the advancing construction at the „Romeo & Julia“ property in Frankfurt.

The cash flow from financing activities came to EUR 19.9 million, compared to EUR 28.0 million for the first half of 2007, because of the capital increase and the expansion of borrowings.

3. Risk report

In regard to the upper bound for the deduction of interest (the “Zinsschranke”) that was introduced in Germany as of January 1, 2008, the Group has analyzed the potential impact for itself, including its subsidiaries, and has taken countermeasures accordingly.

Where corporate management believes project companies meet the tax requirements as of the reporting date for the annual financial statements, those companies will exercise the option for an expanded property deduction for purposes of the local business income tax (“trade tax”), with the associated tax exemption. If the expanded property deduction for local business tax purposes no longer applies because of legislative amendments or findings by the tax administration, the adverse effects would be noteworthy.

Otherwise, the risk profile of the IFM Immobilien Group has not changed significantly over the course of 2008 thus far in comparison to the information provided in the management report for fiscal 2007.

To that extent, we refer the reader to the 2007 annual report.

4. Events after the reporting date

On July 17, 2008, IFM Immobilien AG acquired the well-known Zeilgalerie shopping center in Frankfurt am Main. The total investment of about EUR 59 million includes planned revitalization work for about EUR 8 million. The property was purchased from the Signature Capital investment company. With an occupancy of about 95% at present, the property generates a rental yield of more than 6%.

The transaction closed in mid-August, and the property will be consolidated into the Group’s financial statements in the third quarter of 2008. The purchase was carried out indirectly by acquiring 94.8% of the project company that owns the Zeilgalerie. The seller retains a 5.2% minority interest.

5. Outlook

The IFM Group enjoyed a successful performance in the first half, which will go on to provide a good foundation for the future course of business. For that reason, the Executive Board assumes that consolidated revenues will continue to grow in 2008.

Management has reconfirmed its aim of growing the Group further. The project development business in particular is to expand. In this connection, the Executive Board expects the „Romeo & Julia“ high-rise project to be completed by the end of 2008. Additionally, the “Kureck” project in Wiesbaden will also be pushed ahead. The acquisition of the Zeilgalerie in Frankfurt am Main expanded IFM’s retail property segment, and has further diversified its portfolio.

The existing portfolio, including ongoing project developments, is expected to increase to about EUR 500 million within the medium term.

Additionally, the Executive Board is actively exploring the market for ways of realizing the appreciation of the existing portfolio through sales. It is not out of the question that some properties might be sold as early as this year.

Barring unforeseen adverse events that have a material impact on IFM Immobilien AG, the Executive Board believes the Group as a whole is well equipped to continue its dynamic growth into the future.

Heidelberg, August 15, 2008

The Executive Board

Interim Consolidated
Financial Statements (IFRS)

■ Interim Consolidated Financial Statements (IFRS)

Group interim Balance Sheet as at June 30, 2008

Assets	06/30/2008 EUR 000	12/31/2007 EUR 000
Non-current assets		
Investment properties	141,550	138,752
Properties under development	92,760	80,594
Land and buildings	8,575	0
Advance payments made on property, plant and equipment	0	8,666
Office and other equipment	478	497
Goodwill	389	389
Other intangible assets	184	185
Derivative financial instruments	4,573	1,907
Deferred tax assets	2,984	2,585
Total non-current assets	251,493	233,575
Current assets		
Trade accounts receivable	1,449	1,457
Other current assets and expenses paid in advance	4,553	3,050
Securities	5,120	5,003
Cash and cash equivalents	22,779	17,622
Total current assets	33,901	27,132
Total assets	285,394	260,707

Interim Consolidated Financial Statements (IFRS) ■

Group interim Balance Sheet as at June 30, 2008

	06/30/2008 EUR 000	12/31/2007 EUR 000
Equity and Liabilities		
Equity		
Issued capital	9,350	8,500
Additional paid-in capital	78,130	69,439
Other reserves	10,335	9,716
Distributable profit	7,819	5,515
Equity attributable to Group shareholders	105,634	93,170
Minority interests	1,075	1,016
Total equity	106,709	94,186
Long-term liabilities		
Liabilities to banks	162,032	153,774
Trade accounts payable	37	13
Deferred tax liabilities	4,505	3,489
Total long-term liabilities	166,574	157,276
Short-term liabilities		
Tax provisions	406	239
Other provisions	1,936	1,661
Liabilities to banks	3,730	1,247
Trade accounts payable	3,769	3,510
Other short-term liabilities and deferred expenses	2,270	2,588
Total short-term liabilities	12,111	9,245
Total equity and liabilities	285,394	260,707

■ Interim Consolidated Financial Statements (IFRS)

Group interim Profit and Loss Statement for the Period from January 1 to June 30, 2008

Consolidated Income Statement	H1 2008 EUR 000	Q2 2008 EUR 000	H1 2007 EUR 000	Q2 2007 EUR 000
1. Revenues	6,751	3,321	3,767	2,046
2. Other own work capitalized	1,052	607	355	192
3. Other operating income	329	117	79	50
4. Gain or loss on fair valuation of investment properties	2,327	142	2,379	2,379
5. Cost of goods sold	-1,468	-803	-778	-490
6. Personnel expenses	-1,263	-686	-1,053	-681
7. Depreciation and amortization	-182	-89	-102	-58
8. Other operating expenses	-2,465	-1,153	-1,524	-768
9. Other interest and similar income	612	338	317	159
10. Interest and similar expenses	-4,543	-2,319	-1,557	-873
11. Gain or loss on fair valuation of derivatives	1,854	2,910	1,878	2,045
12. Operating profit	3,004	2,385	3,761	4,001
13. Income taxes	-671	-599	-1,421	-1,420
(including: deferred taxes)	(-594)	(-564)	(-1.421)	(-1.420)
14. Consolidated profit (loss)	2,333	1,786	2,340	2,581
15. Minority interests	29	30	14	-7
16. Profit attributable to shareholders of the Group	2,304	1,756	2,326	2,588
17. Carried forward from previous period	5,515	6,063	439	177
18. Consolidated distributable profit	7,819	7,819	2,765	2,765
19. Basic earnings per share (in EUR)	0.27	0.20	0.27	0.30
20. Diluted earnings per share (in EUR)	0.27	0.20	0.27	0.30

Group interim Cash Flow Statement for the Period from January 1 to June 30, 2008

	01/01 - 06/30/ 2008 EUR 000	01/01 - 06/30/ 2007 EUR 000
Consolidated Cash Flow Statement		
1. Consolidated profit	2,333	2,340
2. + Depreciation and amortization of non-current assets	182	102
3. -/+ Other noncash income / expenses	-3,244	-2,823
4. - Increase / + Decrease in inventories, trade accounts receivable, and other assets	-2,173	-2,349
5. - Decrease / + Increase in trade accounts payable and other liabilities	829	1,567
6. = Cash flow from operating activities	-2,073	-1,163
7. - Cash paid for investments in investment properties	-404	-15,256
8. - Cash paid for investments in properties under development	-12,162	-8,396
9. - Cash paid for investments in intangible assets and property, plant and equipment	-142	-208
10. - Cash paid for the purchase of securities	0	-5,003
11. - Cash paid for the purchase of consolidated companies	0	-1,264
12. = Cash flow from investing activities	-12,708	-30,127
13. + Cash received from the issuance of shares	9,350	0
14. - Cash paid to raise equity capital	-152	0
15. + Proceeds from bank loans	11,985	28,879
16. - Cash repayments of bank loans and other loans	-1,245	-245
17. + Other cash received from financing activities	0	385
18. - Other cash paid for financing activities	0	-1,048
19. = Cash flow from financing activities	19,938	27,971
20. Cash changes in cash and cash equivalents	5,157	-3,319
21. + Cash and cash equivalents at beginning of period	17,622	29,470
22. = Cash and cash equivalents at end of period	22,779	26,151

■ Interim Consolidated Financial Statements (IFRS)

Group interim Changes in Equity for the Period from January 1 to June 30, 2008

	Issued capital	Reserves	
		Additional paid-in capital	Other reserves
		EUR 000	EUR 000
Status at Jan. 1, 2007	8,500	69,797	9,484
Change in scope of consolidation	0	0	0
Cash flow Hedges	0	0	404
Profit (loss) for period	0	0	0
Status at June 30, 2007	8,500	69,797	9,888
Status at Jan. 1, 2008	8,500	69,439	9,716
Capital increase	850	8,500	0
Expenses for raising equity capital	0	-105	0
Stock option plans	0	296	0
Cash flow Hedges	0	0	619
Profit (loss) for period	0	0	0
Status at June 30, 2008	9,350	78,130	10,335

Group interim Changes in Equity for the Period from January 1 to June 30, 2008

Distributable profit (loss)	Equity attributable to Group shareholders	Minority interests	Total equity
EUR 000	EUR 000	EUR 000	EUR 000
439	88,220	673	88,893
0	0	172	172
0	404	22	426
2,326	2,326	14	2,340
2,765	90,950	881	91,831
5,515	93,170	1,016	94,186
0	9,350	0	9,350
0	-105	0	-105
0	296	0	296
0	619	30	649
2304	2,304	29	2,333
7,819	105,634	1,075	106,709

Notes to the interim
Financial Statements

A General Information

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

The preparation date for the interim consolidated financial statements as of June 30, 2008, was August 15, 2008, the date on which the Executive Board of IFM AG approved the interim consolidated financial statements for release, after review by the auditors. The interim consolidated financial statements have been prepared in euros (EUR), and all figures are indicated in thousands of euros (EUR 000).

The interim consolidated financial statements of IFM AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the European Union during the period under review.

B Summary of Material Accounting Principles

Consolidated accounting principles

Presentation principles

These condensed interim consolidated financial statements were prepared in conformity with IAS 34, and are more limited in content than the consolidated financial statements as of December 31, 2007. For more information – including about the risk management system – we refer the reader to the consolidated financial statements as of December 31, 2007, on which these interim financial statements are based.

The Group's income statement has been prepared using the "nature of expense" method. The interim consolidated financial statements were prepared uniformly for the periods shown here, in conformity with the following consolidation, reporting and measurement principles.

Scope of consolidation

The interim consolidated financial statements include not only IFM AG, but all the subsidiaries that were already included in the consolidated financial statements at December 31, 2007, all of which have their registered offices in Germany. There has been no change. No additional companies had been formed or acquired up to June 30, 2008, and there had been no material changes in the composition of the entity.

■ Interim Consolidated Financial Statements (IFRS)

Notes to the interim Financial Statements as at June 30, 2008

Consolidation principles

The IFM AG Group applies uniform reporting principles for its Group companies and the interim consolidated financial statements. The consolidation principles were not changed for the interim consolidated financial statements.

General accounting principles

The same accounting policies and measurement methods were followed in the interim consolidated financial statements as in the most recent annual consolidated financial statements at December 31, 2007.

The tax expense for the interim reporting period was computed on the basis of the effective tax rate expected for the full fiscal year. Taxes relating to exceptional matters are taken into account in the quarter in which the underlying matter arose.

Material assumptions and estimates

The interim consolidated financial statements have adopted no material changes against the assumptions and estimates used in the financial statements for the prior year.

The value of investment properties is assessed in appraisals prepared by independent, external expert appraisers. These appraisals are based on the income capitalization approach. Underlying assumptions and estimates in these cases particularly relate to sustainable annual net income and property yields. Like the resulting fair values, they may fluctuate greatly over time, and affect profits accordingly.

C Explanatory Notes to the Interim Consolidated Financial Statements

1 Explanatory notes to the interim consolidated balance sheet

Investment properties

The line item for investment properties represents properties held to generate rental income and/or for capital appreciation.

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

	At 12/31/2007 EUR 000	Additions / Reclassifications EUR 000	Changes in fair value EUR 000	At 06/30/2008 EUR 000
"Das Carré", Heidelberg	30,000	0	0	30,000
"westendFirst", Frankfurt	55,000	271	229	55,500
"Feldbergstraße", Frankfurt	3,437	0	-87	3,350
"GutenbergPark", Mainz	19,000	81	0	19,081
"Kureck", Wiesbaden	31,315	119	2,185	33,619
	138,752	471	2,327	141,550

Properties under development

In accordance with IAS 16, properties in the course of construction or development are recognized as part of property, plant and equipment, and measured using the cost model. Borrowing costs directly attributable to the acquisition or production of assets in the course of the construction or development of real estate projects are capitalized as part of the cost of the asset, in accordance with IAS 23.

The carrying amounts of properties under development changed as shown below. Additions refer to acquisition costs, incidental acquisition costs, and costs of creation incurred up to the reporting date for the indicated real estate projects.

■ Interim Consolidated Financial Statements (IFRS)

Notes to the interim Financial Statements as at June 30, 2008

	At 12/31/2007 EUR 000	Additions / Reclassifications EUR 000	At 06/30/2008 EUR 000
„Romeo & Julia“, Frankfurt am Main	38,624	10,981	49,605
„Office Tower“, Darmstadt	10,788	382	11,170
„Zimmerstraße“, Berlin	560	-118	442
„Mauerstraße“, Berlin	4,069	272	4,341
„Maxxon“, Eschborn-Süd	26,553	649	27,202
	80,594	12,166	92,760

Property, plant and equipment

Changes in property, plant and equipment can be found in the statement of changes in assets.

Derivative financial instruments

In accordance with IAS 39, the figure recognized here is for interest rate agreements to hedge against the risk of changes in interest rates on existing loan agreements at variable rates based on the EURIBOR rate, with a remaining maturity of more than 12 months. These are fair-valued financial assets in the amount of EUR 4,573 thousand (Dec. 31, 2007: EUR 1,907 thousand), less debts of EUR 419 thousand (Dec. 31, 2007: EUR 379 thousand), as indicated for each company below:

Group company	Fair Value EUR 000 06/30/2008	Fair Value EUR 000 12/31/2007
IFM Property Project Eschborn GmbH	1,297	494
IFM Property Project Mainz GmbH	113	31
IFM Property Project Frankfurt GmbH	946	263
IFM Immobilien AG	-38	-167
IFM Property Project Darmstadt GmbH	279	148
IFM Property Project Wiesbaden GmbH & Co. KG	761	403
IFM Property Project Ulmenstraße GmbH	804	356
IFM Property Projekt Feldbergstraße GmbH	-8	0
	4,154	1,528

Issued capital and additional paid-in capital

	Share capital	Additional paid-in capital
	EUR 000	EUR 000
At January 1, 2008	8,500	69,439
Capital increase	850	8,500
Expenses for raising equity capital	0	-105
Stock option plans	0	296
At June 30, 2008	9,350	78,130

The stock of IFM AG was admitted to trading in the Entry Standard segment of the Frankfurt Stock Exchange in May 2006 (WKN: A0JDU9, ISIN: DE000A0JDU97). At that time the Company's share capital was divided into 8,500,000 no-par shares of common stock, and came to EUR 8,500 thousand. The first quotation was on May 19, 2006.

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

On June 20, the share capital was increased in return for cash contributions. A total of 849,999 no-par shares were placed with institutional investors from Germany and other European countries, excluding shareholders' preemptive rights. The share capital was increased from EUR 8.5 million to about EUR 9.35 million. The price, set by way of an accelerated book-building method, came to EUR 11.00 per share. The capital increase generated proceeds of EUR 9.35 million for the Company, before transaction costs. See the consolidated statement of changes in equity for details.

Other reserves

The other reserves included the following as of the reporting date:

	06/30/2008	12/31/2007
	EUR 000	EUR 000
Differences resulting from capital increase in return for contributions in kind	9,484	9,484
Cash flow Hedges	851	232
	10,335	9,716

■ Interim Consolidated Financial Statements (IFRS)

Notes to the interim Financial Statements as at June 30, 2008

Other financial liabilities

Commitments under current investment and ordering obligations came to EUR 19,085 thousand as of June 30, 2008 (December 31, 2007: EUR 19,011 thousand).

This figure includes the undertaking by IFM Property Project Zimmerstrasse GmbH to pay the purchase price of EUR 10,530 thousand for the property at Zimmerstrasse 92-93, 94. The payment will be made in two installments, the first of which is due on September 30, 2008, and the second on March 31, 2009.

2 Explanatory notes to the consolidated income statement

Gain or loss on fair valuation of investment properties

The fair valuation of investment properties in accordance with IAS 40 yielded a gain of EUR 2,327 thousand for the first half of 2008 (vs. EUR 2,379 thousand for the first half of 2007). Most of this income was generated from the market valuation of the Kureck property in Wiesbaden (EUR 2,185 thousand).

Gain or loss on fair valuation of derivatives

The net interest expense was calculated as follows:

	H1 2008 EUR 000	Q2 2008 EUR 000	H1 2007 EUR 000	Q2 2007 EUR 000
Gain on fair valuation of derivatives	1.854	2.910	1.878	2.045

As a consequence of changes in interest rates on the capital markets in the second quarter of 2008, the measurement of derivatives yielded a substantial uptrend that was sufficient to compensate for the negative figure from the first quarter.

Earnings per share

Basic (undiluted) earnings per share are derived by dividing the consolidated profit distributable to shareholders of the parent company by the weighted average number of common shares outstanding. The weighted average number of shares was 8,547,222 for the first half of 2008 (H1 2007: 8,500,000), and 8,594,444 for the second quarter of 2008 (Q2 2007: 8,500,000). Accordingly, the basic earnings per share were EUR 0.27 for the first half of 2008 (H1 2007: EUR 0.27) and EUR 0.20 for the second quarter of 2008 (Q2 2007: EUR 0.30). The earnings per share are the same after making allowances for potential rights.

3 Noteworthy events after the reporting date

Following the founding of IFM Property Project Frankfurt-Zeil Holding GmbH & Co KG, of Heidelberg, on July 15, 2008, that company acquired 94.8% of Signature Property 101 GmbH, of Berlin, on the same date. The total investment, including EUR 8 million for planned revitalization work, exceeded EUR 59 million. The acquisition will be consolidated in the third quarter and reported as a business combination in accordance with IFRS 3.

4 Segment reporting

No segment report in accordance with IAS 14 was prepared for fiscal 2008 or the comparison period, since the Group companies operate in a single business segment and in only one geographical segment.

■ Interim Consolidated Financial Statements (IFRS)

Notes to the interim Financial Statements as at June 30, 2008

5 Supervisory Board and Executive Board

Supervisory Board

The composition of the Supervisory Board of IFM AG has not changed.

Executive Board

The Executive Board of IFM AG has the following members:

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

During fiscal 2006, two tranches were issued under the 2006 Stock Option Plan (SOP 2006 A = Tranche 1 and SOP 2006 B = Tranche 2). These options were already vested as of their date of grant, and were therefore recognized in full as an expense, with an according increase in equity. A further tranche (Tranche 3) was issued under the 2007 Stock Option Plan. Additionally, a further tranche (Tranche 4) was issued under the 2007 Stock Option Plan in February 2008.

The following parameters for the individual tranches result for purposes of measurement under IFRS 2:

Nature of agreement	Stock-based compensation for Executive Board			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	10/06/2006	10/06/2006	09/13/2007	02/19/2008
Options granted	60,000	60,000	292,000	292,000
Maximum term (years)	5	5	5	5
Strike price (€)	5.00	5.00	10.94	9.28
Options outstanding at start of 2008 reporting period (Jan. 1, 2007)	60,000	60,000	292,000	0
Options granted during the 2008 reporting period	0	0	0	292,000
Options forfeited during the 2008 reporting period	0	0	0	0
Options exercised during the 2008 reporting period	0	0	0	0
In der Berichtsperiode 2008 verfallene Optionen	0	0	0	0
Options expired during the 2008 reporting period	60,000	60,000	292,000	292,000
Options eligible for exercise at end of 2008 reporting period (Dec. 31, 2007)	60,000	60,000	0	0

A personnel expense of EUR 175 thousand was recognized for the stock option plans in the second quarter (Q2 2007: EUR 0).

6 Related party transactions

The following disclosure obligations exist for IFM AG for the period:

Revenues include EUR 39 thousand (H1 2007: EUR 39 thousand) in revenues from services performed for IFM Immobilien-Finanz-Management GmbH (shareholder: Georg Glatzel).

As of June 30, 2008, the Group had receivables of EUR 25 thousand from IFM Immobilien-Finanz-Management GmbH (Dec. 31, 2007: EUR 140 thousand).

IFM AG invests some of its liquid funds in the ETHNA Bond Premium. The company that administers the ETHNA Bond Premium is LRI Invest S.A., of Munsbach, Luxembourg. It has appointed ETHNA Capital Partners S.A., of Wollerau, Switzerland, as an investment counselor, of which Luca Pesarini, the Chairman of the Company's Supervisory Board, is the managing partner. IFM AG invested EUR 5,120 thousand in the fund in the first half of 2008.

Heidelberg, August 15, 2008

The Executive Board

Appendix
Interim Consolidated
Financial Statements

■ Appendix 1

Changes in Consolidated Statement of Changes in Non-Current Assets as of June 30, 2008

Cost of acquisition or creation					
	At 01/01/2008	Additions	Disposals	Reclassifi- cations	At 06/30/2008
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
I. Investment properties	131,899	404	0	67	132,370
II. Properties under development	80,594	12,162	0	4	92,760
III. Land and buildings	0	0	0	8,679	8,679
IV. Advance payments made on property, plant and equipment	8,666	13	0	-8,679	0
V. Office and other equipment	721	111	0	-71	761
VI. Goodwill	389	0	0	0	389
VII. Sonstige immaterielle Vermögenswerte	226	18	0	0	244
	<u>222,495</u>	<u>12,708</u>	<u>0</u>	<u>0</u>	<u>235,203</u>

Changes in Consolidated Statement of Changes in Non-Current Assets as of June 30, 2008

Depreciation and amortization			Changes in fair value per IAS 40			Carrying amount	Carrying amount	
At 01/01/2008	Additions	Disposals	At 06/30/2008	At 01/01/2008	Additions	At 06/30/2008	At 06/30/2008	At 12/31/2008
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000			EUR 000	EUR 000
0	0	0	0	6,853	2,327	9,180	141,550	138,752
0	0	0	0	0	0	0	92,760	80,594
0	104	0	104	0	0	0	8,575	0
0	0	0	0	0	0	0	0	8,666
224	59	0	283	0	0	0	478	497
0	0	0	0	0	0	0	389	389
41	19	0	60	0	0	0	184	185
265	182	0	447	6,853	2,327	9,180	243,936	229,083

■ Auditor's Review Report

IFM Immobilien AG

To IFM Immobilien AG, Heidelberg:

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, and selected explanatory notes – together with the interim Group management report, for the period from January 1 through June 30, 2008, which are parts of the semiannual report pursuant to Sec. 37w of the German Securities Trading Act (WpHG). It is management's responsibility to prepare the condensed interim consolidated financial statements in accordance with the IFRSs for interim reporting that are applicable in the European Union, and the interim Group management report in accordance with the requirements of the WpHG applicable to interim Group management reports. Our responsibility is to issue a report on the condensed interim consolidated financial statements and interim Group management report on the basis of our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements, as promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review in such a way as to afford, upon critical assessment, a reasonable certainty that in all material respects, the condensed interim consolidated financial statements have been prepared in accordance with the IFRSs for interim reporting that are applicable in the European Union, and that in all material respects, the interim Group management report has been prepared in accordance with the requirements of the WpHG applicable to interim Group management reports. A review is limited primarily to making inquiries from company employees and performing analytical assessments, and therefore does not provide the assurance attainable with an audit of the financial statements. Since, in accordance with our engagement, we have not performed such an audit, we cannot issue an audit opinion.

Based on our review of the condensed interim consolidated financial statements and the interim Group management report of IFM Immobilien AG, Heidelberg, for the period from January 1 through June 30, 2008, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in conformity with the IFRSs for interim financial reporting that are applicable in the European Union, or that the interim Group management report has not been prepared in all material respects in conformity with the requirements of the WpHG applicable to interim Group management reports.

Heidelberg, August 15, 2008



FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft


(Meiser)
Wirtschaftsprüfer


(Spreß)
Wirtschaftsprüfer

Responsibility Statement by the Management

To the best of our knowledge, we give assurance that in accordance with the applicable accounting standards for interim reporting, the interim consolidated financial statements give a true and fair picture of the Group's assets, liabilities, financial position and profit or loss, and the interim Group management report presents the development of business, including the results of business and the situation of the corporate Group, in a manner that gives a true and fair picture of the actual circumstances, and describes the material opportunities and risks of the foreseeable development of the Group for the remainder of the fiscal year.

Heidelberg, August 15, 2008

The Executive Board

Forward-Looking Statements and Information Obtained from Third Parties

This semiannual 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 semiannual 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 semiannual 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 semiannual reports and other declarations by IFM Immobilien AG must also be taken into account. This semiannual 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 semiannual report. For that reason it assumes no liability or warranty as to the accuracy of such information contained in this semiannual 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 semiannual 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 semiannual 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.



Karl-Ludwig-Straße 2

69117 Heidelberg

Phone: +49 (0) 6 22 1 / 43 40 98 -0

Fax: +49 (0) 6 22 1 / 43 40 98 -66

welcome@ifm.ag

www.ifm.ag

Design and Text

Frank Elsner

Kommunikation für Unternehmen GmbH

Phone: +49 (0) 5404 / 91 92 -0

Fax: +49 (0) 5404 / 91 92 -29

office@elsner-kommunikation.de

Lars Kuhnke / Björn Michel

GFEI mbH

Phone: +49 (0) 69 / 74 30 37 -00

Fax: +49 (0) 69 / 74 30 37 -22

ifm@gfei.de

Financial Calendar 2008

SCC Small Cap Conference, Frankfurt	25.-27. August 2008
Expo Real, Munich	06.- 08. October 2008
Initiative Immobilien Aktie, Frankfurt	20.-21. October 2008
German Equity Capital Forum, Frankfurt	10.-12. November 2008
Release Q3 Report	November 2008
Analyst Conference	November 2008



Heidelberg office

Karl-Ludwig-Strasse 2
69117 Heidelberg

T +49 (0)6221 43 40 98-0
F +49 (0)6221 43 40 98-66

welcome@ifm.ag

Frankfurt office

Ulmenstrasse 23-25
60325 Frankfurt

T +49 (0)69 70 40 386-0
F +49 (0)69 70 40 386-25

www.ifm.ag