



IFM IMMOBILIEN AG

Interim Report 2008

Q3

■ Key Figures for the IFM Group (IFRS)

Performance figures

EUR m	Q1 - Q3 2008	Q1 - Q3 2007
Revenues	10.60	6.20
Gain or loss on fair valuation of investment properties	4.00	2.40
Operating profit	2.00	2.40
Profit after taxes and minority interests	1.00	3.60
Earnings per share (basic, in EUR)	0.11	0.42

Key figures from balance sheet

EUR m	September 30, 2008	December 31, 2007
Total assets	339.4	260.7
Non-current assets	315.7	233.6
- including: Investment properties	207.8	138.8
- including: Properties under development	87.7	80.6
Equity	105.0	94.2
- including: Issued capital	9.4	8.5
Equity ratio (in %)	31	36
Liabilities	234.3	166.5
- including: Financial liabilities	217.3	155.0

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■ Foreword from the CEO

Dear Shareholders,

In the third quarter of 2008, IFM Immobilien AG proved that it can hold its own in the current difficult economic environment. Although the financial crisis has intensified, the IFM business model remains a success even in today's demanding market conditions. That is because we focus on carefully chosen properties with extensive development potential, in prime locations, and add value by actively working on those properties. We have the necessary expertise and years of experience to pursue this business strategy successfully.

The acquisition of the "Zeilgalerie" in Frankfurt am Main shows this business model's advantages: in spite of the difficult economy, we were able to acquire this famed shopping mall in the midst of one of Germany's most heavily trafficked shopping districts. And the transaction has been fully financed, conservatively and long-term. The property's outstanding attractions include its excellent location, heavy foot traffic, and about 90 percent occupancy at present. In the next two years we will put the "Zeilgalerie" through a complete restructuring, and apply professional branding to give it a whole new image. The transaction confirms the trust and good reputation that IFM's work has earned it among investors and the financing banks; it's also an example of our expertise in selecting outstanding properties. These are clear competitive advantages in the present environment.

Because of our solid financing base, no refinancing worth mentioning is pending for the next twelve months. Thanks to this conservative investment structure, there will be no direct effects from the tight financial markets.

We are pursuing a strategy of building up a high-quality portfolio of properties, and holding on to them for the long term. Current project developments are structured to meet our demanding criteria. We are also involved in selling properties where we have completed the value-added process. But our business model is structured in such a way that we can generate optimum revenues working with the properties we already have in our portfolio, without selling any real estate. That leaves us ideally positioned to await the right moment for an exit. In other words, there will be no exits "at all costs."

IFM will continue to concentrate on working with the properties in its existing portfolio. The construction work on the Romeo und Julia "Office Tower"s in Frankfurt's West End is on schedule and within budget. We are now in the phase of actively signing up tenants. The first lease was signed just recently. The redevelopment work at our "Maxxon" business park in Eschborn is also advancing briskly. Here we have decided to combine what were originally planned as two construction phases, accepting the short-term reduction in rental income. In this way we will be able to complete construction and position the property on the market a year earlier than we had planned before. We view this time component as a crucial competitive advantage in the Eschborn market. Development on the master plan for the overall project work in Wiesbaden is likewise proceeding apace.

IFM Immobilien AG stands on a firm foundation. On that basis we will systematically keep pursuing our business strategy. Our outlook for 2008 as a whole is optimistic.

Heidelberg, November 2008

Georg Glatzel
CEO

1. Summary

- IFM Immobilien Group continues to perform well in a difficult economic environment
- Consolidated revenues up 71% after nine months, to EUR 10.6 million
- Group shows profit despite one-time expenses and adverse deferred tax effects

IFM Immobilien AG, an investor and project developer especially engaged in commercial real estate, with an emphasis on office and downtown retail uses, continued its positive performance in the first nine months of 2008, despite the difficult economic environment. Revenues grew about 71%, to EUR 10.6 million. The pre-tax profit was EUR 2.0 million; this figure was pulled down by one-time expenses for moving IFM to the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange as of April 30, 2008, and by a charge resulting from the fair valuation of derivatives used to hedge interest rates. Without these expenses, the pro forma pre-tax profit would have been EUR 3.0 million. The profit after taxes and minority interests was EUR 1.0 million. This figure includes a net tax expense of EUR –0.9 million, most of which comes from deferred taxes. Last year the corporate tax reform resulted in extensive net tax income.

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 German economy took a further turn for the worse in the second half of 2008. According to the Federal Statistical Office, gross domestic product (GDP) shrank for the second time in a row in the third quarter. Since the German economy was still growing significantly at the beginning of the year, in their fall economic assessment the leading German economic institutes project that GDP for 2008 as a whole will have grown 1.8%. This assessment finds further confirmation in the annual opinion from the panel of economic advisors known as the "Wise Men."

The primary cause cited for this recessionary development is the crisis in the international financial markets, which intensified still further in the third quarter of the year, as well as in the fourth quarter to date. The consequences included still lower investor and consumer confidence, and significant fluctuations in the price of commodities. The extensive measures enacted by many countries to shore up the credit industry, as well as extensive economic programs, have had only limited effects on this development. The experts assume that the recession will continue next year. No improvement is foreseen until mid-2009 at the earliest.

Sources:

Bundesverband deutscher Banken: Monthly Report 2008

Fall Assessment by the leading German research institutes, October 2008

Annual Report by the "Wise Men" panel of economic experts, November 2008

Publication by the Federal Statistical Office, November 2008

2.3. Performance of the commercial real estate market in Germany

Office leasing markets in Germany continued to grow in the first nine months of 2008. In other words, there was still no direct impact of the crisis in the financial markets. According to Jones Lang LaSalle, average occupancy figures in the major German real estate markets – Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart – were at the same level as in the same period last year.

As the reason, Jones Lang LaSalle cites the ongoing good conditions in the job market and the corresponding demand for office space. But the job market, and thus office rentals, will feel the impact of the financial crisis only after a time lag. Because of low unemployment, vacancies in the six leading German metropolises decreased once again. At the end of the third quarter, the average vacancy rate was 8.8%, compared to 9.7% at the end of 2007.

For the current fourth quarter of 2008, IFM expects the economic environment to cause the office real estate market to slacken.

Source:

Jones Lang LaSalle, Press Release, October 2, 2008

2.4. Principal events of the period

2.4.1 Acquisition of the "Zeilgalerie"

On July 17, 2008, IFM Immobilien AG acquired the "Zeilgalerie" shopping mall in Frankfurt am Main, one of Germany's most renowned shopping centers. 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 90% at present, the property generates a rental yield of about 6%.

By acquiring the "Zeilgalerie", the IFM Group has made a strategic decision to expand further into prime-location retail properties, alongside our investments in office properties. The transaction closed in mid-August, and the property has been consolidated into the Group's financial statements as of August 15, 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.

2.5. Revenue and earnings performance

IFM generated consolidated revenues of EUR 10.6 million in the first nine months of 2008, a substantial 71% gain over the same period last year (EUR 6.2 million). The increase derived from rental income from the "Zeilgalerie" in Frankfurt am Main, acquired in July 2008, and from several properties acquired in 2007 – "Maxxon" in Eschborn, "Kureck" in Wiesbaden, and the "Office Tower" in Darmstadt. A further reason for revenue growth was the growth of occupancy at the "GutenbergPark" property in Mainz.

Revenues for the third quarter were EUR 3.8 million (same period last year: EUR 2.4 million). The increase resulted from the new acquisitions already mentioned above.

Other own work capitalized consists primarily of capitalized interest expenses for projects under development, and increased to EUR 1.7 million for the first nine months of 2008 (vs. EUR 0.6 million for the same period last year). 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 new figure also includes a proportional share of the interest expenses for the "Maxxon" property in Eschborn.

Other own work capitalized for the third quarter came to EUR 0.7 million, compared to EUR 0.2 million for the third quarter of 2007.

Other operating income came to EUR 0.6 million, compared to 0.2 million for the first nine months of 2007. It consisted of tenant payments incidental to rent obligations.

The gain on the fair valuation of investment properties was EUR 4.0 million for the first three quarters of 2008 (same period of 2007: EUR 2.4 million). The increase primarily reflects the appreciation of the "Office Tower" property in Darmstadt and the "GutenbergPark" property in Mainz, thanks to increasing occupancy. Additionally, the "Kureck" property in Wiesbaden was revalued upward in the first quarter of 2008.

The cost of goods sold, which particularly includes costs of property maintenance and management, increased to EUR 2.5 million in the first nine months because of the expanding portfolio, compared to EUR 1.2 million for the same period last year. Quarter-on-quarter, the cost of goods sold rose from the Q3 2007 figure of EUR 0.4 million to EUR 1.0 million for Q3 of this year.

Personnel expenses for the first nine months rose to EUR 1.9 million, compared to EUR 1.3 million for the same period of 2007. The increase reflects staff expansions to deal with the growth of business. The figure for the third quarter rose to EUR 0.7 million, compared to EUR 0.3 million for the same quarter of 2007.

Because of one-time costs, other operating expenses came to EUR 3.5 million, compared to 2.4 million for the first three quarters of 2007. The increase particularly resulted from the cost of moving IFM Immobilien AG stock to the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange, effective April 30 2008.

Other operating expenses for the third quarter of 2008 were up from last year's figure of EUR 0.8 million to EUR 1.1 million, primarily because of the acquisition of the "Zeilgalerie".

The acquisitions from 2007, the acquisition of the "Zeilgalerie", and the progress of construction at the "Romeo & Julia" property raised interest and similar expenses to EUR 7.3 million (first nine months of 2007: EUR 3.2 million). Interest expenses for the third quarter rose to EUR 2.8 million, compared to EUR 1.6 million for the same quarter last year.

Other interest and similar income for the first nine months came to EUR 1.0 million, compared to EUR 0.6 million for the same period last year.

The non-cash loss on the fair valuation of derivatives used to hedge interest rates was EUR -0.4 million for the first three quarters of 2008, compared to a gain of 0.9 million for the same period last year. The loss on the fair valuation of derivatives for the third quarter increased from EUR -1.0 million for 2007 to EUR -2.2 million for the same period of 2008.

The IFM Immobilien Group showed an operating profit (profit before taxes) of EUR 2.0 million for the first three quarters of 2008, compared to EUR 2.4 million for the same period last year. Most of the decrease resulted from the one-time expenses already mentioned above. Without the expenses for the segment change (EUR 0.6 million) as well as the elimination of non-cash expenses on the fair valuation of derivatives, the pro forma pre-tax profit would have been EUR 3.0 million.

The operating loss for the third quarter of 2008 was EUR -1.0 million, and was thus less than for the same period last year (EUR -1.4 million).

Income taxes for the first nine months came to EUR -0.9 million, and resulted primarily from deferred taxes for the appreciation of properties already mentioned above. For the same period last year, the effects of the corporate tax reform gave IFM a tax income of EUR 1.3 million.

The consolidated profit after taxes and minority interests for the first nine months was EUR 1.0 million, down from the same period last year (EUR 3.6 million).

Minority interests (EUR 0.1 million) had little effect on profit performance. Earnings per share (both diluted and basic) for the first nine month 2008 were EUR 0.11.

In the third quarter of this year, the book losses on the fair valuation of derivatives used to hedge interest rates, as already mentioned above, caused a consolidated loss after taxes and minority interests of EUR –1.3 million, compared to the profit of EUR 1.3 million that resulted for the same period last year from the tax adjustment required by the corporate tax reform.

2.6. Net assets

The July 2008 acquisition of the “Zeilgalerie” in Frankfurt am Main caused a substantial change in the asset and capital structure of the IFM Immobilien Group as of September 30, 2008, compared to December 31, 2007. The Group’s total assets increased about EUR 80 million, to EUR 339.4 million, and were thus 30.2% above the figure from the earlier reporting date (EUR 260.7 million).

Non-current assets at September 30, 2008, came to EUR 315.7 million, up 35.2% from the comparable figure for the end of 2007 (EUR 233.6 million). The value for investment property rose a substantial 49.7%, to EUR 207.8 million (December 31, 2007: EUR 138.8 million). The primary reasons were the acquisition of the “Zeilgalerie”, the reclassification of the “Office Tower” property in Darmstadt under this item, and the appreciation of the “GutenbergPark” property in Mainz and the “Kureck” property in Wiesbaden. Properties under development came to EUR 87.7 million as of the end of September (December 31, 2007: EUR 80.6 million; +8.8%). The reclassification of the “Office Tower” property, which was formerly recognized under this item, was overcompensated by the progress of construction at the “Romeo & Julia” property.

The item for derivative financial instruments rose slightly, to EUR 2.2 million (December 31, 2007: EUR 1.9 million).

Current assets as of September 30, 2008, were down 12.8%, to EUR 23.7 million (December 31, 2007: EUR 27.1 million). Cash and cash equivalents decreased EUR 4.1 million, to EUR 18.5 million, because of the acquisition of the “Zeilgalerie”.

2.7. Financial position

The Group’s equity as of September 30, 2008, came to EUR 105.0 million, compared to EUR 94.2 million at December 31, 2007 – an 11.5% gain. The substantial increase in total assets decreased the equity ratio at 31%, still a solid level (December 31, 2007: 36%).

Long-term borrowings increased from EUR 157.3 million to EUR 218.9 million. Most of this figure was liabilities to banks, which grew from EUR 153.8 million to EUR 213.1 million because of the acquisition of “Zeilgalerie” in Frankfurt as well as ongoing property project developments, especially for “Romeo & Julia” and “Maxxon”.

Short-term borrowings increased from EUR 9.2 million to EUR 15.4 million.

The cash flow from operating activities exceeded break even after the first nine months of 2008 with an amount of EUR 14 thousand, after EUR –2.8 million for the same period last year. Based on the consolidated profit of EUR 1.1 million the change derived, in comparison with the first nine months 2007, from lower other cash income and lower increase in trade accounts receivable and other assets.

The cash flow from investing activities for the first nine months was EUR –75.8 million, and had to do mostly with the acquisition of the “Zeilgalerie” in Frankfurt as well as the advancing construction at the “Romeo & Julia” property in Frankfurt.

The cash flow from financing activities came to EUR 71.5 million, compared to EUR 78.8 million for the first nine months. The amount shown considerably consists of EUR 9.4 million capital increase as well as EUR 63.1 million proceeds from bank loans.

3. Risk and opportunity report

The Group has analyzed the potential impact, for both itself and its subsidiaries, of the “Zinsschranke” interest restriction that has been introduced in Germany, and we have taken countermeasures accordingly. This limit was a part of the corporate tax reform that took effect on January 1 of this year, and sets an upper bound on the deduction of interest expenses for tax purposes.

Where corporate management believes project companies meet the tax requirements as of the reporting date, those companies 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 and opportunity 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 as of December 31, 2007. To that extent, we refer the reader to the 2007 annual report.

4. Events after the reporting date

There were no events of particular significance for the IFM Group after the end of the reporting date.

5. Outlook

The IFM Group performed solidly in the first nine months of 2008 in terms of both strategy and operations. On that basis, 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 further in the medium term. In this connection, the Executive Board notes that the "Romeo & Julia" high-rise project is on schedule and within budget. Additionally, the master plan for the "Kureck" project in Wiesbaden is to be advanced further at a brisk pace. The acquisition of the "Zeilgalerie" in Frankfurt am Main expanded IFM's retail property segment, and has further diversified its portfolio.

Additionally, the Executive Board is actively exploring the market for ways of realizing the appreciation of the existing portfolio through sales.

The crisis in the financial markets and its impact on the economy have made the market environment more demanding. But the Executive Board does not believe the crisis will affect the IFM Group's financing base within the short term. No refinancing worth mentioning is pending over the next 12 months for any property in the portfolio.

Even amid the current more difficult market environment – barring unforeseen adverse events that have a material impact on IFM Immobilien AG – the Executive Board believes the Group is well equipped to continue its dynamic growth into the future.

Heidelberg, November 20, 2008

The Executive Board

Interim Consolidated
Financial Statements (IFRS)

■ Interim Consolidated Financial Statements (IFRS)

Group interim Balance Sheet as at September 30, 2008

Assets	09/30/08 EUR 000	12/31/07 EUR 000
Non-current assets		
Investment properties	207,782	138,752
Properties under development	87,708	80,594
Land and buildings	8,523	0
Advance payments made on property, plant and equipment	5,395	8,666
Office and other equipment	737	497
Goodwill	389	389
Other intangible assets	193	185
Derivative financial instruments	2,197	1,907
Deferred tax assets	2,781	2,585
Total non-current assets	315,705	233,575
Current assets		
Trade accounts receivable	1,761	1,457
Other current assets and expenses paid in advance	3,388	3,050
Securities	5,131	5,003
Cash and cash equivalents	13,370	17,622
Total current assets	23,650	27,132
Total assets	339,355	260,707

Interim Consolidated Financial Statements (IFRS) ■

Group interim Balance Sheet as at September 30, 2008

	09/30/08 EUR 000	12/31/07 EUR 000
Equity and Liabilities		
Equity		
Issued capital	9,350	8,500
Additional paid-in capital	78,307	69,439
Other reserves	9,717	9,716
Distributable profit	6,529	5,515
Equity attributable to Group shareholders	103,903	93,170
Minority interests	1,134	1,016
Total equity	105,037	94,186
Long-term liabilities		
Liabilities to banks	213,099	153,774
Trade accounts payable	34	13
Deferred tax liabilities	5,777	3,489
Total long-term liabilities	218,910	157,276
Short-term liabilities		
Tax provisions	562	239
Other provisions	2,645	1,661
Liabilities to banks	4,233	1,247
Trade accounts payable	4,668	3,510
Other short-term liabilities and deferred expenses	3,300	2,588
Total short-term liabilities	15,408	9,245
Total equity and liabilities	339,355	260,707

■ Interim Consolidated Financial Statements (IFRS)

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

	01/01/ - 09/30/ 2008 EUR 000	Q3 2008 EUR 000	01/01/ - 09/30/ 2007 EUR 000	Q3 2007 EUR 000
Consolidated Income Statement				
1. Revenues	10,574	3,823	6,177	2,410
2. Other own work capitalized	1,747	695	599	244
3. Other operating income	595	266	158	79
4. Gain on fair valuation of investment properties	3,969	1,642	2,379	0
5. Cost of goods sold	-2,489	-1,021	-1,189	-411
6. Personnel expenses	-1,931	-668	-1,339	-286
7. Depreciation and amortization	-276	-94	-166	-64
8. Other operating expenses	-3,533	-1,069	-2,371	-847
9. Other interest and similar income	1,018	406	553	236
10. Write-downs of financial assets and securities from current assets	0	0	-68	-68
11. Interest and similar expenses	-7,322	-2,779	-3,183	-1,626
12. Gain or loss on fair valuation of derivatives	-360	-2,214	861	-1,017
13. Operating profit	1,992	-1,013	2,411	-1,350
14. Income taxes (including: deferred taxes)	-863 (-630)	-192 (-37)	1,284 (1,318)	2,705 (2,739)
15. Consolidated profit (loss)	1,129	-1,205	3,695	1,355
16. Minority interests	115	85	105	91
17. Consolidated profit (loss) after minority interests	1,014	-1,290	3,590	1,264
18. Carried forward from previous period	5,515	7,819	439	2,765
19. Consolidated distributable profit (loss)	6,529	6,529	4,029	4,029
20. Basic earnings per share (in EUR)	0.11	-0.14	0.42	0.15
21. Diluted earnings per share (in EUR)	0.11	-0.14	0.42	0.15

Interim Consolidated Financial Statements (IFRS) ■

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

	01/01 - 09/30/ 2008	01/01 - 09/30/ 2007
	EUR 000	EUR 000
Consolidated Cash Flow Statement		
1. Consolidated profit (loss)	1,129	3,695
2. + Depreciation and amortization of non-current assets	276	166
3. -/+ Other noncash income / expenses	-2,455	-4,471
4. - Increase / + Decrease in inventories, trade accounts receivable and other assets	-663	-3,140
5. - Decrease / + Increase in trade accounts payable and other liabilities	1,727	953
6. = Cash flow from operating activities	14	-2,797
7. - Cash paid for investments in investment properties	-54,060	-19,282
8. - Cash paid for investments in properties under development	-7,114	-32,413
9. - Cash paid for investments in intangible assets and property, plant and equipment	-5,776	-267
10. + Proceeds from investments in intangible assets and property, plant and equipment	0	47
11. - Cash paid for investments in securities	0	-5,003
12. - Cash paid for the acquisition of consolidated companies	-8,825	-31,541
13. = Cash flow from investing activities	-75,775	-88,459
14. + Cash received from the issuance of shares	9,350	0
15. - Cash paid to raise equity capital	-152	0
16. + Proceeds from bank loans	63,078	80,051
17. - Cash repayments of bank loans and other loans	-767	-553
18. + Other cash received from financing activity	0	385
19. - Other cash paid from financing activity	0	-1,048
20. = Cash flow from financing activities	71,509	78,835
21. Cash changes in cash and cash equivalents	-4,252	-12,421
22. + Cash and cash equivalents at beginning of period	17,622	29,470
23. = Cash and cash equivalents at end of period	13,370	17,049

■ Interim Consolidated Financial Statements (IFRS)

Group interim Changes in Equity for the Period from January 1 to September 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
Tax rate adjustments	0	-516	0
Stock option plans	0	14	0
Cash flow hedges	0	0	250
Profit (loss) for period	0	0	0
Status at Sept. 30, 2007	8,500	69,295	9,734
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	473	0
Cash flow Hedges	0	0	1
Profit (loss) for period	0	0	0
Status at Sept. 30, 2008	9,350	78,307	9,717

Interim Consolidated Financial Statements (IFRS) ■

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

Distributable loss (profit)	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	-516	0	-516
0	14	0	14
0	250	10	260
3,590	3,590	105	3,695
4,029	91,558	960	92,518
5,515	93,170	1,016	94,186
0	9,350	0	9,350
0	-105	0	-105
0	473	0	473
0	1	3	4
1,014	1,014	115	1,129
6,529	103,903	1,134	105,037

Notes to the interim
Financial Statements

Selected Notes to the Interim Consolidated Financial Statements at September 30, 2008

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 consolidated interim financial statements as of September 30, 2008, was November 20, 2008, the date on which the Executive Board of IFM AG approved the consolidated interim financial statements for release. 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 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. For the first time, the quarterly financial statements at September 30, 2008, include IFM Property Project Frankfurt – Zeil Holding GmbH & Co. KG (hereinafter "Zeil Holding KG") and Signature Property 101 GmbH. Signature Property 101 GmbH has been renamed IFM Property Project Frankfurt-Zeil GmbH. Otherwise there have been no changes in the scope of consolidation.

As of July 1, 2008, IFM Property Project Frankfurt GmbH ("westendFirst") was converted retroactively to the corporate form of a GmbH & Co. KG.

■ Interim Consolidated Financial Statements (IFRS)

Notes to the interim Financial Statements as at September 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 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 09/30/2008 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	369	19,450
"Kureck", Wiesbaden	31,315	182	2,185	33,682
"Office Tower", Darmstadt	0	57 + 11,170	1,273	12,500
"Zeilgalerie", Frankfurt	0	53,300	0	53,300
	138,752	65,061	3,969	207,782

Because it is now completed and has reached an advanced level of occupancy, the "Office Tower" property in Darmstadt has been reclassified as an "investment property" (see also the line item for "properties under development").

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 are 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 September 30, 2008

	At 12/31/2007 EUR 000	Additions / Reclassifications (-) EUR 000	At 09/30/2008 EUR 000
„Romeo & Julia“, Frankfurt am Main	38,624	14,896	53,520
„Office Tower“, Darmstadt	10,788	382	0
„Zimmerstraße“/ „Mauerstraße“, Berlin	4,629	-11,170	4,823
„Maxxon“, Eschborn-Süd	26,553	194	29,364
	80,594	7,113	87,708

Advance payments made

Advance payments made reflect the payment of the first installment of the purchase price on the “Zimmerstrasse” property, in the amount of EUR 5.395 million.

Property, plant and equipment

Changes in all 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 2,197 thousand (Dec. 31, 2007: EUR 1,907 thousand), less debts of EUR 900 thousand (Dec. 31, 2007: EUR 379 thousand), as indicated for each company below:

Group company	Fair value 09/30/2008 EUR 000	Fair value 12/31/2008 EUR 000
IFM Property Project Eschborn GmbH	527	494
IFM Property Project Mainz GmbH	15	31
IFM Property Project Frankfurt GmbH	321	263
IFM Immobilien AG	-333	-167
IFM Property Project Darmstadt GmbH	152	148
IFM Property Project Wiesbaden GmbH & Co. KG	415	403
IFM Property Project Ulmenstraße GmbH	311	356
IFM Property Project Feldbergstraße GmbH	5	0
IFM Property Project Frankfurt-Zeil GmbH & Co. KG	-116	0
	1,297	1,528

Derivatives for IFM Property Project Frankfurt-Zeil GmbH & Co. KG were fair valued at EUR 120 thousand as of the acquisition date.

Share 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	473
At September 30, 2008	9,350	78,307

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, 2008, 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:

	09/30/2008	12/31/2007
	EUR 000	EUR 000
Differences resulting from capital increase in return for contributions	9,484	9,484
Cash flow Hedges	233	232
	9,717	9,716

■ Interim Consolidated Financial Statements (IFRS)

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

Other financial liabilities

Commitments under current investment and ordering obligations came to EUR 13,885 thousand as of September 30, 2008 (December 31, 2007: EUR 19,011 thousand).

A major item included in this figure is 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 is to be made in two installments. The first installment was paid as of September 30, 2008; the second will be due 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 3,969 thousand as of September 30, 2008 (vs. EUR 2,379 thousand for Q1 – Q3 2007).

Gain or loss on fair valuation of derivatives

The net finance expense calculates out as follows:

	Q3 2008 EUR 000	Q1 - Q3 2008 EUR 000	Q3 2007 EUR 000	Q1 - Q3 2007 EUR 000
Loss on fair valuation of derivatives	-2,214	-360	-1,017	861

The measurement of the derivatives showed a substantial downtrend as a result of the performance of interest rates on the capital markets in the third quarter of 2008.

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 for the third quarter of 2008 came to 8,818,750 (Q3 2007: 8,500,000). Accordingly, basic earnings per share came to EUR 0.11 for the third quarter (Q3 2007: EUR 0.42). The earnings per share are the same after making allowances for potential rights.

3 Description of business combinations

3.1. Zeil Holding KG

Zeil Holding KG was formed effective July 15, 2008. The declaratory entry in the Commercial Register was made on July 25, 2008. Under the acquisition agreement of July 15 between Zeil Holding KG and Signature Commercial Property & Co. KG, 94.8% of Signature Property 101 GmbH was acquired. At the same time, Zeil Holding KG and Signature Commercial Property & Co. KG entered into an equity interest agreement under which Signature Commercial Property & Co. KG will have a pre-emptive tender right for the remaining 5.2% from October 1, 2013, to December 31, 2013.

Because of the closing agreements, the company was first consolidated as of August 15, 2008, and thus in the third quarter. The great complexity of the acquisition and the large number of individual matters to be examined meant that up to September 30, it was not possible to carry out a purchase price allocation on the basis of confirmed appraisal results. For the same reason, it has not been possible yet to bring IFM Property Project Frankfurt-Zeil GmbH under the accounting principles applied within the rest of the IFM Group.

The purchase price allocation is still provisional.

3.2. IFM Property Project Frankfurt GmbH & Co. KG

Effective July 1, 2008, IFM Property Project Frankfurt GmbH was reorganized as IFM Property Project Frankfurt GmbH & Co. KG, by a change of corporate form with effect in rem pursuant to Secs. 190 ff. of the German Corporate Reorganizations Act.

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 September 30, 2008

5 Supervisory Board and Executive Board

Supervisory Board

The composition of the Supervisory Board of IFM AG changed as follows in the third quarter:

Dr. Marcus Opitz resigned from the Supervisory Board by a letter dated September 3, 2008. An application has been filed asking the court to appoint Pål Berg.

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
Options expired during the 2008 reporting period	0	0	0	0
Options outstanding at end of 2008 reporting period (Dec. 31, 2008)	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 177 thousand was recognized for the stock option plans in the third quarter (Q3 2007: EUR 14 thousand).

6 Related party transactions

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

Revenues for the third quarter include EUR 20 thousand (Q3 2007: EUR 20 thousand) in revenues from services performed for IFM Immobilien-Finanz-Management GmbH (shareholder: Georg Glatzel).

As of September 30, 2008, the Group had receivables of EUR 71 thousand from IFM Immobilien-Finanz-Management GmbH (Sept. 30, 2007: EUR 141 thousand).

Since July 1, 2008, IFM Immobilien-Finanz-Management GmbH has held 5.2% of IFM Property Project Frankfurt GmbH & Co. KG as a limited partner. IFM Property Project Frankfurt GmbH & Co. KG was formed by a corporate reorganization with effect in rem as of July 1, 2008.

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 had invested EUR 5,131 thousand as of the end of the third quarter of 2008.

Heidelberg, November 20, 2008

Georg Glatzel

Marcus Schmitz

Appendix
Interim Consolidated
Financial Statements

■ Appendix 1

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

		Cost of acquisition or creation				
		At 01/01/2008	Additions	Disposals	Reclassifi- cations	At 09/30/2008
		EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
I.	Investment properties	131,899	53,813	0	11,248	196,960
II.	Properties under development	80,594	18,280	0	-11,166	87,708
III.	Land and buildings	0	0	0	8,679	8,679
IV.	Advance payments made on property, plant and equipment	8,666	5,408	0	-8,679	5,395
V.	Office and other equipment	721	412	0	-82	1,051
VI.	Goodwill	389	0	0	0	389
VII.	Other intangible assets	226	38	0	0	264
		222,495	77,951	0	0	300,446

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

Depreciation and amortization			Changes in fair value per IAS 40			Carrying amount	Carrying amount	
At 01/01/2008	Additions	Disposals	At 09/30/2008	At 01/01/2008	Additions	At 09/30/2008	At 09/30/2008	At 12/31/2007
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
0	0	0	0	6,853	3,969	10,822	207,782	138,752
0	0	0	0	0	0	0	87,708	80,594
0	156	0	156	0	0	0	8,523	0
0	0	0	0	0	0	0	5,395	8,666
224	90	0	314	0	0	0	737	497
0	0	0	0	0	0	0	389	389
41	30	0	71	0	0	0	193	185
265	276	0	541	6,853	3,969	10,822	310,727	229,083

Forward-Looking Statements and Information Obtained from Third Parties

This interim 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 interim 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 interim 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 interim 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 Calendar 2009

Release Annual Report	April 2009
Analyst Conference	April 2009
Release Q1 Report	May 2009
Release Semiannual Report	August 2009
Release Q3 Report	November 2009



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