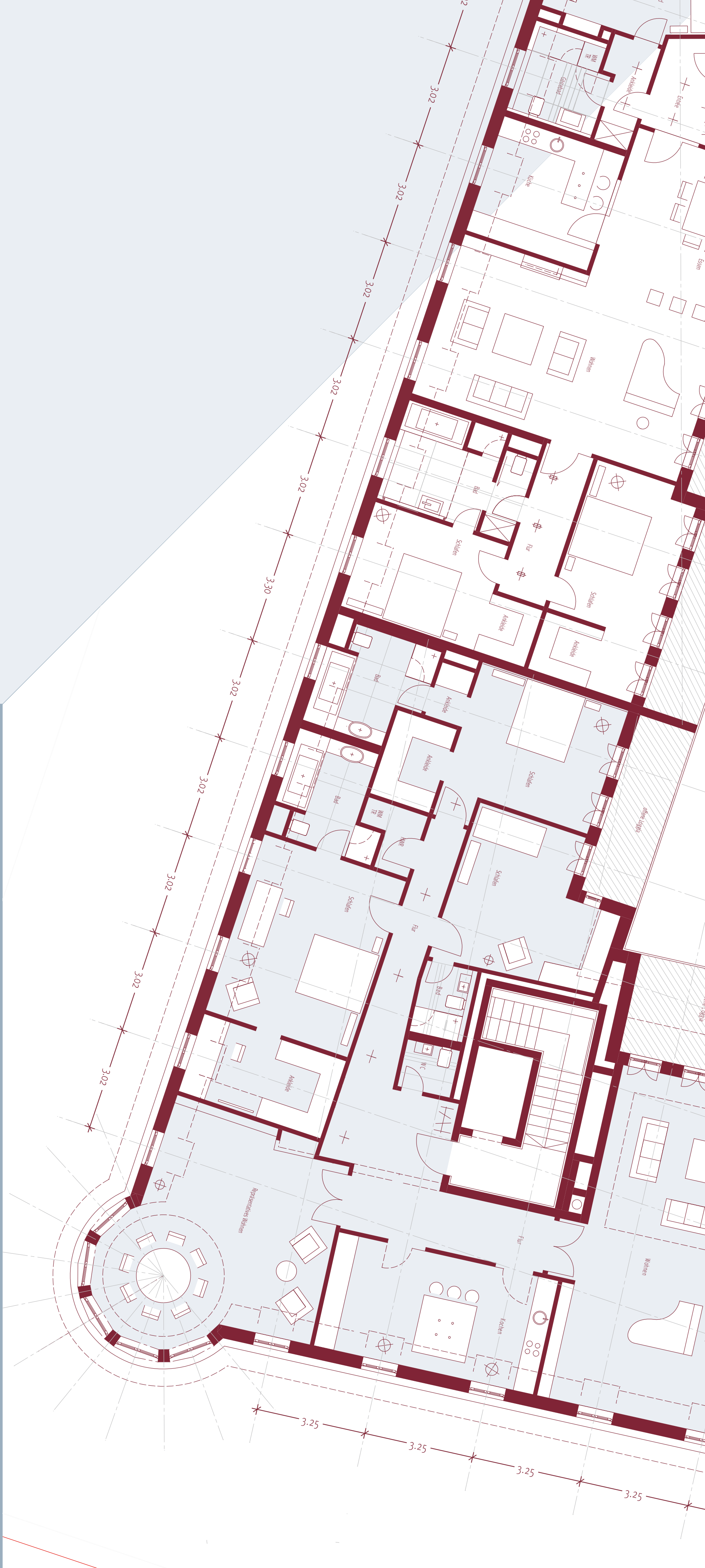
PATRIZIA
IMMOBILIEN AG

ANNUAL REPORT 2009



INVEST.
OPTIMIZE.
REALIZE.

KEY FIGURES

	2009	2008	Change
REVENUES AND EARNINGS	EUR'000	EUR'000	%
Revenues	250,888	221,325	13.4 %
Total operating performance	159,253	171,558	–7.2 %
EBITDA	56,934	64,910	–12.3 %
EBIT	56,110	64,064	–12.4 %
EBT	–7,961	–32,408	75.4 %
EBT adjusted	2,419	842	187.3 %
Net profit / loss	–9,500	–34,138	72.2 %

	Dec. 31, 2009	Dec. 31, 2008	Change
STRUCTURE OF ASSETS AND CAPITAL	EUR'000	EUR'000	%
Non-current assets	662,925	683,180	–3.0 %
Current assets	763,498	833,973	–8.5 %
Equity	284,824	291,472	–2.3 %
Equity ratio (in %)	20.0 %	19.2 %	0.8 %-points
Non-current liabilities	40,322	29,685	35.8 %
Current liabilities	1,101,277	1,195,996	–7.9 %
Total assets	1,426,423	1,517,153	–6.0 %

	2009	2008	Change
OTHER KEY FIGURES			%
Cash flow from operating activities (TEUR)	101,805	28,958	251.6%
Cash flow from investing activities (TEUR)	–171	78,184	–100.2%
Cash flow from financing activities (TEUR)	–113,356	–93,250	–21.6%
Earnings per share (EUR)	–0.18	–0.65	72.3%
Dividend per share (EUR)	0.00*	0.00	0.0%
Employees as at December 31	349	381	–8.4%
Number of units in the portfolio as of December 31	11,120	12,076	–7.9%

* Dividend proposal for PATRIZIA's 2009 fiscal year, subject to approval by the June 23, 2010, Annual General Meeting

SHARE	
ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital as at December 31, 2009	EUR 52,130,000
No. of shares in issue at December 31, 2009	52,130,000
2009 high*	EUR 4.02
2009 low*	EUR 1.29
Closing price as at December 30, 2009	EUR 3.06
Market capitalization as at December 31, 2009	EUR 159.5 million
Indices	SDAX, EPRA, GEX, DIMAX

* Closing price at Frankfurt Stock Exchange Xetra trading

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INVEST.

OPTIMIZE.

REALIZE.

> “I cannot imagine that there is a single person who does not find he has constantly new requirements”
>
> (Ludwig Erhard, father of the German economic miracle)

No home without an apartment, no business without an office, no trade without a shop. Almost everyone lives and works in a property. They are places of social convergence and at the same time serve as refuges for private retreat. They shape the silhouette of a town and form the structure of a landscape in a sustained manner. Our living and working conditions are greatly influenced by them. Properties are an expression of our culture and way of living and are what make these unique.

REAL ESTATE AS AN ECONOMIC FACTOR

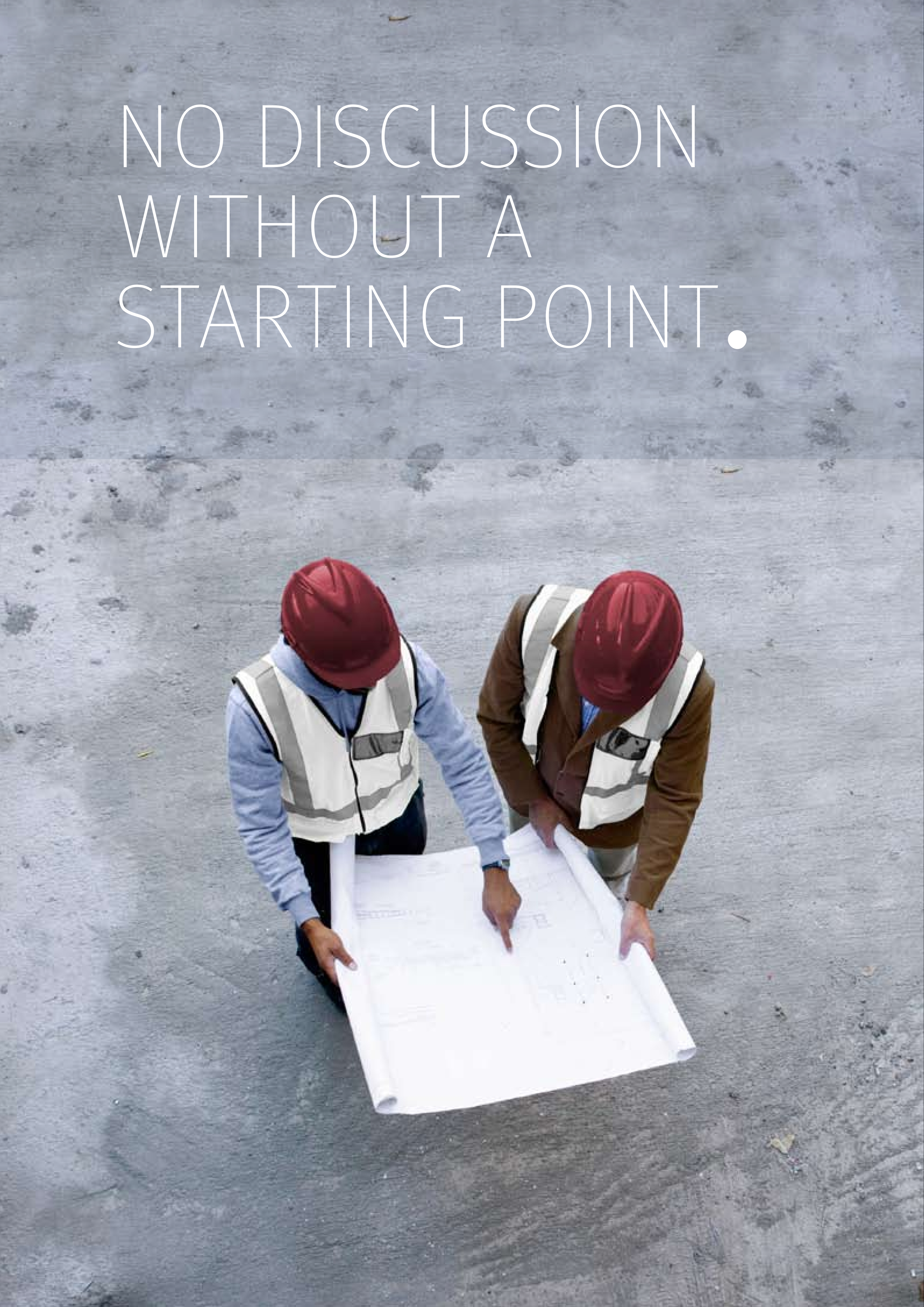
The economic importance of real estate is considerable: In Germany alone real estate assets come to around eight trillion euro (EUR 8,000,000,000,000) and accordingly constitute the largest share of the country’s economic capital. This portfolio needs to be managed, maintained, modernized, supplemented by new buildings and further developed. This gigantic market is facing enormous challenges as the real estate business is undergoing upheaval. On the one hand social trends such as the individualization and aging of the population, an increase in urban living and the increasing need for living space are calling for new answers. On top of this, German housing stock is aging as three quarters of the buildings are over 30 years old. In sought-after residential areas in particular portfolio maintenance and enhancement poses a future challenge with enormous growth opportunities for the real estate sector.

NO ADDED VALUE WITHOUT OPTIMIZATION

For more than 25 years PATRIZIA has been rising to the challenges of the real estate market and responding to its developments and changing needs. And just as the market has changed, we have also developed further. From our origins in residential property resales, we have ripened into a company offering the entire range of services covering all aspects of real estate. Today we act as both investor and service provider. We invest in residential real estate – both for ourselves and on behalf of third parties, for funds and within the scope of joint venture partnerships. We optimize real estate by managing it professionally and improving its substance – be this through experienced property management or long-term modernization projects. And finally we realize this value enhancement by selecting an optimum sales channel. This ranges from the resale of individual apartments and en bloc sale of portfolios through to the launch of new funds.

Invest. Optimize. Realize. That is how we regard ourselves. That is our motivation. That is our commitment to shaping change. Yesterday, today and in the future.

NO DISCUSSION WITHOUT A STARTING POINT.



PREFACE AND REPORTS

A

LETTER TO OUR SHAREHOLDERS

Dear shareholders,
Dear ladies and gentlemen,

2009 was indisputably another challenging year for the real estate business. As we saw, investors continued to emphasize asset security, which speaks in favor of purchasing tangible assets. This was clearly underscored by private investors in 2009 and in 2010 will even extend to institutional investors.

Take, for instance, our residential property resales, which were up a pleasing 38 % from the previous year. We are also beginning to see the green shoots of recovery for the transaction market, primarily for smaller portfolios. Global sales as of the end of 2009 made a decisive contribution to our earnings target achievement. Despite the negative impact of the financial market crisis, our earnings situation has improved. With operating pre-tax earnings of EUR 2.4 million, we generated positive operating profit as expected, outpacing 2008 results by EUR 0.8 million.

We have shown that we are a dependable partner: Our operating earnings improved from quarter to quarter, which allowed us to more than compensate for the losses incurred during the first half of 2009.

A significant contributing factor here was successful residential property resales, which at 657 units sold exceeded our initial expectations. In our asset repositioning portfolio, we further improved our rental income and reduced the number of vacancies. We are also very pleased with developments in the funds area. We recently launched two more funds with a target volume totaling EUR 485 million.

In addition to the positive operating profit, we reached further targets in 2009: We renewed our loans for a total of EUR 582 million – EUR 530 million of which was during the first quarter – essential to reinforcing the trust of investors and business partners in PATRIZIA. It clearly evidences the lending banks' trust in the quality of our properties and our credit rating.

In 2009, the assessments of our properties again did not require us to make any value adjustments. The quality and value of our investment property was recently confirmed by renowned, outside experts. But the sustained value of our real estate assets is no coincidence. In addition to being selective about the properties we purchase, we continually invest in maintenance and modernization measures, while improving our performance on an ongoing basis with active management. Optimizing our real estate is one of our core competencies; the purchase prices achieved confirm that our approach is on target.

We continue to pursue our strategic path, staying ahead of market trends and demands. The volatile nature of the transaction business has to be supported by stable, recurring income. The expansion of our service business over the last few years has helped us generate reliable income in the form of fees from asset, fund and property management. The Services segment's rising share of earnings is proof positive that our strategy was correct. We will continue to expand our Fund and Investment Management areas going forward to meet the high demand for indirect real estate products. This will boost earnings from our investments that we continue to make and support sustainable income.

What will 2010 bring for PATRIZIA and for you, our investors? The first half of 2009 was overshadowed by an extreme public debate about the company's liquidity situation in the midst of the financial crisis. Without a doubt, 2010 will be a critical year for us. We will continue to stress that PATRIZIA and its business model are back on the track to success and will generate enough income to offer shareholder dividends again.

We will maintain residential property resales as a strong pillar of our business model, keeping the sales figures at last year's level. The pleasing number of notarizations during January and February 2010 are clear evidence that the trend toward condominium purchases continues, and we are well on our way to surpassing last quarter's sales figures. For block sales, we anticipate a healthy revival of the business after four transactions with 289 units sold in 2009. The current market environment is challenging. The primary interest is in prime location condominiums – well-maintained properties in prosperous cities with a mid- to upper price range. These criteria fit perfectly with PATRIZIA's portfolio. In 2010, we will focus on selling off large portions of our asset repositioning portfolio. Since pur-

F.l.t.r.: Klaus Schmitt (COO), Wolfgang Egger (CEO), Arwed Fischer (CFO)

chasing these properties, we have gradually improved them to make them ready for market. By selling off our inventory, we will be able to steadily pay down our bank loans and strengthen our equity base. Loans due for renewal this year are not excessive and therefore do not pose a financial obstacle to us.

Many people continue to dream of owning their own homes. The unfailing popularity of one's "own four walls" is most promising for PATRIZIA and its business model. Institutional investors have expressed an intention to purchase real estate assets – good news, as residential property remains in the foreground. By reinforcing our Services segment, we have gotten much closer to our goal of becoming an investment house for residential property assets. In 2010, we intend to continue our positive business developments, generating a tangible improvement in earnings.

In closing, we would like to thank our employees for their fine work in 2009. We also thank our shareholders for the trust they have placed in us – more important than ever during this time of financial market crisis.

The Managing Board

Wolfgang Egger
Chairman of the Board

Arwed Fischer
Member of the Board

Klaus Schmitt
Member of the Board

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,
Dear ladies and gentlemen,

The 2009 fiscal year just ended was shaped by the impact of the global financial and economic crisis. For this reason we also started the year with subdued expectations. Today we can conclude that PATRIZIA has mastered the past fiscal year successfully and confronted emerging risks in a prudent manner. The Managing Board introduced measures to review the cost structure at an early stage; these measures played their part in contributing to the success of PATRIZIA. However, the basis for our success in the 2009 fiscal year was provided by our real estate. Particularly in this difficult market environment our sales successes have shown that quality prevails.

My Supervisory Board colleagues and I take our function as the supervisory body of PATRIZIA Immobilien AG very seriously and have for many years worked closely with the Managing Board as an efficient team. The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law, the Articles of Association and the bylaws with great care in fiscal year 2009. We regularly advised the Managing Board on corporate management issues and monitored management measures. To this end we were integrated directly and without delay in all decisions that were of key importance to PATRIZIA. The Managing Board fulfilled its reporting duties to the Supervisory Board as prescribed by law and the bylaws in full and comprehensively and provided us with information promptly both in writing and verbally. The operating performance in the Group, all transactions of material significance as well as the Company's planning and the associated opportunities and risks were discussed in depth and the measures of the Managing Board closely assisted. Deviations from the planned course of business and the associated objectives were discussed with us in detail as well as being discussed and checked in plenary meetings. Target achievement measures were agreed with us at an early stage and we regularly monitored their implementation.

The Supervisory Board came together in four ordinary meetings during the reporting year. Each member attended every meeting. In addition to its meetings, regular exchanges took place between the members of the Supervisory Board and the Managing Board to discuss significant matters. Contrary to the recommendations of the German Corporate Governance Code we refrained from forming committees owing to the number of just three Supervisory Board members. Based on the reports and resolutions of the Managing Board, we passed resolutions on all measures that require the approval of the Supervisory Board in accordance with the law, the Articles of Association and the bylaws of the Managing Board.

The Supervisory Board was also informed promptly between meetings of events and projects of particular relevance to PATRIZIA's position and performance. When necessary, resolutions of the Supervisory Board were also passed by circulation. The Supervisory Board stood by the Managing Board in a personal advisory capacity on several occasions. No Supervisory Board or Managing Board members were involved in any conflicts of interest subject to prompt disclosure to the Supervisory Board.

TOPICS OF THE SUPERVISORY BOARD

Reporting on operating business performance as well as on the net asset, financial and earnings situation of the Group and its subsidiaries took place regularly at the Supervisory Board meetings. Attention was also paid to overseeing the accounting process and the effectiveness of the control and risk management system implemented throughout the Group. The report on risk audits carried out was discussed with us in detail, potential opportunities and risks were weighed up by the Supervisory Board and proposed measures subjected to our audit.

During the Supervisory Board accounts meeting on March 24, 2009 and following detailed discussions with the attendant auditors, the Supervisory Board approved the 2008 annual financial statements for PATRIZIA Immobilien AG and the Group as well as the management report for PATRIZIA Immobilien AG and the Group. Following a separate examination the Supervisory Board also approved the dependent company report for the 2008 fiscal year. Further topics discussed were the Group's liquidity planning and financing as well as events in the operating segments. The agenda for the Annual General Meeting and the relevant resolution proposals were also discussed and resolved. The discussions concerning an amendment to the performance-related, variable compensation system of the Managing

Board were of particular significance. According to the existing target agreement the indicator of the corporate target to be achieved comprised PATRIZIA's consolidated profit after tax in accordance with IFRSs. The reason for the renewed discussion was the fact that this profit figure in accordance with IFRSs can be very strongly influenced by the market valuation of interest rate hedges and fair value adjustments to investment property. However, these effects, which do not impact liquidity, do not have any influence on the operating earnings power of the Group. Having said this, the operating results are of direct relevance for corporate management. For example, if the general interest rate increases then the market value of our interest hedge agreements goes up. This would then have a positive effect on consolidated profit – although it would not impact liquidity – and would therefore likewise have a positive impact on the variable compensation of the Managing Board. In order to bring the compensation structure into line with the sustained operating performance of the Company we have adjusted the target system in order to align it with consolidated profit before tax excluding the appreciation and depreciation of real estate and the effects of interest rate hedging instruments. This enables us to guarantee that the variable compensation of Managing Board members is geared exclusively to consolidated operating results and that the Group's liquidity situation is also taken into account.

At the second Supervisory Board meeting on May 6, 2009 the Managing Board reported on the business performance of PATRIZIA in the first quarter of 2009. Against the backdrop of the termination of the interest hedge agreement for a loan and the associated termination costs this option was also discussed intensively with regard to further financings. To this end the outstanding renewals and the financing of individual project developments were also the subject of our discussions. Concerning the performance of the share price – at this point the share price was back above the EUR 2 mark again – we also used the meeting to obtain updates on our shareholder management and the reactions of the capital market.

Following our Annual General Meeting on June 23, 2009 my Supervisory Board colleagues and I also met for our third meeting in the 2009 fiscal year. The performance of the operating segments and the financing and liquidity situation were also on the agenda this time. A lot of attention was accordingly devoted to the analysis of the projected figures for residential property resales and global sales. In addition, the Managing Board announced an optimization of the Group's structure entailing the closure of a total of 20 shelf companies. Furthermore, the Managing Board reported on the general market situation for residential real estate in Germany and the opportunities arising from this for PATRIZIA.

In the Supervisory Board meeting on December 14, 2009 our attention was focused on the Company's planning and the associated objectives for the new fiscal year 2010. The planning for each business line was discussed in detail including the underlying planning assumptions and their impact on the overall consolidated profit. We talked in depth about the planned residential property resales and block sales and their placement opportunities on the market. In this respect we were informed about potential buyer groups on the German residential real estate market and made on-site visits to various properties in Munich. The financing structure for the Group and its subsidiaries and liquidity planning for fiscal year 2010 were also discussed at the meeting. Following a comprehensive review the Supervisory Board approved the 2010 annual planning. We also approved the new allocation of duties for the Managing Board, according to which the Group Acquisition and HR units have been transferred from CEO Wolfgang Egger to Chief Operating Officer Klaus Schmitt. The responsibilities of the individual members of the Managing Board are set out in Section D of this Annual Report and are also available for viewing on the Company's website. Furthermore, the provisions of the Vorstandsvergütungsgesetz (VorstAG – German Management Remuneration Act) and amendments to the German Corporate Governance Code were also examined intensively as part of the plenary session. The Managing Board and Supervisory Board then issued an updated Declaration of Conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act). Apart from a few exceptions, the recommendations and suggestions of the Code are met. This as well as all previous declarations of conformity are permanently available for viewing on the website of PATRIZIA Immobilien AG. Based on the Corporate Governance Code, my Supervisory Board colleagues and I this year once again carried out an efficiency examination. The results show that the efficiency of cooperation among ourselves as well as with the Managing Board can be categorized as very good.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2009, AUDIT AND DEPENDENT COMPANY REPORT

The annual financial statements of PATRIZIA Immobilien AG which are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) for fiscal year 2009 as well as the combined management report for PATRIZIA Immobilien AG and the Group were examined by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping, and each issued with an unqualified audit opinion.

All relevant annual financial statement documents as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were available on time to the members of the Supervisory Board for the accounts meeting on March 24, 2010. The Managing Board and the responsible auditors explained the findings of the audit and answered all our questions. The Supervisory Board carefully examined the PATRIZIA Immobilien AG annual financial statements, the consolidated financial statements and the combined management report for PATRIZIA Immobilien AG and the Group and had no objections. We agreed with the findings of the audit by the auditors and expressly approved the annual and consolidated financial statements prepared by the Managing Board. The annual financial statements for fiscal year 2009 have thus been adopted in accordance with Article 172 of the AktG. In respect of the Group's gearing ratio and investment planning, the Supervisory Board examined the proposal by the Managing Board on the appropriation of net profit and approved the proposal to forego a dividend payment for the 2009 fiscal year.

As regards the Company's risk management system, the auditor found that the Managing Board of PATRIZIA Immobilien AG had taken the measures required by Article 91 (2) of the AktG and that the Company's early risk detection system was suitable for detecting developments in good time that jeopardize the continued existence of the Company and for adequately confronting these developments. No risks are known at present that could jeopardize the continued existence of the PATRIZIA Group either by themselves or in combination with other risks.

All legal and business relationships with related parties were submitted to the Supervisory Board, which carried out an in-depth review of market conformity. These contractual relationships with related parties were also checked by the auditors and are in line with current market conditions also applicable to the conclusion of such relationships between the PATRIZIA Group and third parties.

The dependent company report on relationships between PATRIZIA Immobilien AG and affiliated companies prepared by the Managing Board in line with Article 312 of the AktG was examined by the auditor. The auditor issued the following audit opinion:

"Following our mandatory audit and assessment, we hereby confirm that:

1. The information given in the report is correct,
2. With regard to any legal transactions listed in the report, the Company's performance was not unduly high,
3. No circumstances arise from the measures listed in the report which necessitate any significant change to the assessment made by the Managing Board."

The auditor's report on the dependent company report was made available to all members of the Supervisory Board in good time before the accounts meeting and was examined thoroughly by us and discussed in detail with the auditors present. The Supervisory Board found that it has no objections to the report and the concluding declaration by the Managing Board contained therein.

We would like to take this opportunity to express our sincere thanks to all who have contributed to the well-being of PATRIZIA. We wish to thank the Managing Board, the directors of the operating companies and all employees, who, through their strong performance, have once more demonstrated their abilities. We will also be counting on the skills and commitment of our employees in 2010. We would also like to thank our shareholders for placing their confidence in PATRIZIA during a difficult year on the stock markets.

Augsburg (Germany) – March 24, 2010

For the Supervisory Board

Dr. Theodor Seitz
Chairman

CORPORATE GOVERNANCE

The discussion concerning benchmarks for good, value-oriented corporate governance and control is being carried out very intensively amid the ongoing financial market crisis. Companies are today no longer judged solely on the basis of their financial success. Conventional ideas have been put to the test and have led to further far-reaching reforms in bank, financial, capital market and equity legislation. Despite all the new legal provisions we think that it is first and foremost the job of the Company and its representatives to confirm and enhance confidence in sustained corporate governance. For PATRIZIA a responsible corporate policy forms the basis of our business dealings and has established itself as the norm in our dealings with one another: Integrity and long-term value enhancement are essential aspects of good corporate governance. The corporate governance principles of PATRIZIA Immobilien AG are essentially incorporated in the Company's Articles of Association as well as the bylaws of the Managing Board and Supervisory Board. Precisely during the present turbulent and economically challenging time the importance of good corporate governance increases as an expression of corporate responsibility. In order to strengthen the confidence of shareholders, investors, business partners, customers and our own employees in PATRIZIA, we place great importance on illustrating and communicating the performance of the business and the associated opportunities and risks for PATRIZIA in an honest and transparent manner. All areas of the Company and our subsidiaries are involved in implementing the guidelines that are in place for this purpose, as, for us, corporate governance is both an obligation and a challenge. For us it goes without saying that we provide information on significant events in a timely and comprehensive manner. To this end all target groups – shareholders, analysts, the press and interested members of the public – are informed simultaneously about current business developments.

IMPLEMENTATION OF THE CODE

The Managing Board and Supervisory Board again dealt extensively with implementation of the recommendations and suggestions of the Code in 2009 and in particular with the changes contained in the version of the Code dated June 18, 2009. The declaration of conformity in accordance with Article 161 of the AktG was passed by the Managing Board and Supervisory Board of PATRIZIA Immobilien AG on December 14, 2009. This and all preceding declarations of conformity are permanently available for access on our website www.patrizia.ag. As part of the changes to the Code some internal standards at PATRIZIA were amended. The following recommendations of the Code could not be complied with in the 2009 fiscal year and will also not be complied with in the future:

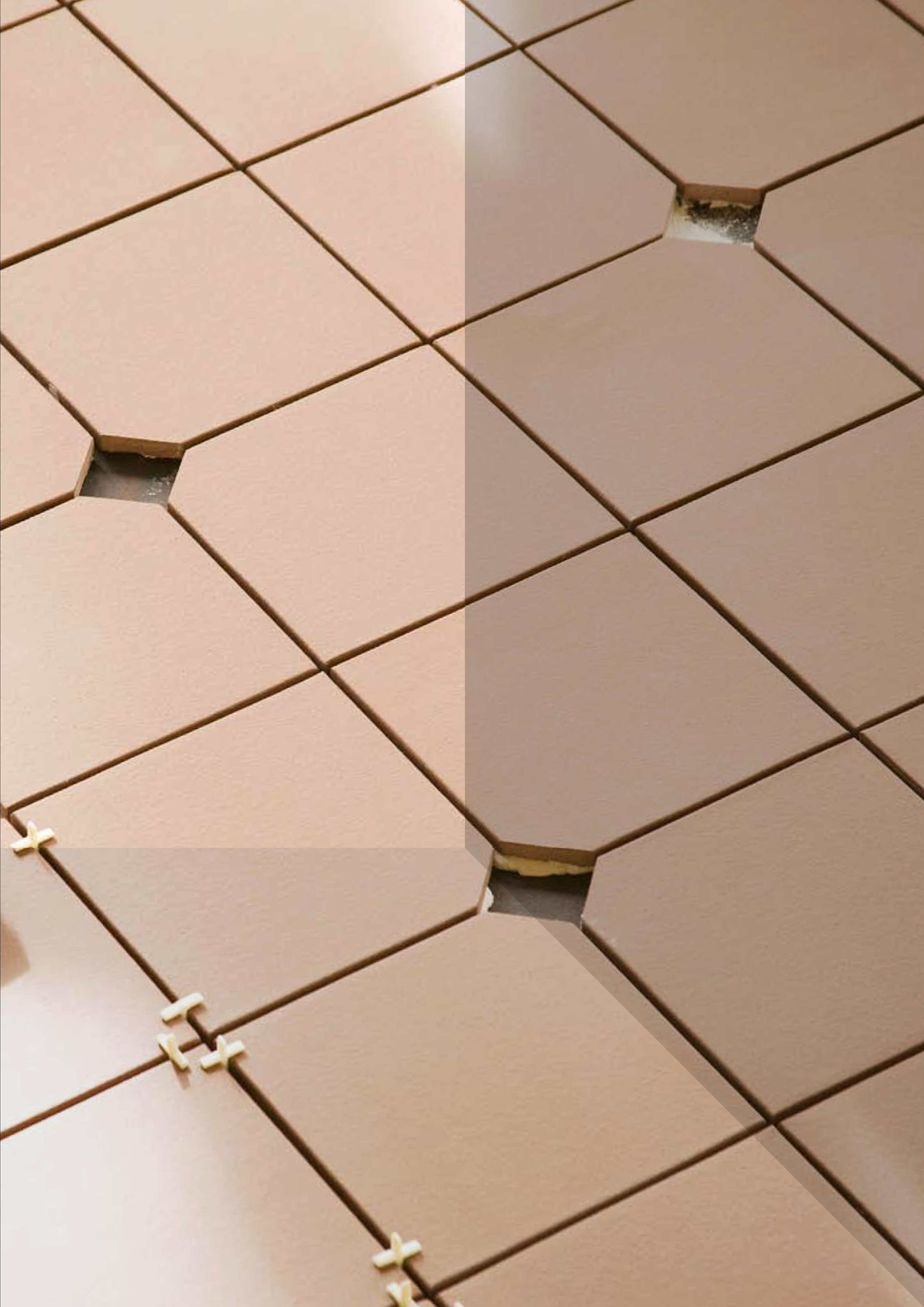
- The Company did not send notification of convening the 2009 Annual General Meeting together with the convening documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means. Although the Articles of Association permit transmission by electronic means, the Company considers convening the Annual General Meeting in this manner not yet to be practicable at the present time and to be only insufficiently practicable from a legal perspective.

- Contrary to the recommendations of the Code, the professional liability insurance or so-called D&O insurance concluded by the Company for the Managing Board and Supervisory Board does not provide for a deductible. For the Managing Board the deductible will be introduced in accordance with the legal provisions as of July 1, 2010. The committee does not believe that a deductible for the Supervisory Board affects the sense of responsibility and loyalty with which the members of the Supervisory Board fulfill the duties and functions assigned to them. For this reason, a deductible is not needed and is not planned for the future.

- The Supervisory Board of PATRIZIA Immobilien AG comprises three members. Due to the number of Supervisory Board members, the Company believes that it is neither necessary, nor does it make sense, for the Supervisory Board to form committees. The recommendations relating to forming committees are therefore not of significance to PATRIZIA.

- Contrary to the recommendations of the Code, the compensation model for the Supervisory Board does not distinguish between chairman and deputy chairman of the Supervisory Board. Due to the Supervisory Board having three members, a distinction is only made between chairman and other members. Because no committees have been established, committee remuneration is irrelevant.


NO WHOLE
WITHOUT A PART.



In order to enhance transparency and underline the importance of the Corporate Governance Code for PATRIZIA Immobilien AG in a comprehensive manner, our current declaration of conformity also makes reference to compliance with the recommendations of the Code. With the exception of the following recommendations, all recommendations of the version of the Code dated June 18, 2009 were complied with in the 2009 fiscal year or are to be complied with in 2010:

- Due to cost reasons the 2009 Annual General Meeting was not broadcast on the Internet. Also due to cost reasons, there are likewise no plans to broadcast the 2010 Annual General Meeting on the Internet.

- The Codes recommends gearing the performance-related remuneration of the Supervisory Board to the long-term performance of the enterprise. The variable compensation of the Supervisory Board of PATRIZIA depends on the amount of the dividend for the respective fiscal year and therefore contains no components geared towards the long-term performance of the enterprise.

MANAGING BOARD AND SUPERVISORY BOARD

Although the Managing Board has sole responsibility for management of the PATRIZIA Group, it is bound by the interests of the Company and is obligated to increase the enterprise value sustainably. In close co-operation with the Supervisory Board it develops the strategic approach of PATRIZIA and is responsible for its operative implementation. At the end of the 2009 fiscal year, the PATRIZIA Immobilien AG Managing Board comprised three members. In the reporting year the areas of responsibility on the Managing Board were partially reorganized. The newly created Fund Distribution department was integrated into the responsibility of the Chairman. Responsibility for the HR department was transferred from Wolfgang Egger to Klaus Schmitt. A complete overview of the responsibilities of the individual members of the Managing Board can be found in section D.

The Supervisory Board of PATRIZIA Immobilien AG advises and monitors the Managing Board with regard to corporate governance and is always involved in decisions of fundamental importance for PATRIZIA. The Supervisory Board likewise consists of three members; no former members of the Managing Board are on the Supervisory Board.

Both committees work together on a trusting basis for the well-being of PATRIZIA. To this end the Managing Board informs the Supervisory Board regularly and in a timely manner about the development of the business and all issues of relevance to PATRIZIA. The Managing Board also reports on opportunities and risks and the risk management system.

Executive body members of PATRIZIA Immobilien AG, certain employees with management duties as well as parties related to them are obliged to disclose the acquisition and disposal of equities of PATRIZIA Immobilien AG, so-called directors' dealings. No such reportable transactions were carried out in the reporting year. Shares held directly and indirectly by the Managing Board members of PATRIZIA Immobilien AG exceed 1 % of the shares issued so that the total ownership as of December 31, 2009 can be broken down as follows.

The members of the Supervisory Board held no shares in the Company as of December 31, 2009.

	Number of shares	Percentage of share capital
Wolfgang Egger, indirectly and directly via First Capital Partner GmbH	26,047,572	49.97 %
Arwed Fischer	0	0.00 %
Klaus Schmitt	80,000	0.15 %
TOTAL	**26,127,572**	**50.12 %**

REPORTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements and interim reports for 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated and annual financial statements of PATRIZIA Immobilien AG were audited by both the Supervisory Board and the auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, as was the 2010 declaration of conformity. The three 2009 quarterly reports were discussed by the Managing Board with the Supervisory Board prior to publication.

In accordance with the Code recommendations, we include the compensation report for the Managing Board and Supervisory Board of PATRIZIA Immobilien AG in the Corporate Governance Report. At the same time, the management report and the notes to the consolidated financial statements also include relevant information.

COMPENSATION OF THE MANAGING BOARD

The Management Remuneration Act which came into force on August 5, 2009 has not resulted in any need for amendment to the compensation system of the Managing Board of PATRIZIA Immobilien AG. All compensation components are and remain appropriate, both individually and in total.

The amount and structure of the compensation paid to the Managing Board members are determined and regularly reviewed by the Supervisory Board. The compensation paid to Managing Board members is based on their respective remit, the personal performance of the individual Managing Board member and of the Managing Board as a whole as well as the economic and financial situation and performance of PATRIZIA. The compensation paid to Managing Board members is performance-related and made up of non-performance-related and performance-related components as well as components with a long-term incentive effects The non-performance-related components comprise fixed basic compensation that is paid as a monthly salary, pension contributions and other agreed payments. In addition, the compensation of the Managing Board members includes payments in kind and other payments which chiefly consist of the values to be applied in accordance with tax guidelines for use of a company car and insurance premiums. PATRIZIA has also taken out accident insurance with the customary extent of cover for all Managing Board members.

The performance-related, variable compensation components are calculated on the basis of targets set at the start of the fiscal year, which are divided into three categories: Company targets, business line targets and individual targets. The targets are further subdivided into quantitative and qualitative targets. The amount of variable compensation paid out accordingly depends on the degree to which the predetermined targets are achieved, undercut or exceeded.

The primary criterion for the achievement of Company targets is consolidated profit before tax for the reporting period, as calculated in accordance with IFRS and without taking into account changes in the fair value of the investment property and interest rate hedges. Since the start of the 2008 fiscal year this performance variable has been published in the quarterly and annual reports of PATRIZIA. So-called adjusted EBT acts as an important control variable for the Group and reflects its operating earnings power. Every year, depending on the Company’s planning, a target figure that exactly specifies the amount of consolidated profit to be achieved is defined. If this consolidated profit before tax in accordance with IFRS without taking into account changes in the fair value of the investment property and interest rate hedges is less than 67 % of the defined target figure (so-called hurdle), the variable compensation of the Managing Board is omitted completely, irrespective of which other targets – Company, business line or individual targets – were achieved.

A further Company target is based on the return on equity in the period under review and the two previous fiscal years. Target figures are also defined in this context. An additional criterion for calculating the variable compensation is the performance of PATRIZIA’s shares over two years in relation to the DIMAX reference indices and the Deutsche Börse index applicable at the end of the year – in this case the SDAX.

The target figures defined for each target correspond to a degree of achievement of 100 %. If the actual value determined corresponds to more than 120 % of the defined target value, 150 % of the variable compensation is paid; this is also the upper limit that has been defined for the maximum amount of variable compensation that can be achieved. If 80 % of the target is achieved, 50 % of the variable compensation is granted.

For each predefined target, a variable compensation amount is calculated depending on the degree to which the target is achieved. The total of all the amounts is paid out in two components. Two-thirds of the amount is paid out in the form of a cash payment, which is designated as a short-term component. The remaining third of the variable compensation is granted in the form of performance share units, i.e. it is not paid out directly in cash. This third is intended as a component with a long-term incentive effect. Performance share units are virtual shares which grant the legitimate claimant the right to receive a monetary amount after a performance period of two years has passed. The performance share units do not carry any voting or dividend rights. As explained above, the variable compensation component with a long-term incentive effect is initially converted into performance share units at the average Xetra rate of the PATRIZIA share 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the next year but one, i.e. after the end of the vesting period. The variable compensation components with a long-term incentive effect are thus dependent on the Company's share price performance.

Minimum compensation of EUR 240,000 per year in excess of the existing compensation model was agreed with Managing Board member Arwed Fischer. This will be granted in the form of a cash payment. There are no agreements in place in the case of a change of control. The Managing Board's total compensation in fiscal year 2009 amounted to EUR 1.0 million, of which EUR 0.8 million was from fixed components and EUR 0.2 million from variable components.

The following payments were granted to the members of the Managing Board in 2009:

	Fixed compensation		Payments in kind and other payments*		Contribution to retirement pension		Total non-performance related compensation	
IN EURO	2009	2008	2009	2008	2009	2008	2009	2008
Wolfgang Egger, Chairman	260,000	260,000	21,828	21,963	12,000	12,000	293,828	293,963
Arwed Fischer**	240,000	200,000	41,586	26,160	12,000	10,000	293,586	236,160
Klaus Schmitt	180,000	180,000	30,554	29,389	12,000	12,000	222,554	221,389
TOTAL	**680,000**	**640,000**	**93,968**	**77,512**	**36,000**	**34,000**	**809,968**	**751,512**

* The item primarily includes non-cash benefits from the provision of company cars and insurance premiums.
** For the previous year 2008 compensation is shown pro rata temporis since Mr. Fischer did not become a Managing Board member until March 1, 2008.

Variable compensation (performance-related)

	Short-term variable compensation*		Variable compensation with a long-term incentive effect**	
IN EURO	2009	2008	2009	2008
Wolfgang Egger, Chairman	0	0	0	0
Arwed Fischer***	240,000	200,000	0	0
Klaus Schmitt	0	0	0	0
TOTAL	**240,000**	**200,000**	0	**0**

* Payment in fiscal year.
** Conversion into performance share units with a two-year vesting period; to be paid out at the Xetra average rate 30 days before and after December 31 of the next fiscal year but one. No performance share units were granted for the 2008 and 2009 fiscal years since the specified target hurdle was not achieved and no variable compensation was paid at all.
*** Mr. Fischer is granted minimum compensation of EUR 240,000 per year. Payments above this limit depend on the achievement of targets. For the previous year 2008 compensation is shown pro rata temporis since Mr. Fischer did not become a Managing Board member until March 1, 2008.

The members of the Managing Board or related parties also effected transactions with PATRIZIA Immobilien AG and its subsidiaries in 2009. A list of transactions complying with standards customary in the sector and market prices can be found in the notes under item 9.3. No members of the Managing Board, Supervisory Board or Company were involved in any conflicts of interest.

COMPENSATION OF THE SUPERVISORY BOARD

In line with the recommendations of the German Corporate Governance Code, the compensation of the Supervisory Board is made up of a fixed and a variable component. The fixed compensation is paid to the Supervisory Board members in four identical installments, in each case at the end of a quarter. In view of the size of the Supervisory Board with just three members no committees were formed so that the recommended committee remuneration is therefore irrelevant.

The variable components are based on the dividend that is distributed to shareholders for the previous fiscal year. Each Supervisory Board member receives EUR 675 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.05 per share but does not exceed a dividend amount of EUR 0.50 per share. Each Supervisory Board member receives an additional EUR 375 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.50 per share but does not exceed a dividend amount of EUR 0.75 per share. Each Supervisory Board member receives an additional EUR 225 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.75 per share but does not exceed a dividend amount of EUR 1 per share. The variable compensation is payable upon the close of the Annual General Meeting which decides on the appropriation of profit for the previous fiscal year in each case. In 2009, no variable compensation was paid out as no dividends were distributed for the 2008 fiscal year.

The Chairman of the Supervisory Board receives 1.33 times the fixed and variable compensation respectively. If a Supervisory Board member was not a member for the entire fiscal year, he/she only receives the fixed and variable compensation pro rata temporis. The members of the Supervisory Board also receive reimbursement for all expenses as well as reimbursement for any value-added tax payable on their compensation and expenses.

The fixed components of the Supervisory Board compensation for fiscal year 2009 amounted to EUR 62,437.50, plus reimbursement for expenses. The variable compensation cannot be calculated and paid out until the Annual General Meeting of 2010 has approved the proposal on the appropriation of net profit by the Managing and Supervisory Boards. The proposal provides that retained earnings for the 2009 reporting period are fully carried forward to new account. This would mean that – as in the previous two years – the Supervisory Board would not receive any variable compensation.

In 2009, the following amounts were granted to the Supervisory Board:

IN EURO	Fixed compensation	Variable compensation
Dr. Theodor Seitz, Chairman	24,937.50	0
Harald Boberg	18,750.00	0
Manfred J. Gottschaller	18,750.00	0
TOTAL	**62,437.50**	**0**

There is a consultancy agreement in place between PATRIZIA Immobilien AG and the law firm Seitz, Weckbach, Fackler, Augsburg, for advice on competition and employment law matters. The Chairman of PATRIZIA Immobilien AG's Supervisory Board, Dr. Theodor Seitz, is a partner of this law firm. The consultancy agreement was approved by the resolutions of the Supervisory Board from February 23, 2009. Consultancy costs of EUR 12,886.38 including VAT were incurred. No compensation was paid to members of the Supervisory Board for personally provided services. In addition, none of the Supervisory Board members has business or personal relations with the Company or members of the Managing Board that could cause a conflict of interest.

THE PATRIZIA SHARE

At the start of the year the stock markets were still very much impacted by the financial market and economic crisis, although positive economic signals gradually led to an improvement in sentiment on stock markets. Following sharp price losses, international stock markets embarked on a clear upward trend again in the spring, supported on a fundamental basis by better than expected company results. This trend faltered for a period in the fall, only to resume and lead to new highs on the indices by the end of the year.

The German benchmark index DAX rose by 24 % in the reporting year to 5,957 points, advancing by 65 % since its lowest point in the spring. The reference index relevant to PATRIZIA, the SDAX, recorded an increase of 27 % to 3,549 points in 2009. The share index for German real estate companies, the DIMAX, rose by 20 % in the same period.

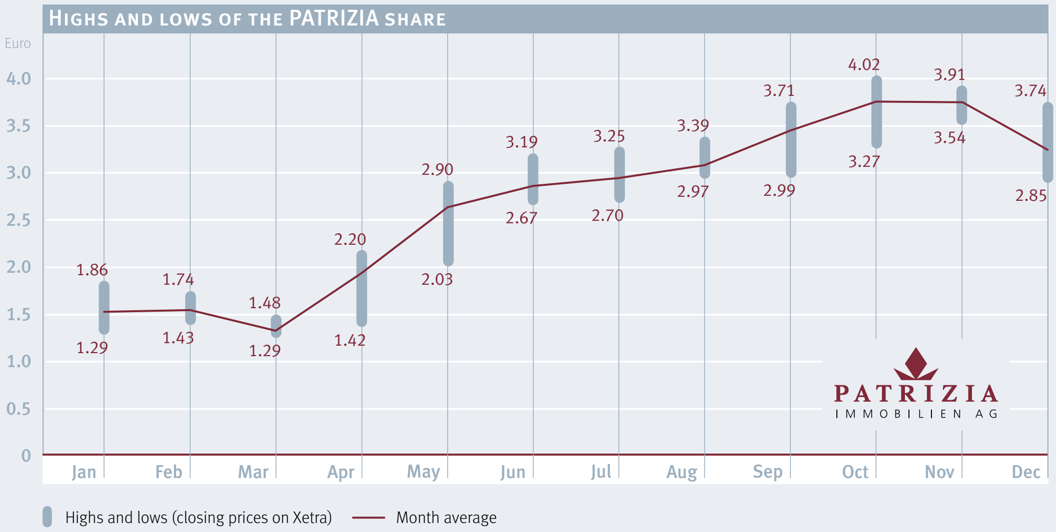
PATRIZIA shares also made up for lost ground, performing considerably better than the reference indices thanks to a rise of 87.7 %. Nevertheless, it should not be forgotten that the share started 2009 at the very low level of EUR 1.63. Despite encouraging performance in the year under review, we remain far from our previous price levels. Considering the current equity requirements for granting new loans and basic equity funding, PATRIZIA is again not paying a dividend for fiscal year 2009.

At the start of the year the PATRIZIA share was trading at a price of EUR 1.63, closing at EUR 3.06 on December 30, 2009 after another volatile year. The 2009 closing prices on Xetra ranged between EUR 1.29 and EUR 4.02. The PATRIZIA share decreased in value in the first quarter of 2009. As of April, this trend turned positive again and very consistently continued its upward course in the following months. Profit taking was reflected in declining prices at the year-end. Performance in 2009 was boosted by the successful renewal of our loans as well as increasing residential property resales. However, our shares also benefited from the general confidence in the residential real estate sector. After the shares had lost value again in the last two months of the fiscal year, PATRIZIA Immobilien AG's market capitalization amounted to EUR 159.5 million as at December 31, 2009 (December 31, 2008: EUR 85.0 million).

PATRIZIA's trading volume on all German stock exchanges amounted to an average of around 75,400 shares per day. Compared with the previous year, this represents a reduction of 75.8 % (previous year: average of 311,700 shares per day). Based on PATRIZIA Immobilien AG's total number of shares (52.13 million), the 19.14 million PATRIZIA shares traded during the reporting year represent a turnover of 0.37 (previous year: 1.52). The PATRIZIA share thus suffered considerably in terms of tradability in 2009. It is not in danger of losing its place in the SDAX at present.

As a result of continuing restructuring within the banking industry, four of the analyst companies have discontinued their coverage of the PATRIZIA share. By contrast, one bank has taken up research on our shares. The upshot is that, at present, eight analysts are regularly issuing assessments of PATRIZIA. We publish the latest consensus overview on the PATRIZIA website.

PERFORMANCE OF THE PATRIZIA SHARE IN 2009



SOUND SHAREHOLDER BASE

At the end of 2009, approximately 79 % of all PATRIZIA shares were held by institutional investors (previous year: 76 %): German institutional investors held 62.5 % of all shares. First Capital Partner GmbH, which is attributable to our CEO, Wolfgang Egger, remains the main shareholder with 49.97 %. Alfred Hoschek, a former member of the Managing Board, increased his proportion of the share capital to 3.23 % in the year under review. Apart from this, we are not aware of any shareholdings requiring disclosure (over 3 %). We attribute the decline in private shareholders by 3 percentage points to 21 % to the fact that the share displayed significant volatility. The shares in free float taken into consideration by Deutsche Börse AG in its index weighting remained constant at 50.03 % in the 2009 fiscal year.

In the context of our investor relations work, discussions with analysts and institutional investors are held regularly. In the 2009 fiscal year we conducted several roadshows in Germany and abroad and participated in various investor conferences. Our IR Team will of course also be pleased to answer questions from private shareholders at any time.

PATRIZIA SHARE 2009 AT A GLANCE	
Share capital as at December 31, 2009	EUR 52,130,000
No. of shares in issue as at December 31, 2009	52,130,000 shares
Share prices in 2009*	
High	EUR 4.02
Low	EUR 1.29
Closing price on December 30	EUR 3.06
Share price performance	+87.7 %
Market capitalization as at December 31, 2009*	EUR 159.5 million
Average trading volume per day 2009**	EUR 189,900
Average trading volume per day 2009**	75,400 shares
Earnings per share (EPS)	**EUR –0.18**

* Closing prices in Xetra trading ** All German stock exchanges

NO EXCHANGE WITHOUT A NETWORK.

MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

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MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

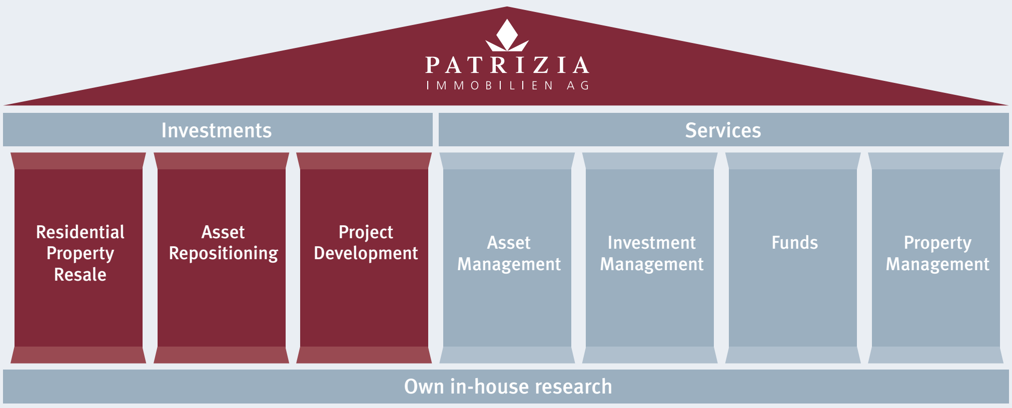
The Group management report was subsumed into the management report of PATRIZIA Immobilien AG in accordance with Article 315 (3) of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 298 (3) of the HGB. The subsumed management report contains all presentations of the net asset, financial and earnings situation of the Company and the Group as well as other details that are required according to German commercial law. All monetary amounts are stated in euro.

1. BUSINESS SEGMENTS AND ENVIRONMENT

1.1 BUSINESS ACTIVITIES AND STRUCTURE OF PATRIZIA

PATRIZIA Immobilien AG, along with its subsidiaries (hereafter referred to as PATRIZIA), is a real estate agent and investment house. It specializes in buying high-quality residential real estate at commercially attractive locations in Germany and Europe with the aim of increasing their value and subsequent reselling the real estate. With its headquarters in Augsburg and branches in Berlin, Cologne, Dresden, Frankfurt/Main, Hamburg and Munich, PATRIZIA has served the residential real estate sector throughout Germany for more than 25 years. Our regional orientation ensures that we have direct contact to our customers and local market expertise.

The Group is divided into two segments, that of Investments and that of Services. These are composed of business units that are closely linked in both a strategic and an economic sense. Residential Property Resale, Asset Repositioning and Project Development are consolidated for reporting purposes into the Investments segment, as they demonstrate comparable economic characteristics. The business segments of Asset and Investment Management, Funds and Property Management are consolidated into the Services segment due to their similar economic characteristics. All the business lines have access to PATRIZIA's own Research department.



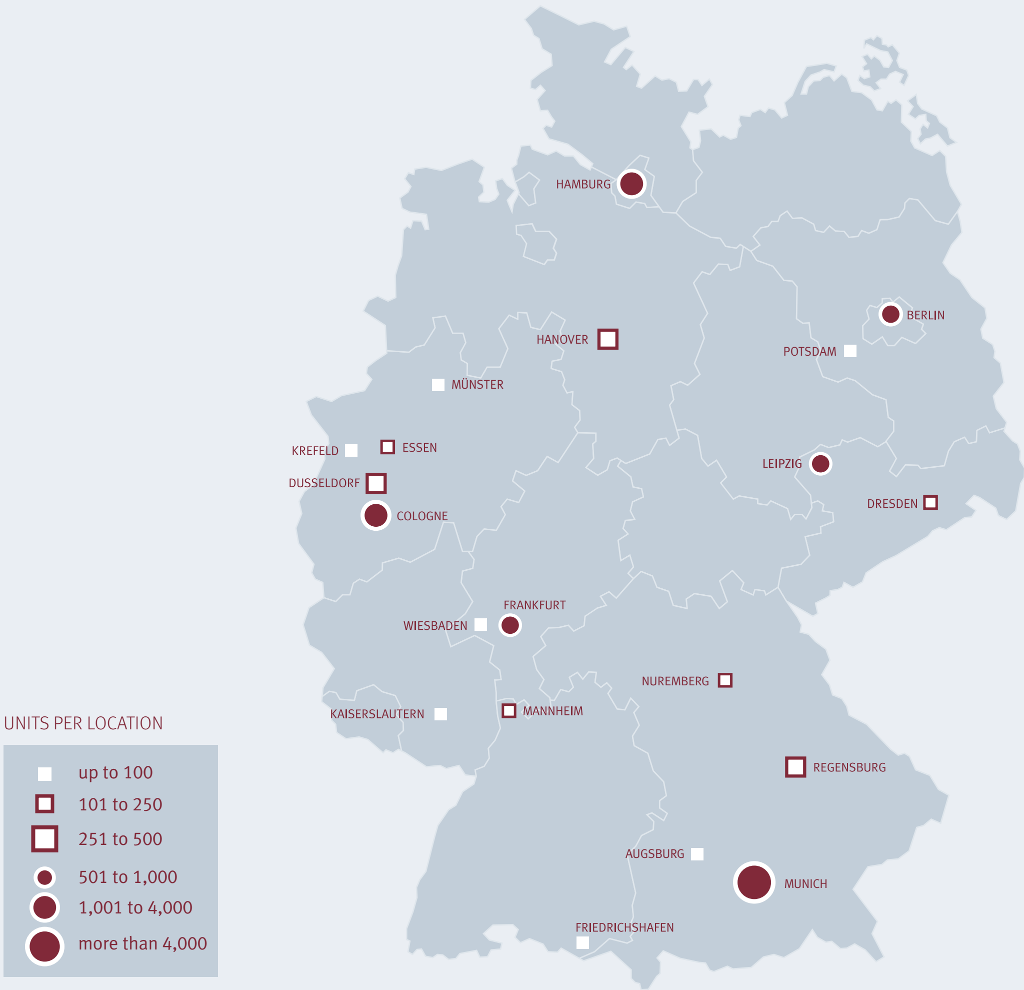
In the **Investments segment**, PATRIZIA Immobilien buys real estate, raises the value by working on the real estate itself – e.g. by implementing construction projects or by reducing vacancy – and sells the improved real estate, regardless of whether they are posted as non-current or current assets. Comprising the lines of Residential Property Resale, Asset Repositioning and Project Development, PATRIZIA thus generally works for its own portfolio or via joint ventures on project development plans. Approximately 80 % of the around 11,100 residential and commercial units in our portfolio are located in the top five locations in Germany: in Berlin, Cologne/Dusseldorf, Frankfurt/Main, Hamburg and Munich.

In the **Services segment**, PATRIZIA performs all services relating to real estate. The service range thus covers advice on purchase, asset management and property management and the sale of real estate. We act as owner representatives, optimizing real estate portfolios as though they were our own. Through PATRIZIA Immobilien Kapitalanlagegesellschaft mbH we establish theme funds, offering institutional investors the opportunity to invest indirectly in German and European residential real estate. PATRIZIA invests the investor equity in real estate without an equity interest and manages it pursuant to the Investment Act. PATRIZIA offers key services for the funds, so we are able to offer our customers tailored solutions for individual investor requirements.

INVEST. OPTIMIZE. REALIZE.

Our aim as an investor and service provider is to create end-to-end solutions for return-oriented optimization of real estate portfolios. Our investment horizon is generally short-term to medium-term, usually two to five years. Within this time frame, we increase the property's profitability and arrange for its resale. There are a number of methods to do this: Vacancy rates are reduced and rental cash flow is increased with professional management. Value can also be created with asset repositioning, depending on the quality of the real estate, thereby justifying a later sale at much higher prices. Different measures are required depending on the real estate portfolio, but we service the entire real estate value-added chain using our own employees. We then sell the property as individual apartments to tenants, owner-occupiers and private investors, or in parcels to private and institutional investors.

Locations covered by the PATRIZIA portfolio



STRUCTURE

PATRIZIA Immobilien AG is the PATRIZIA Group's management holding company and performs central management and service functions. The holding company covers six subsidiaries that are active on the market and responsible for the operating business of PATRIZIA. They are wholly-owned subsidiaries of PATRIZIA Immobilien AG and have profit transfer agreements with it. The real estate portfolios are managed via special purpose vehicles (real estate companies) and round off the Group. A detailed list of shareholdings can be found in the Notes to the Consolidated Financial Statements.

PATRIZIA Acquisition & Consulting GmbH is responsible for purchasing residential real estate including the necessary research for our own investments; it conducts the review of the fund products for purchase and also acts as a service provider for external customers.

PATRIZIA Immobilien Kapitalanlagegesellschaft mbH establishes special real estate funds for domestic and international institutional investors and is responsible for the entire fund management. The funds invest in German and European residential real estate. In this process, PATRIZIA Immobilien Kapitalanlagegesellschaft mbH has access to the services of the PATRIZIA Group, such as real estate research, acquisition of suitable properties, financing at fund level, asset management and property management.

PATRIZIA Immobilienmanagement GmbH specializes in professional property management of residential and commercial real estate of all sizes of its own or in third-party ownership. It currently manages around 18,600 units, 7,500 of which are administered for third parties as a supplement to its own portfolios.

PATRIZIA Investmentmanagement GmbH manages the real estate assets of institutional and private investors, assuming the value-oriented asset management of the real estate and supervising all areas associated with the optimization process. It assists clients in the purchase of real estate and offers them a wide range of possible investment vehicles, which are individually tailored to investors' requirements. The company markets individual properties and real estate portfolios from its own portfolio or provides sales consultation for transactions of third parties. Furthermore, our commercial real estate team is integrated here, which implements all services from purchase consultation and processing through asset management to resale of a commercial property.

PATRIZIA Projektentwicklung GmbH provides all services involved in commercial and residential project development, from conception through purchase of suitable plots or property to the resale of the developed property.

PATRIZIA Wohnen GmbH handles asset management for the resale portfolio, structural engineering and residential property resale. Asset management generates the best possible added-value for our own residential real estate in every phase of use. The structural engineering area devises solutions relating to the structural substance of buildings and implements these solutions cost-effectively. Residential Property Resale manages sales of individual apartments to tenants, owner-occupiers and private investors. Its clear objective is to provide tenants and other interested parties with comprehensive advice on tailored residential ownership options. Each property is divested in full.

1.2 GENERAL CONDITIONS AND THE MARKET

In 2009, the German economy experienced the biggest recession of the post-war era. According to information of the Statistisches Bundesamt (German Federal Statistical Office) gross domestic product (GDP) contracted by 5.0 % year-on-year (2008: +1.3 %).

In the wake of the global financial market crisis, the economy slumped in the winter of 2008/2009. However, over the course of the year, the outlook for the German economy recovered significantly.

Supported by an extensive range of monetary and fiscal policy measures, the recovery process began in spring 2009 before grinding to a halt in the last three months of the year. Economic output stagnated in the fourth quarter of 2009. Consumption provided the only positive impetus in 2009: Consumer spending totaled 0.7 %, most of which was attributed to the state (0.5 %).

Contrary to the previous two years, in 2009 consumer spending of private households rose somewhat higher than disposable income. The savings rate for private households remained at 2008's high level, 11.2 %. Investments in construction declined only slightly, 0.7 %.

Since the beginning of 2009, the European Central Bank has lowered the key rate in four phases from 2.5 % to its current level of 1.0 %, in order to make financing for necessary investments more affordable and to counteract the effects of the financial market crisis on the real economy.

Consumer prices rose by a very moderate 0.4 % on annual average. However, this price trend was due almost exclusively to price drops, some of which were very marked, in mineral oil products. In terms of core inflation, i.e. price changes without energy and seasonal foodstuffs, the annual inflation is 1.1 %, equivalent to the average of the last ten years.

According to a survey of the Immobilienverband Deutschland (German Real Estate Association – IVD) of 390 German cities, residential rent has risen nationally by 0.9 % year-on-year. The highest national average rent increase, as reported by the IVD, was for first-occupancy new construction (1.2 %). Rent increases were higher in major metropolitan areas than in small- and medium-sized cities. The average rent increase in cities with over 100,000 residents was 1.9 %. The Deutscher Mieterbund (the German Tenant Association) calculated a rent increase on a national level of 1.2 %; according to the German Federal Statistical Office, net rent (without utilities) rose by 1.1 % year-on-year. According to all three sources, rent increases surpassed the 0.4 % inflation rate. New construction in particular was subject to extreme rent increases. While prices were up for purchases of new residences, existing condominiums were cheaper on a national average. Prices were stable in major metropolitan regions, while rural areas and regions with residential decline were subject to price drops. We consider the price advantages of "used" real estate to be a purchasing incentive for residential property resales.

The German real estate market differs from other European residential markets both with regard to ownership structure and price development. With a share of house and apartment ownership of 43 %, Germany occupies one of the lowest ranks in a European comparison. Of special note is the extremely stable price trend in residential property – in contrast to other European countries like Ireland, the UK, France and Spain. However, various surveys confirm enormous regional differences in German prices and rents. Prices are chiefly driven by intensified demand for residential space in metropolitan areas, combined with the low vacancy rate in these regions.

More and more, private and institutional investors are recognizing the value of real estate assets, and are using them to build up their investment portfolios. Of special note, residential properties in particular are popular with conservative and long-term investors, while buyers are generally German investors with high equity. While a residential property portfolio costs more to manage, it is less risky in a poor economy than office or commercial property. Housing is a basic need. Rental properties offer a stable, dependable cash flow.

1.3 KEY EVENTS IN THE INVESTMENTS SEGMENT

RESIDENTIAL PROPERTY RESALE

Residential Property Resale manages individual sales of residential real estate to tenants, owner-occupiers and private investors.

Revived demand for residential property resales in 2009 resulted in higher sales figures than the prior year. While in 2008 just 476 apartments were sold to private individuals, in the year under review, it was 657 apartments – 38 % growth. We attribute this to attractive conditions for real estate purchases and the higher appeal of investments in fixed assets. It must be noted that due to the impact of the financial market crisis and unusually poor sales, figures from 2008 are only suitable for comparison to a limited extent. As a steady trend, more and more private investors (60 %) and owner-occupiers (37 %) represent the majority of buyers. At 3 %, the number of tenants was much lower than the prior year (2008: 19.4 %). This is due to the fact that no new properties were put up for sale in the year under review.

Residential Property Resale in 2009 by quarter

	1st quarter	2nd quarter	3rd quarter	4th quarter	2009	2008	Change
Privatized units	110	147	216	184	657	476	38.0 %
Average sales price	EUR 2,276 per sqm	EUR 2,355 per sqm	EUR 2,341 per sqm	EUR 2,395 per sqm	EUR 2,351 per sqm	EUR 2,322 per sqm	1,2 %

ASSET REPOSITIONING

A further sales channel is bundling residential properties into portfolios for sale to private and institutional investors. The latter remained reserved with regard to German residential properties in 2009 due to uncertainties about the general economic environment. Despite many investors expressing an interest in acquiring residential real estate, few transactions were concluded in 2009. Until year-end, we completed four block sales with a total of 289 residential units that were recognized in income. In Hamburg, Cologne and Wiesbaden, smaller portfolios of 26 to 36 units were sold; a block sale in Munich comprised 194 units. Net actual rent multiples of between 18 and 26 were generated.

Block sales in 2009 by quarter

	1st quarter	2nd quarter	3rd quarter	4th quarter	2009	2008	Change
Units via block sales	0	0	33	256	289	722	–60.0 %
Number of transactions	–	–	1	3	4	5	–20.0 %
Average sales price	–	–	EUR 1,803 per sqm	EUR 2,221 per sqm	EUR 2,177 per sqm	EUR 1,912 per sqm	13.9 %

In 2009, a total of 946 units were placed via residential property resale and block sales. This corresponds to 7.8 % of our entire real estate portfolio as of January 1, 2009. Sales by region were as follows:

Region/city	Number of units sold 2009	Share of sales 2009	Area sold in sqm	Average size per unit in sqm
Munich	642	67.9 %	43,196	67
Cologne/Dusseldorf	83	8.8 %	6,693	81
Hamburg	90	9.5 %	5,775	64
Leipzig	0	0 %	0	–
Berlin	14	1.5 %	998	71
Frankfurt/Main	50	5.3 %	3,624	72
Hanover	5	0.5 %	333	67
Regensburg	41	4.3 %	2,581	63
Dresden	0	0 %	0	–
Friedrichshafen	21	2.2 %	1,261	60
TOTAL	**946**	**100 %**	**64,461**	**68**

Taking into account the sales concluded in 2009 and subsequent redensification measures, our portfolio included 11,100 at year-end. We anticipate that around one-third of the units will be residential property resales and the remaining two-thirds block sales.

The PATRIZIA portfolio – breakdown by region as of December 31, 2009:

Region/city	Number of units	Share of portfolio	Area in sqm	Share of portfolio
Munich	4,489	40.4 %	309,354	39.8 %
Cologne/Dusseldorf	1,482	13.3 %	129,333	16.7 %
Hamburg	1,260	11.3 %	83,832	10.8 %
Leipzig	981	8.8 %	64,391	8.3 %
Berlin	943	8.5 %	60,622	7.8 %
Frankfurt/Main	896	8.1 %	55,973	7.2 %
Hanover	432	3.9 %	29,834	3.8 %
Regensburg	416	3.7 %	28,700	3.7 %
Dresden	152	1.4 %	10,284	1.3 %
Friedrichshafen	69	0.6 %	4,539	0.6 %
TOTAL	**11,120**	**100 %**	**776,862**	**100 %**


NO GROWTH
WITHOUT
FOUNDATION.

PROJECT DEVELOPMENT

PATRIZIA manages its own project development while also offering this service to third parties.

As part of PATRIZIA's own projects, 32 exclusive condominiums are to be created in two houses in Augsburg, where the company is headquartered. The total investment volume of the apartments in the centrally located residential area “Am Schwalbeneck”, planned according to KfW energy efficiency house 50 standards amounts to EUR 10 million including the purchase price. Construction started in spring 2009 and we are estimating that it will be completed at the end of the third quarter of 2010. The property will be entirely resold; more than 70 % of the apartments have already found buyers.

PATRIZIA will also build the "Isartor Palais" in a premium inner-city location, in close proximity to Munich’s Viktualienmarkt. The mixed use construction – which also complies with the standards of a KfW energy efficiency house 50 – includes some 470 sqm of retail space, 1,400 sqm of office space and 15 residential units with between 50 and 260 sqm of living space each. More than half of the space to be constructed is already rented, and rentals for the remaining space are progressing on schedule. The Zwingerstrasse project is scheduled for completion in fall 2010 and will be sold en bloc. We will begin our search for investors in spring 2010.

In a second Munich project, PATRIZIA is building an apartment block with 11 apartments on Herthastrasse in the neighborhood of Nymphenburg. All units are likely to have been resold by completion in the fourth quarter of 2010. Sales to date are 55 %.

A joint venture (F 40 GmbH) was launched in 2007 with LBBW Immobilien Development Beteiligungen GmbH, a subsidiary of Landesbank Baden-Württemberg, to execute the development project on Feuerbachstrasse, Frankfurt/Main. In December 2009, our joint venture partner exited for strategic reasons. PATRIZIA has purchased an additional 44.9 % stake in F 40 GmbH for the nominal sum of EUR 0.90. The remaining 5.1 % has been acquired by the PATRIZIA KinderHaus Foundation. For more information about the balance sheet, please see the section Net Assets, Financial and Earnings Situation and the Notes.

On the property of F 40 GmbH, which was fully consolidated for the first time, in Frankfurt's Westend neighborhood, new construction is starting on an office building and residential quarters with premium-segment condominiums. The property, to be constructed using the KfW energy efficiency house 50 standard, will have geothermic technology. More specifically, six city villas and a residential building with a total of 64 apartments and total living space of around 16,350 sqm will be built here, together with a ten-story office building with approximately 5,500 sqm of office space. Because obtaining the required planning and building permits took longer than originally expected, in 2010 the deconstruction of the existing buildings will begin; the final construction phase is scheduled for completion in mid-2013.

PATRIZIA's own project developments:

City, project	Size of site	Gross floor, space planned	Planned investment volume	Start of construction	Planned completion
Augsburg, Am Schwalbeneck	2,800 sqm	3,300 sqm	EUR 10 million	Q1 2009	Q3 2010
Munich, Zwingerstrasse	900 sqm	4,200 sqm	EUR 25–30 million	Q1 2009	Q3 2010
Munich, Herthastrasse	1,310 sqm	1,100 sqm	EUR 3.7 million	Q3 2009	Q4 2010
Frankfurt/Main, Feuerbachstrasse	8,000 sqm	29,500 sqm	EUR 150 million	Q3 2010	2013

PATRIZIA is assuming responsibility for project development, management and supervision of two projects on behalf of third-party clients: first, the extension to the company's headquarters in Augsburg with additional commercial space and a public underground garage, and second the Hanse Cube in Hamburg, which has earned silver pre-certification from the German Sustainable Building Council. Wolfgang Egger or companies indirectly or directly attributable to him have commissioned both projects. For more information, see item 9.3 of the Notes.

1.4 KEY TRANSACTIONS IN THE SERVICES SEGMENT

The Services segment saw a weak transaction market for larger properties due to the financial market crisis. Services were primarily performed for our funds.

FUNDS

PATRIZIA Immobilien Kapitalanlagegesellschaft mbH
By establishing the subsidiary PATRIZIA Immobilien Kapitalanlagegesellschaft mbH (KAG) in 2007, PATRIZIA Immobilien AG added special real estate funds to its range of services for institutional real estate investors. Through the end of 2009 our KAG managed three funds: PATRIZIA German Residential Fund I, a portfolio manager of high-profit residential properties in Germany, had secured equity commitments of EUR 130 million as of the end of 2009. PATRIZIA Euro City Residential Fund I, which invests in European residential properties, secured equity commitments of EUR 200 million and is thus fully subscribed. The investment focus lies on Germany and other select European regions such as Sweden, Denmark and France. The investment volume of both funds totals EUR 400 million. 2009 proved difficult for the acquisition of further properties; one restricting investment factor was the short supply of premium real estate at fair market prices.

Apart from these funds, PATRIZIA also offers tailored solutions to institutional investors: Individual and transfer funds can be used to design and realize portfolios with tax advantages, taking into account personal needs with regard to risk preference, fungibility, return and holding period of the properties. Our KAG launched a transfer fund with a volume of EUR 185 million at the end of 2009. The fund assets are derived from the real estate portfolio of VPV Lebensversicherungs-AG (VPV), which comprises a total of 39 residential and commercial properties with floor space of approximately 148,000 sqm. As of December 31 , 2009 PATRIZIA Immobilien KAG managed real estate assets of approximately EUR 430 million.

Funds of PATRIZIA Immobilien Kapitalanlagegesellschaft mbH as of December 31, 2009:

	Investment volume	Committed equity	Invested volume
PATRIZIA German Residential Fund I	EUR 400 million	EUR 130 million	EUR 120 million
PATRIZIA EuroCity Residential Fund I	EUR 400 million	EUR 200 million (fully subscribed)	EUR 125 million
VPV Immo PATRIZIA I	EUR 185 million	Transfer fund	EUR 185 million

The individual PATRIZIA Group companies act as service providers for the investment company's special funds, thus generating fees. There are no conflicts of interest between purchases for the funds and proprietary purchases by PATRIZIA, since the purchase criteria for the real estate are different from one another. In most cases, the portfolio real estate purchased for the funds is already fully developed and is intended to be held as fund assets over a long period. We will also avoid conflicts of interest when initiating future fund products.

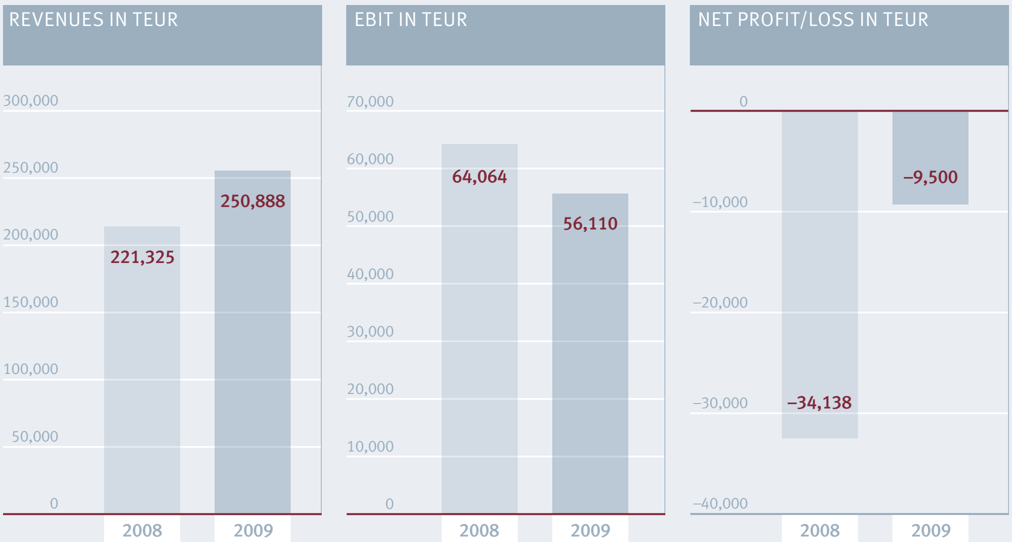
INVESTMENT MANAGEMENT

PATRoffice Real Estate GmbH & Co. KG
Our co-investment with pension funds APG of the Netherlands and ATP Real Estate of Denmark, PATRoffice Real Estate GmbH & Co. KG, had fully invested the tranche of EUR 355 million as of the end of 2008. Thus, in 2009 no other investments were made. However, in 2009, the first value-added property of the actively managed co-investment was successfully resold. PATRIZIA Immobilien AG owns 6.25 % of PATRoffice's equity.

2. NET ASSET, FINANCIAL AND EARNINGS SITUATION

2.1 EARNINGS SITUATION OF THE GROUP

Development of key items in the consolidated profit and loss account:



In 2009, PATRIZIA generated consolidated revenues of EUR 250.9 million. In the previous year, revenues were EUR 221.3 million. The increase of EUR 29.6 million or 13.4 % is due to contradictory effects: on the one hand, higher sales revenues of EUR 33.5 million were generated than in the prior year and revenues for services by the Services segment grew by EUR 4.2 million. On the other hand, rental revenues declined along with operating costs that could be passed on due to the sales of rental properties, totaling EUR 8.0 million.

Increased revenues for sales include growth in individual sales of rental units by EUR 25.1 million and an increase in block sales by EUR 8.4 million. The increase in residential property resales – 181 more apartments were sold than in 2008 – translated into sales proceeds of EUR 99.0 million (2008: EUR 74.0 million). Three block sales with a total of 263 units resulted in revenues of EUR 49.0 million (2008: EUR 40.6 million).

Due to ongoing sales of rented property, rental revenues did not meet 2008 levels. Rental revenues declined by 3.9 % to EUR 70.1 million (2008: EUR 73.0 million). Some rents were increased in the remaining portfolio. Average rent per square meter for the overall portfolio as of December 31, 2009 was EUR 7.82 per month (December 31, 2008: EUR 7.31). Annual administrative costs for real estate management accounted for EUR 240–270 per apartment.

The Services segment achieved very satisfactory results, significantly increasing revenues by 67.9 % to EUR 10.5 million (2008: EUR 6.2 million). This is primarily due to higher administration and commission proceeds from the fund area. Other revenues chiefly comprise rental ancillary costs, which declined parallel to the rental revenues.

A breakdown of consolidated revenues is shown below:

	2009	Percentage of Group revenues 2009	2008	Change
	EUR '000	%	EUR '000	%
Purchase price revenues from Residential Property Resale	98,981	39.5 %	73,906	33.9 %
Purchase price revenues from Asset Repositioning	48,985	19.5 %	40,605	20.6 %
Purchase price revenues from Project Development	0	0 %	0	0 %
Rental revenues	70,132	28.0 %	73,011	–3.9 %
Revenues from the Services segment	10,492	4.2 %	6,249	67.9 %
Other	22,298	8.8 %	27,554	–19.1 %
CONSOLIDATED REVENUES	**250,888**	**100 %**	**221,325**	**13.4 %**

Proceeds from the sale of investment properties were significantly below the prior year's levels at EUR 0.4 million (2008: EUR 21.7 million), as larger real estate sales were generated in 2008 from non-current assets. This has contributed significantly to the fact that 2009 fell short of 2008's total operating performance.

Changes in inventories in the year under review were EUR –106.2 million. These related exclusively to decreases in the book value of real estate held in inventories (EUR –127.6 million) and capitalized renovation services (EUR 21.2 million) due to acquisitions that were not made. For the first time, this position includes EUR 0.2 million of capitalized construction period interest for projects of Project Development.

Other operating income rose sharply in 2009 from EUR 4.1 million to EUR 14.2 million. This is mainly due to the acquisition of an additional 44.9 % stake in F 40 GmbH, our former joint venture in Project Development, for a nominal fee of EUR 0.90. Since December 21, 2009 F 40 GmbH is a fully consolidated subsidiary in PATRIZIA's consolidated financial statements. The positive result from discontinuation of the equity method as well as the surplus in market value of the shares from the purchase costs increased the result by EUR 8.0 million, taking into account deferred tax liabilities. For more details, please see the Notes to the Consolidated Financial Statements.

The reduced real estate portfolio is also reflected in the cost of materials, which dropped year-on-year by EUR 5.1 million or 7.8 % to EUR 60.9 million. Besides renovation and maintenance costs, this includes rental ancillary costs for which we posted cost transfer to tenants in the Other revenues item. In 2009, the posted renovation costs for our residential real estate portfolio amounted to EUR 15.2 million, while maintenance costs were EUR 8.8 million. In total, EUR 21.4 million were capitalized. It is important to us to optimize the structural condition of the properties in our portfolio to make them more attractive to renters and buyers. The modernization measures we carry out while holding the real estate (generally for a brief time period) increase its appeal and consequently also purchase prices.

Despite lower employee numbers (357 on average), staff costs rose by 6.5 % year-on-year to EUR 23.9 million (2008: EUR 22.4 million; average of 374 employees for the year). This was due to higher sales commission for employees following higher sales proceeds and the inclusion of variable, performance-based salary components for management. In 2008, some managers did not receive variable, performance-based salary components.

Staff costs also include the remuneration of the Managing Board. This consists of non-performance-related and performance-related components. The non-performance-related components comprise fixed basic compensation that is paid as a monthly salary, pension contributions and other agreed payments. Performance-related compensation components include one-time as well as annually payable components linked to the performance of the Company and its shares. The total remuneration of the Managing Board was EUR 1.0 million in the reporting year (2008: EUR 1.1 million). In 2009 and 2008, there were no variable components paid out to management based on the performance of the company or its shares. The Supervisory Board's remuneration is reported under other operating expenses and also comprises fixed and variable components. Detailed information on the remuneration structure for the Managing Board and the Supervisory Board can be found in the Corporate Governance Report and the Notes to the Consolidated Financial Statements.

Other operating expenses rose slightly by EUR 0.4 million to EUR 17.6 million. Offsetting effects had an impact. While administration and selling expenses, which were lowered by EUR 2.6 million with cost-cutting measures in 2009, helped reduce operating expenses, other expenses were EUR 2.9 million higher. This includes amongst others additional risk provisioning for receivables in the amount of EUR 1.5 million.

	2009	2008	Change
	EUR '000	EUR '000	%
Administrative expenses	9,138	10,538	–13.3 %
Selling expenses	4,263	5,454	–21.8 %
Other expenses	4,152	1,207	244.0 %
Other operating expenses	**17,553**	**17,199**	**2.1 %**

EBIT calculated in accordance with IFRSs dropped from EUR 64.1 million to EUR 56.1 million (–12.5 %). This absolute reduction of EUR 8.0 million is due to the fact that while income from the sale of investment property was EUR 21.7 million in 2008, income from the sale of investment property was EUR 0.4 million in 2009; the gain from the initial consolidation of F 40 GmbH was EUR 8.0 million.

The Investments segment contributed the most to EBIT at EUR 67.0 million. The Services segment contributed only EUR 2.8 million or 5.0 % to Group EBIT, but was EUR 3.4 million above the previous year's loss (2008: EUR –0.6 million). In the medium term the aim is to increase the contribution to earnings to 10 % in order to generate stable earnings for PATRIZIA from recurrent income. In the Services segment there is no impact from interest hedge developments since external financing within the Group is only deployed at property level for real estate financing. With a positive financial result, the Services segment generated earnings before taxes of EUR 4.1 million. After deduction of the negative financial result from the Investments segment, EBT is EUR 5.5 million. Further information on the Investments and Services segments can be found in Segment Reporting in item 7 of the Notes.

The financial result is significantly influenced by the market valuation of interest rate hedges as of the closing date. The market valuation is recognized in the financial result as income or expense depending on changes in the interest rate level, causing the results to fluctuate substantially.

Financial income declined year-on-year from EUR 30.0 million to EUR 12.3 million. The sharp decrease of 59 % is primarily due to the market valuation of the interest rate hedging instruments. In 2009 this resulted in earnings of just EUR 5.8 million, down from EUR 21.1 million in the prior year.

Of the financial expenses totaling EUR 76.3 million, EUR 16.2 million are from market valuation of the interest rate hedges. This is EUR 37.7 million less than the prior year (2008: EUR –53.9 million). Pure interest expenses for bank loans plus expenses from interest hedges dropped from EUR 72.5 million in 2008 to EUR 60.1 million. The elimination of interest rate hedges in Q1 2009 for an underlying loan volume of EUR 90 million had a positive impact: over the year, we profited from low interest on this loan. Despite these savings and the considerably lower measurement effect, financing costs for the 2009 financial year were only slightly lower than in 2008.

Higher bank margins largely balanced out the advantages of lower interest on our renewals. Of special note, however, our rental income for 2009 (EUR 70.1 million) exceeds our financing result adjusted by effects from interest rate hedges measurement (EUR –53.6 million) by 30.6 %. This is significant for us, as defined interest service coverage ratios and debt service coverage ratios (ISCR, DSCR) are covenants in our loan agreements.

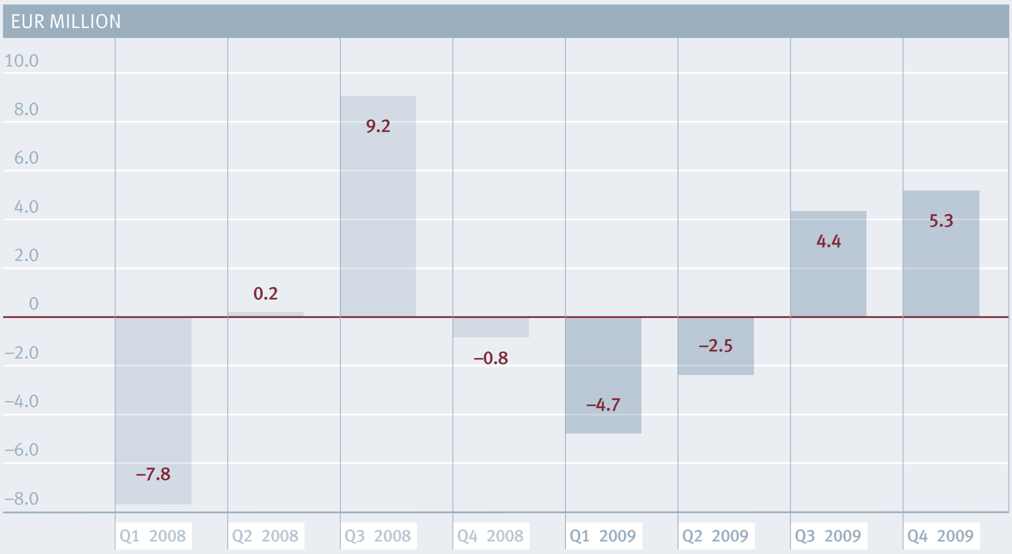
Because the interest rate changed over the year, the market valuation of the interest rate hedges in 2009 was EUR –10.4 million. In 2008, this resulted in a negative impact of EUR –32.8 million. The following table shows the valuation during 2009 (hedged interest rate 4.15 %):

	1st quarter March 31, 2009	2nd quarter June 30, 2009	3rd quarter Sept. 30, 2009	4th quarter Dec. 31, 2009	2009	2008
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
Loss from/gain on the market valuation of interest rate hedges	–11.3	3.0	–4.3	2.2	–10.4	–32.8

After deduction of the financial result, PATRIZIA's EBT under IFRSs was EUR -8.0 million (2008: EUR –32.4 million). The significant improvement on year-on-year financial result was impacted, as stated above, by EUR –10.4 million due to market valuation of the interest rate hedges. However, because this change in fair value has no cash effect and no impact on PATRIZIA's operating business, we are posting the adjusted operating pre-tax earnings as EBT adjusted.

"Adjusted" is being added to reflect the operating earnings power of PATRIZIA, without being influenced by measurement-related, non-cash effects. In the year under review, this criterion only pertained to the results of market valuation for interest rate hedges. Further effects were not eliminated.

Overview of EBT (adjusted) by quarter



Adjusted operating pre-tax earnings improved in 2009, rising to EUR 2.4 million (2008: EUR 0.8 million). During 2009, our operating result increased from quarter to quarter, so that EBT adjusted in the fourth quarter of EUR 5.3 million, more than compensated for the pre-tax loss of the first nine months (EUR –2.8 million).

Calculation of EBT adjusted:

2009	1st quarter	2nd quarter	3rd quarter	4th quarter	2009
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
EBT posted in accordance with IFRSs	–16.0	0.5	0.1	7.5	–8.0
Elimination of effects from market valuation of interest rate hedges	11.3	–3.0	4.3	–2.2	10.4
EBT adjusted	**–4.7**	**–2.5**	**4.4**	**5.3**	**2.4**

2008	1st quarter	2nd quarter	3rd quarter	4th quarter	2008
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
EBT posted in accordance with IFRSs	–18.6	21.3	–0.8	–34.3	–32.4
Elimination of effects from reversal of 165 residential units	0.5	0.0	0.0	0.0	0.5
Elimination of effects from the market valuation of interest rate hedges	10.3	–21.1	10.0	33.5	32.8
EBT adjusted	**–7.8**	**0.2**	**9.2**	**–0.8**	**0.8**

After deduction of income taxes, the net loss for 2009 was EUR –9.5 million (2008: EUR –34.1 million). With regard to taxes, it should be noted that in 2008, there was no interest barrier with use of escape clause. In the year under review, our companies located in Luxembourg were negatively impacted by the interest barrier, resulting in tax expenses of EUR 1.7 million.

Earnings per share rose in 2009 from EUR –0.65 to EUR –0.18.

An overview of the key items in the profit and loss account:

	2009	2008	Change
	EUR '000	EUR '000	%
Revenues	250,888	221,325	13.4 %
Total operating performance	159,253	171,558	–7.2 %
EBIT	56,110	64,064	–12.4 %
EBT	–7,961	–32,408	75.4 %
EBT adjusted*	2,419	842	187.3 %
Consolidated net loss	–9,500	–34,138	72.2 %

* adjusted for profit/loss from interest hedges without cash effect

2.2 NET ASSET AND FINANCIAL SITUATION OF THE GROUP

The development of our consolidated balance sheet was shaped by the sale of real estate assets and the reduction of bank liabilities in 2009. As a result, our total assets decreased by 6.0 % from EUR 1,517.2 million to EUR 1,426.4 million.

Our real estate investments, consisting of investment properties and inventories, decreased in the year under review from EUR 1,388.9 million to EUR 1,333.3 million as of December 31, 2009. This absolute reduction of EUR 55.6 million stems from disposals through the sale of investment properties in the amount of EUR 2.7 million and changes in inventories for real estate held in inventory in the amount of EUR –106.2 million. The Frankfurt Feuerbachstrasse property was also added upon the initial consolidation of F 40 GmbH with a fair value of EUR 51.5 million.

This investment property is recognized at fair value in profit or loss in accordance with IAS 40 and amounted to EUR 657.3 million as of December 31, 2009. No value adjustments were posted on portfolio level. The Munich-Ludwigsfeld property, which was posted in 2008 under investment properties under construction, was transferred to inventory as of December 31, 2009. The property's book value was EUR 12.9 million as of the year-end.

The real estate intended for sale as part of ordinary business operations is reported in the inventories and measured at amortized cost. Owing to decreases in carrying value and the balance sheet reclassifications, inventories decreased by EUR 41.8 million to EUR 676.0 million.

Current receivables and other current assets dropped to EUR 29.4 million (2008: EUR 41.6 million). Bank balances and cash also decreased from EUR 67.9 million in 2008 to EUR 56.2 million as of December 31, 2009.

On the **liabilities** side of the balance sheet, the Company's equity had decreased by EUR 6.7 million to EUR 284.8 million by the end of the 2009 fiscal year. In the process, measurement results from existing cash flow hedges reduced equity by EUR 6.1 million. Due to the consolidated net loss for the year of EUR –9.5 million calculated in accordance with IFRSs, consolidated net profit fell to EUR 21.5 million as at December 31, 2009. Equity per share dropped slightly to EUR 5.46 (December 31, 2008: EUR 5.59). The equity ratio increased to 20.0 % (previous year: 19.2 %). For the medium term, the Group is aiming for an equity ratio of at least 25 %.

Due to the initial full consolidation of F 40 GmbH, as mentioned several times previously, current bank liabilities rose to EUR 27.0 million. In 2009, loans of EUR

14.3 million were taken up; repayment of loans was EUR 127.7 million. Since a large part of cash inflows from real estate sales was used to repay loans, amounts due to banks dropped EUR 91.5 million to EUR 1,070.2 million over the course of the year. Regardless of the actual terms, loans which serve to finance the inventories are reported as short-term bank loans in the balance sheet – in line with inventories – in accordance with IFRSs. Bank loans due in less than 12 months amounted to EUR 171.7 million (16.1 %) of all bank liabilities as of the reporting date of December 31, 2009. The terms of our bank loans were thus structured as follows as of December 31, 2009.

Residual term	Total floating-rate financial liabilities as of December 31, 2009		Total floating-rate financial liabilities as of December 31, 2008	
	EUR '000	%	EUR '000	%
Less than 1 year	171,727	16.1 %	597,884	51.5 %
1 to 2 years	551,307	51.5 %	117,673	10.1 %
2 to 5 years	347,173	32.4 %	269,753	23.2 %
More than 5 years	0	0 %	176,425	15.2 %
TOTAL	**1,070,207**	**100 %**	**1,161,735**	**100 %**

Maturity of loans by fiscal year (January 1 to December 31)

Year of maturity	Amount of loans due	Portion of loans due
	EUR '000	%
2010	171,727	16.1 %
2011	551,307	51.5 %
2012	0	0 %
2013	182,472	17.0 %
2014	164,701	15.4 %

As at December 31, 2009, there were loan agreements with nine different German banks, concluded exclusively in euro. In accordance with the loan agreements with the lending banks and our business model, we will reduce some loans during the project – according to the sales status. When selling the real estate or individual units, between 85-90 % of the sales proceeds flow into repayment. Interest rate change risks are largely hedged using interest swaps and collars. Detailed explanations in this respect can be found in points 4.4 and 5.8 of the Notes to the Consolidated Financial Statements. The main credit terms are presented in the Risk Report.

Liquidity management ensures that PATRIZIA is solvent at all times. Most of the individual Group companies are directly linked to and monitored by the automatic cash pooling system of the Group. On a same-day basis, account surpluses are transferred to the parent company and account deficits are offset by it. To ensure the solvency of the Group, a liquidity reserve is maintained in the form of cash.

From the current business activities, we posted cash inflows of EUR 101.8 million; in 2008 we had generated cash inflows of just EUR 29.0 million. Cash outflows from investing activity were EUR –0.2 million. In the previous year, cash flow from investing activities amounted to EUR 78.2 million due to extensive sales of real estate for investment purposes. Cash outflows from financing activities was EUR –113.4 million, as more loans were repaid than taken up. In 2008, borrowing and repayment of bank loans resulted in cash outflows of EUR –93.3 million. The change in cash thus amounted to EUR –11.7 million (previous year: EUR 13.9 million), with the result that cash, which totaled EUR 67.9 million at the end of 2008, decreased to EUR 56.2 million as of December 31, 2009.

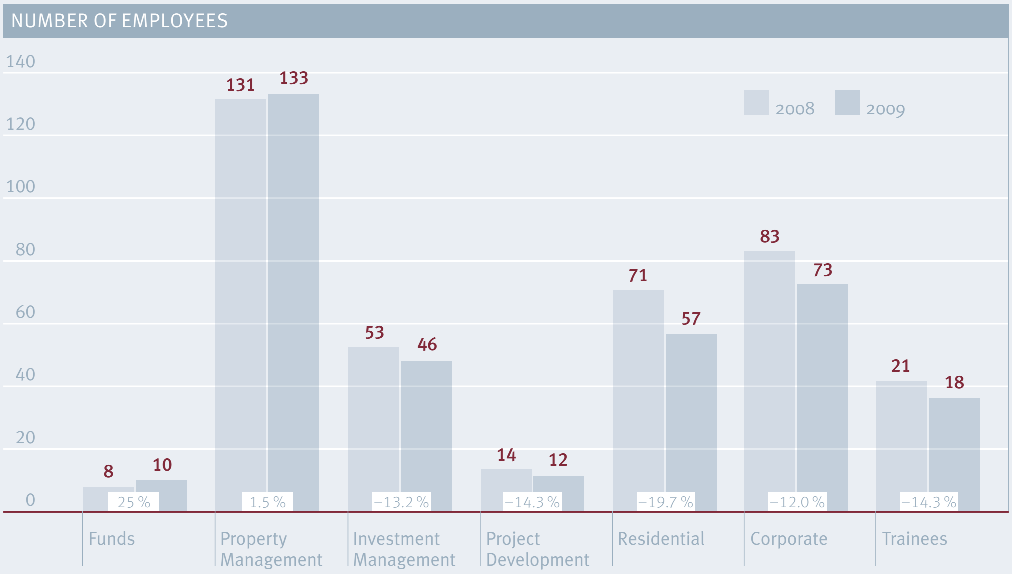
Summary of the 2009 Cash Flow Statement

	2009	2008	Change
	EUR '000	EUR '000	%
Cash inflow from operating activities	101,805	28,958	251,6 %
Cash outflow/inflow from investing activities	–171	78,184	–100.2 %
Cash outflow from financing activities	–113,356	–93,250	–21.6 %
Changes in cash	–11,722	13,892	–184.4 %
Cash and cash equivalents (Jan. 1)	67,905	54,013	25.7 %
Cash and cash equivalents (Dec. 1)	56,183	67,905	–17.3 %

2.3 EMPLOYEES

As of December 31, 2009, the PATRIZIA Group had 349 permanent employees, including 18 trainees and students of Duale Hochschule Stuttgart majoring in real estate (December 31, 2008: 381 employees). In 2009, all trainees received an employment offer from PATRIZIA after passing their examinations. Thirty-six employees are part-time. Over the course of the year, the number of employees dropped by 32. On average during 2009, PATRIZIA employed 357 staff throughout the Group (2008: 374 employees).

Staff changes by business lines



2.4 SUSTAINABILITY

PATRIZIA Immobilien AG supports various organizations in the real estate industry that are committed to sustainability and environmentally-conscious actions. Particularly with regard to new project development, the careful use of resources plays a central role in construction measures. As an approved auditor by the German Sustainable Building Council, a project manager of PATRIZIA Projektentwicklung GmbH assists in the design of new construction. We rate the environmental expertise of the German construction industry as high on an international scale. This also benefits our existing buildings: As part of the construction measures to enhance the value of our real estate, we are optimizing energy standards using modern, efficient technologies, thereby contributing to the protection of the environment and climate over the long term. This includes, for instance, installing new windows and heating systems and heat insulation for façades, ceilings and roofs. Apart from the ecological aspects, the economic efficiency of the measures is important to us. Offering high quality buildings also benefits our renters and buyers, primarily due to lower ancillary costs. To evaluate which measures are sensible in terms of energy savings, PATRIZIA examines the entire value creation process and life cycle of the property, e.g. the energy consumption tied to construction and the energy requirements for the use of the building are taken into equal consideration. To include our tenants in the process, PATRIZIA Immobilienmanagement regularly conducts tenant surveys. We help raise tenant awareness of sustainability with an information program and practical tips on saving energy at home, along with ideas for conserving energy elsewhere, such as the workplace.

2.5 NON-RELEVANT SUBAREAS

The PATRIZIA Immobilien AG Group Management Report does not contain any information on certain subareas, as these are not relevant for the Company. This includes statements on research and development, as this is not carried out within the Group. We have included statements on comparable activities, such as our research. Procurement and production, in the conventional sense, do not apply to PATRIZIA's operating activities as an investor and service provider either. Real estate intended for resale in the short term is reported under inventories. Purchasing due diligence ("procurement") and the implementation of value-enhancing measures ("production") take place on an individual basis according to the property concerned, as this is the only way we can offer tailored solutions.

2.6 NOTES ON THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER HGB FOR PATRIZIA IMMOBILIEN AG (HOLDING)

The position of the parent company PATRIZIA Immobilien AG is essentially determined by the activities of the operating companies of the Group. As a purely holding and service company for these companies, PATRIZIA Immobilien AG generated revenues of EUR 6.4 million (2008: EUR 9.6 million), generated mostly from management cost allocations to the subsidiaries. This allocation was reduced in 2009. The AG's revenue also benefits from commission income for services performed by the subsidiaries. These services are invoiced by the AG and handled internally and booked under cost of materials. This rose in 2009 to EUR 2.4 million (2008: EUR 0 million) and includes the purchasing and sales commissions in connection with the purchase or establishment of special funds of PATRIZIA Immobilien Kapitalanlagegesellschaft mbH. The prior year's other operating income resulted from the sale of shares in a subsidiary amounting to EUR 16.4 million. There were no comparable one-off effects in 2009, which reduced this item considerably to EUR 0.2 million. Staff costs rose by 6.5 % to EUR 6.1 million (2008: EUR 5.7 million), while the number of employees dropped from 83 to 73 over the year. Other operating expenses declined year-on-year from EUR 5.0 million to EUR 4.5 million. The EUR 1.0 million decrease in net interest income results from such factors as lower interest on fixed term deposits and interest expenses for backpayment of taxes after a completed tax audit. The parent company's profit/loss consists of the operating profit/loss of the Company itself and profits and losses of the subsidiaries with which profit and loss transfer agreements exist. Income from profit transfers totaled EUR –2.3 million (previous year: EUR –7.6 million). PATRIZIA Immobilien AG's net loss under HGB for the 2009 financial year of EUR –2.8 million (2008: Net profit of EUR 11.6 million), combined with the profits carried forward of EUR 31.1 million represents the Company's distributable profit. Unappropriated profits amounted to EUR 28.3 million, a decline of 8.9 % in comparison with the previous year:

Summary of the PATRIZIA Immobilien AG balance sheet:

	December 31, 2009	December 31, 2008
	EUR '000	EUR '000
Non-current assets	150,002	150,136
Current assets	158,090	161,827
Prepaid expenses	87	95
Total assets	**310,014**	**314,203**
Equity	303,330	306,102
Provisions	2,194	2,103
Liabilities	4,490	5,998
Total equity and liabilities	**310,014**	**314,203**

Summary of the PATRIZIA Immobilien AG profit and loss account:

	2009	2008
	EUR '000	EUR '000
Revenues	6,392	9,605
Other operating income	238	16,549
Cost of materials	–2,435	0
Staff costs	–6,088	–5,716
Deprecation, amortization and write-downs and other operating expenses	–5,234	–5,769
Profit/loss from profit transfers and loss absorption	–2,275	–7,635
Net interest income	6,370	7,328
Result from ordinary activities	**–3,031**	**14,362**
Taxes	259	–2,809
Net profit/loss	**–2,772**	**11,553**
Profit carried forward	31,064	19,511
Unappropriated profit	**28,292**	**31,064**

TRANSACTIONS WITH REALTED COMPANIES AND INDIVIDUALS

The Managing Board submitted a dependent company report to the Supervisory Board, to which it adds the following final statement:

"As the Managing Board of the Company, we hereby declare that to the best of our knowledge at the time when the legal transactions listed in the report on relationships with affiliated companies were carried out and when measures were taken, the Company received appropriate consideration and was not disadvantaged as a result of any action taken."

Detailed information on business relationships with related companies and persons can be found in the notes to the consolidated financial statements under point 9.3.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 289 (4) AND ARTICLE 315 (4) HGB (GERMAN COMMERCIAL CODE)

Disclosure under merger laws

As at December 31, 2009, the share capital of the Company consisted of 52,130,000 no-par-value registered shares. There are no restrictions, special rights or similar agreements with regard to the shares. All shares are admitted for trading in the Prime Standard of the Frankfurt Stock Exchange.

As at the balance sheet date, Wolfgang Egger, CEO of PATRIZIA Immobilien AG, holds a total stake of 49.97 % indirectly and directly in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100 % stake via WE Vermögensverwaltung GmbH & Co. KG.

The appointment and dismissal of the members of the Managing Board conforms to Article 84 f. of the Aktiengesetz (AktG – German Stock Corporation Act); changes to the Articles of Association take place in accordance with Article 179 ff. of the AktG in connection with Article 16 of the Articles of Association of PATRIZIA Immobilien AG.

The Managing Board was authorized by resolution of the Annual General Meeting on June 23, 2009 to acquire shares in the Company valued at up to 10 % of share capital by December 23, 2010. The authorization may be exercised in whole or in partial amounts, on one or more occasions and in pursuit of one or more objectives by the Company and also by its Group companies or implemented for its or their account by third parties. At the option of the Managing Board, the acquisition will be made via the stock exchange, by way of a public purchase offer aimed at the shareholders of the Company, through the use of derivatives or through individually negotiated reacquisition. The acquired shares may subsequently be used for any legally permissible purpose; in particular, they may be redeemed, sold in exchange for non-cash contributions or to the shareholders or used to comply with subscription and conversion rights.

With the consent of the Supervisory Board, the Managing Board is also entitled to increase the share capital on one or more occasions by up to a total of EUR 26,065,000 in exchange for cash contributions or contributions in kind by issuing new no-par-value registered shares (Authorized Capital) until June 12, 2012. In certain cases, the Managing Board is authorized, with the approval of the Supervisory Board, to exclude the legal subscription rights of the shareholders. Furthermore, the Managing Board is authorized on one or more occasions, with the approval of the Supervisory Board to grant until June 12, 2012, in accordance with strict conditions of the bonds, convertible bonds, and/or bonds with warrant, made out to the bearer or registered and/or participatory rights with or without conversion privileges or option right or conversion obligation (referred to together in the following as the 'bonds') in the aggregate principal amount of up to EUR 750,000,000 with a term of up to 20 years and to grant the bearer or the creditor of bonds, conversion privileges or option rights to new, registered no-par-value registered shares of the Company with a pro rata amount of the share capital of up to EUR 26,065,000.

No agreements contingent upon a change in control subsequent to a takeover bid or compensation agreements made with the members of the Managing Board or employees for the event of a takeover bid exist.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 289 (5) AND ARTICLE 315 (2) NO. 5 HGB (GERMAN COMMERCIAL CODE)

Primary characteristics of the internal control and risk management system with regard to the reporting process

PATRIZIA Immobilien AG has established the appropriate internal control systems for its reporting to offer sufficient security for the reliability of its financial reporting and creation of the published annual financial statements and quarterly reports throughout the year. However, the internal control system cannot offer absolute certainty with regard to avoiding errors or misstatements in reporting and auditing.

The internal control system includes all measures and processes to ensure that all transactions are entered uniformly, correctly and quickly into the bookkeeping and financial statements. It ensures compliance with legal regulations and standards while examining the effect of amendments to laws and standards and other notices on reporting and auditing. Separate functions and authorization regulations, which are reinforced by ongoing, standardized control and coordination systems, are a significant part of our internal control procedure. Moreover, our risk management system helps identify risks and to evaluate them relative to our company.

Bookkeeping is performed at each site based on Group-wide standards within a central IT environment; there are defined access rights for the system. The annual financial statements are produced almost exclusively for all Group companies at the head office of PATRIZIA Immobilien AG. The employees involved in the annual financial statements are properly trained; responsibilities and control are clearly defined for these statements.

The effectiveness of our accounting-related, internal control system, is evaluated as part of the final reporting procedures and also examined by our auditor as part of its audit engagement.


NO END WITHOUT
A BEGINNING.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 289a HGB (GERMAN COMMERCIAL CODE)

Declaration on corporate governance

PATRIZIA Immobilien AG disclosures about corporate governance are available to the public at www.patrizia.ag. Our Investor Relations pages include all key information under the navigation bar "Corporate Governance."

This includes

- the declaration of conformity pursuant to Article 161 AktG, available at http://www.patrizia.ag/en/investor_relations/corporate_governance/declaration_of_conformity.html
- relevant information about corporate management practices that extend beyond the legal requirements, and a description of the working methods of the Managing Board and Supervisory Board, available at http://www.patrizia.ag/en/investor_relations/corporate_governance/declaration_on_corporate_management.html

3. OPPORTUNITY AND RISK REPORT

3.1 RISK MANAGEMENT

Risk policy principles

The PATRIZIA Group's risk management system has proven to be most effective, even in the instable economic environment following the financial market crisis. Our risk policy principles are oriented toward safeguarding the continued existence and sustainable growth of the Group. To ensure that these objectives are attained, we have implemented a unified risk management system throughout the Company that is defined and monitored by the Managing Board. Our systematic risk management process ensures that risks are identified and recorded, assessed, controlled and monitored at an early stage. Opportunities are also analyzed at the same time in order to identify and utilize their associated potential for success. The corporate target system is a key basis for analyzing opportunities and risks.

We place great importance on a balanced ratio of opportunity to risk. Without the willingness to take risks, we would pass up potential opportunities as well. Our method is to enter into appropriate risks if there is a strong likelihood of realizing the associated sustained value enhancement potential of PATRIZIA. We do not enter into risks with which we do not expect sustained value enhancement or which appear unlikely to result in value enhancement. Transactions of a speculative nature are strictly prohibited. If risks are unavoidable or arise unforeseeably, we hedge them via risk instruments and appropriate countermeasures.

The risk management organization

The task of Group-wide risk management and its uniform representation for all affiliated entities is assigned to PATRIZIA Immobilien AG as the holding company. A risk management working group which is organizationally assigned to the Controlling and Legal departments is responsible for implementing the risk management processes introduced throughout the Company and reports directly to the Managing Board on a regular basis. It designs the identification process, monitors compliance with the processes and allocates responsibilities for the individual risks. Each employee of PATRIZIA Immobilien AG and its subsidiaries is obliged to be mindful of potential risk in the course of his or her dealings. Risks can also take the form of missed or insufficiently utilized opportunities. The direct responsibility for early detection of risks and for reporting these to the next level of management is assigned to the operating supervisors and managing directors of the relevant entities. At Managing Board level, responsibility for risk management falls within the remit of the Chief Financial Officer of PATRIZIA Immobilien AG.

The risk management process

Both the efficiency and effectiveness of the PATRIZIA risk management system are assessed twice a year by means of an internal risk audit as well as through regular monitoring of compliance with the risk management processes. During the internal risk audit, the managers of the various operating business segments are surveyed in order to monitor and quantify risks and assess the probability of their occurrence on an ongoing basis. Furthermore, measures are determined for reducing each risk and managers are assigned responsibility for implementing them. The results appear in a risk report which presents the organizational measures and regulations regarding risk recognition, quantification, communication, supervision and control. At the same time, the comprehensive documentation of this report ensures an orderly assessment which can be conducted both externally by the auditor and internally by the responsible departments as well as by the Supervisory Board. In addition to the Managing Board, the directors of the operating companies are also informed of the risk inventory's results.

All employees are instructed to report all risks to risk management. Risks are quantified according to their probability of occurrence of between 0 % and 100 % and the magnitude of potential damage. Overall risk is calculated and updated over a specific period of time by linking the various parameters. By systematically analyzing risks and regularly monitoring our risk management system, we are able to advance and improve internal structures and processes on an ongoing basis.

3.2 RISK-RELATED DEVELOPMENTS

Individually, or in conjunction with other situations, occurrence of the individual risks described below can impair the operating activities of PATRIZIA and negatively impact the net asset, financial and earnings situation of the Company and the Group. The risks listed may not be the only risks to which PATRIZIA is exposed. Other risks that are not currently known or risks that we regard as immaterial at present could also impair our operating activities. From the current perspective, all risks are limited and do not pose a threat to PATRIZIA's continued existence.

MARKET AND INDUSTRY RISKS

Macroeconomic development

Although PATRIZIA only operates within the German real estate market in respect of its own investments, pan-European and/or global economic developments could impact the Company's performance in a positive as well as a negative manner. The effects of the financial market crisis on the goods and services industry will persist in 2010. In line with various forecasts for 2010, we expect a slight upturn in economic growth within the German economic area. Despite the slight economic revival, a rise in unemployment seems probable. The continuing liquidity squeeze on the financial markets and the resulting restricted lending policies of the banks could hinder necessary investments. Any decline in consumption or investments on the part of private households could result in lower demand for private residential real estate or high prices for rented apartments; an increase in uncollected rent is also possible. By contrast, the volatility on the stock markets and lower financing interest rates for private investors could boost the propensity to invest in tangible assets such as residential real estate. In general, it remains the case that residential real estate portfolios are less exposed to cyclical risks than office or commercial real estate.

Price changes in the German residential real estate market

In contrast to other European countries, residential real estate prices in Germany have remained relatively stable over the years. This fact could bring about stronger interest in German residential real estate on the part of institutional investors. More intense competition could hamper PATRIZIA's acquisition of suitable real estate at reasonable prices and lead to lower margins subsequent to relatively higher purchase prices. This could also cause PATRIZIA to lose market shares. We estimate market entry barriers for new domestic and international demand to be low. With respect to its own investments, PATRIZIA is currently fully invested, which means that we would be in a position to benefit from price increases via our sales. Our asset management company could be exposed to the risk of finding less suitable properties in terms of return on investment.

A fall in real estate prices could negatively impact PATRIZIA's operating activities and impair its ability to generate the margins it realized in the past. Assumptions made upon the purchase of real estate could prove inaccurate and could delay or derail the resale of the real estate or individual residential units. We constantly analyze price levels and integrate these into our planning. We limit the risk of declining prices by purchasing only high-quality properties in economically appealing locations with significant population influx and good prospects for the future. We can practically rule out the risk of falling prices and rents in our portfolio's locations.

Competitive situation

Competitors are represented in all the business areas in which we operate and new competitors could also enter the market. In view of the anticipated high demand for indirect residential real estate investments, we consider it very probable that further new funds focusing on German and European residential real estate will be launched in the near future. This could make it more difficult to make purchases for our own fund products.

We expect increased competition in the service sector encompassing real estate, particularly with respect to asset and property management services. The emergence of new providers could lower the prices for such services or existing customers could be lost to competitors. We do not consider it probable that foreign service providers will expand into the German market in the current market climate. To strengthen its own competitive position, PATRIZIA Immobilienmanagement GmbH obtained certification according to ISO 9001:2000 in 2007. We do not expect any new competitors in the area of residential property resale. We regard the complexity and regulations that must be observed in residential property resale as a barrier to entry into the market. Competitive risks could have a negative impact on the earnings position of both the Investment and Services segments.

Regulatory and legal proceedings

In the context of our operating activities, PATRIZIA could become involved in legal disputes, particularly with tenants. At present, there are no major legal disputes and/or claims for compensation. Although it is by all means probable that legal disputes will arise, the potential impact on PATRIZIA's financial position can be regarded as minor, irrespective of whether such disputes were to arise on an individual or cumulative basis.

Amendments to laws and regulatory requirements such as tenancy or tax law or construction permit procedures could negatively impact our business development in the future. PATRIZIA is affected by the interest barrier (Zinsschranke) introduced as part of the corporate taxation reform on January 1, 2008 and modified by the Wachstumsbeschleunigungsgesetz (WBG – German Growth Acceleration Act) in the 2009 reporting year, only with regard to its special pupose vehicles based in Luxembourg.

BUSINESS RISKS

Due to the risks already illustrated which could arise from shifts in the market or in prices, from competition and/or political-influence factors, we are exposed to internal and external risks in every segment of the value-added chain. We limit business risks by means of insurance to the extent that this is possible and economically reasonable.

Property risks

Although as a real estate trading company PATRIZIA usually only holds properties in its portfolio for a short time, it is important to us to optimize the structural condition of the properties in our portfolios. We invest in maintenance and modernization on an ongoing basis to enhance rentability and salability. The optimization measures we carry out while holding the real estate increase its attractiveness and consequently also purchase prices. Such measures also enhance the fungibility of the real estate, enabling us to make better use of market opportunities. Insufficient maintenance and renovations, delays in construction, failure to meet deadlines or cost overruns could burden the Group's earnings position. Furthermore, risks exist due to conditions upon which PATRIZIA has no influence, such as damage to buildings caused by bad weather or technical failures. We see the quality and location of our real estate as providing us with a clear competitive advantage.

Real estate sales

PATRIZIA is a real estate agent. Due to the timely placement of our properties on the market, we are exposed to marketing risks. For the most part, PATRIZIA's stringent acquisition criteria circumvent the risk of poor marketability of properties to be marketed. We consider it improbable that the market attractiveness of our properties could decline. Nevertheless, regardless of the product, events and conditions could make acquisition of a property appear unattractive. If residential property resales fall, longer periods may be required to sell properties in full. In both individual and block sales there is the risk that the calculated sales prices are not attained and planning targets are not met. Any weakening of the transaction market could lead to the Company not achieving the forecasts. In addition, risks could arise from warranted characteristics contained in purchase agreements.

Customer structure
With regard to buyers, opportunistic foreign investors have largely turned their backs on the German residential real estate market and German institutional investors continued to take a very cautious stance in 2009. However, we expect this particular investor group to show renewed interest in the next few months. The predominance of equity-strong investors and managers of large family assets (family offices) may make it necessary to adapt our products to their requirements, e.g. by breaking portfolios down into smaller components. Our branch offices nationwide provide us with the market access and local know-how to acquire and market both smaller portfolios of 50 units and more as well as large portfolios. With regard to Residential Property Resale, we are currently observing partly considerable caution on the part of tenants, although this is being compensated by the private investor customer group and owner-occupiers. Due to the partial change in customer structure, there is the risk that we must increase our marketing expenditure in order to address owner-occupiers and investors.

Characteristics of large-scale projects
Global sales of residential units of various sizes are part of a marketing strategy which is embedded in PATRIZIA's business model. If a global sale does not succeed or is delayed, this can have an impact on the Group's financial and earnings situation. As the real estate is retained for future transactions, the potential level of damage can be classified as low over the long term, although there may be negative budget variances in the short term. Our large-scale projects also include our Project Developments, each of which is subject to its own stringent time schedule. Delays in drawing up and accepting construction projects can also impact the financial and earnings situation.

Customers and business partners
Partner risks are those arising from business relationships with customers and suppliers. In order to diversify risks, we maintain a comprehensive stock of clients and suppliers. Monitoring on a regular basis as well as purchasing-policy measures are intended to minimize risk in this area. In this respect, we highly value the creditworthiness and reliability of our business partners. Even so, non-adherence to supplier deadlines and/or insufficient quality of supplier services, for example, pose risks that could negatively impact PATRIZIA's business development. Particularly in Project Development, a delay in construction would result in cost and sales risks. As regards joint venture and co-investment, there is the risk that partner companies withdraw from the market or delay making investments in the volumes originally intended. Default on the part of business and joint venture partners or problems with acquiring new business and joint venture partners could jeopardize the financing and implementation of the respective joint projects.

Loss of rent and subsequent bad-debt losses could negatively impact PATRIZIA's revenues and earnings as well. We limit defaults on payments by means of active receivables management. Impairments that exceed the ordinary extent are thus unlikely, particularly as the receivables are generally hedged to the customary extent by the paying of deposits. The risk of bad-debt losses is very low in real estate sales, as ownership only passes to the purchaser upon receipt of the purchase price. However, withdrawal from a purchase agreement would mean that the planned income could only be realized at a later time and that negative budget variances could arise in the short term.

Employees
The skills and motivation of our employees are decisive factors in PATRIZIA's success. A risk of knowledge loss exists from staff fluctuations as well as from not recruiting sufficiently qualified experts to fill vacancies in the Group in good time. In both cases, we would thus sacrifice competitive advantages on the market. In view of the average time our employees have been with the Group, we categorize the probability of increased fluctuation arising as high. However, this risk is qualified by the current situation on the employment market. We minimize this risk by means of qualified promotion of junior staff and implement focused employee-retention measures, primarily with respect to key positions.

IT security
The majority of our business processes are supported by efficient IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions to operating activities and thus to unscheduled costs. A substantial loss of data could lead to considerable financial losses and also adversely effect tenants' and business partners' perception of the Company. To protect our IT-based business processes, the information technology deployed is constantly subject to examination and enhancement. In order to limit risks we regularly invest in hardware and software.

Access rights restricted to each individual user are defined in order to ensure data security. Based on these precautionary measures, we may assume that the probability of a system failure occurring is very low, although the magnitude of damage would be considerable. This is coupled with a password change every 40 days and only allowing reuse after 25 password generations.

FINANCIAL RISKS

Interest rate fluctuations

The extensive use of external financing in connection with our acquisitions of real estate means that we are exposed to interest rate fluctuations and refinancing risks. Our continuous planning takes account of all changes in financing costs. Increased expenses for existing variable-rate loans and non-capped rate loans as well as for future financing would have to be reckoned with if a rise in the interest rate level in Germany were to occur. This would negatively impact the financing costs of the Group. Based on the current volume of non-capped rate loans amounting to EUR 366 million, we continue to assess the potential extent of financial loss as minor. If interest rates were to rise, we would conclude interest hedges for this portion. The current interest rate is low by historical standards. The interest rate forecasts for the next few months give us no reason to assume that significant changes could occur in the short term. However, in spite of low interest rates we do not expect overall financing costs to decrease significantly on account of the shortage of financial resources.

Increasing interest rates could also negatively impact the sale of individual apartments in Residential Property Resale since the interest burden would rise for interested purchasers and our customers could find themselves in financing difficulties. On the other hand, the prevailing low interest rates benefit real estate investments.

Interest hedges

We employ interest rate derivatives in order to reduce the interest rate risk. We have entered into interest rate hedges for around 66 % of our bank loans, more than 84 % of which have a term of three to five years or more. The reviewed market valuation of interest rate hedges as of the reporting date can exert a considerable influence on net profit in accordance with IFRSs due to the extent of the underlying financing volume with greater interest rate fluctuations – even if these effects do not constitute income or expenses that impact liquidity. Most of our interest hedge agreements were concluded at the end of 2006/beginning of 2007 in parallel to our conclusion of larger financing volumes. The acquisition interest rate hedged on the basis of these interest hedge agreements averaged 4.15 % at the end of 2009. However, particularly with the low interest rates we are currently observing, the assessment of these interest hedge agreements prescribed in accordance with IFRSs results in a not inconsiderable negative effect. Nevertheless, this valuation effect, which does not affect liquidity, can impact the financial result to a disproportionate degree. Derivative financial instruments are employed only in the hedging of risks from operating business activities and not for the purpose of trading or speculation.

Credit terms

Depending on the loan agreement, there is a risk that PATRIZIA will breach the underlying covenants. As a result, the banks could modify the terms of such loans or call in parts of them. The covenants generally relate to the rental basis, i.e. a portfolio must generate a certain percentage of the interest expenses via the net rental income. The credit terms are the ISCR (Interest Service Cover Ratio) and DSCR (Debt Service Cover Ratio). The ISCR specifies what percentage of the interest cost is covered by net annual basic rent, while the DSCR specifies what percentage of expected interest cost plus repayment (service of capital) is covered by rental income. There are also loan agreements that are linked to the ratio of the loan proceeds to the fair value of the financed property. The loan to value (LTV) sets the loan proceeds in proportion to the fair value of the real estate, which is calculated on agreed valuation dates. Shares of PATRIZIA Immobilien AG do not serve as security or an indicator in any of our loan agreements, thus the price of PATRIZIA shares is not relevant for either the calling in of loans or margins. Furthermore, the loans are always concluded at real estate company level, i.e. the real estate contained within them serves as security. Repayment is chiefly covered by rental revenues and sales proceeds. Vacancies or losses of rent as well as delayed sales could negatively impact our ability to make repayments.

Financing

The continuing liquidity squeeze experienced by some banks could result in further financial risks for the Group: with regard to its financing from short-term loans, PATRIZIA will need to extend or refinance these loans. Despite stricter lending policies by banks, additional bank loans amounting to EUR 14 million could be borrowed and existing bank loans amounting to EUR 582 million could be extended in the 2009 fiscal year. Loans of EUR 172 million are due in the 2010 fiscal year. The acquisition of further real estate portfolios would be linked to additional borrowing. Due to restricted lending by the banks including greater hedging of risks, financing options could be hampered in light of the increasing size of the volume to be financed. In both of the cited cases, there is a risk that external capital may not be available to PATRIZIA at all times to the necessary extent and at financially attractive conditions or that the equity required for financing increases significantly. This could adversely affect PATRIZIA's competitiveness, as well as its net asset, financial and earnings situation.

Rating

Besides the external components of market interest rate volatility, assessments of PATRIZIA's credit standing also influence financing options. At present, a credit check in the sense of a rating by an external rating agency does not exist with regard to PATRIZIA on account of the associated costs. Our stable financing structure has benefited from long-term, trustworthy cooperation with exclusively German banks.

Liquidity

As of December 31, 2009, bank balances and cash posted amounting to EUR 56.2 million were available to PATRIZIA in order to cover its refinancing and operating liquidity requirements. Unexpected cost increases, delays in the sales process or rising vacancy levels could adversely affect the free liquidity within the Group. In order to minimize refinancing and liquidity risks, PATRIZIA optimizes and supervises liquidity by means of a cash pool procedure. Early warning indicators and comprehensive continuous planning also serve to prevent risks. We assess the risk of insufficient internal financing power and debt retirement capability to be very low.

Fluctuations in foreign exchange prices

We can rule out any direct impact from foreign-exchange fluctuations through our predominantly domestic focus in the operating segment as well as in financing. All subsidiaries and property development companies are located within the European Monetary Union (Germany or Luxembourg) so that no foreign-exchange risks exist in this regard. Only our "PATRIZIA Euro City Residential Fund I" holds real estate outside of the euro zone, in Sweden. This real estate is part of the fund's assets.

3.3 DEVELOPMENTS RELATING TO OPPORTUNITIES

The basis for a meaningful and reliable assessment of the real estate markets is gathering, evaluating and interpreting market data. The PATRIZIA Research team produces forecasts with regard to the German residential and commercial real estate market and conducts analyses on defined locations in European countries other than Germany. This intensive observation of the market and competition assists us in identifying opportunities relevant to corporate strategy at an early stage and avoiding or minimizing risks. Our in-house Research department is essential for our investment decisions and the development of our real estate products. Opportunities primarily arise from the acquisition of selected real estate in the recommended micro locations. As, despite strict property and location-specific criteria, acquiring new real estate portfolios is associated with risks due to the employment and commitment of capital, our purchasing team, PATRIZIA Acquisition & Consulting GmbH, is tightly integrated in the strategic orientation of the Group.

Services segment

In order to respond to the requirements of the market and our customers and to further diversify risks, we have expanded our Services segment so as to be less dependent on transaction business in the future due to stable, recurrent service fees. As it is generally assumed that indirect real estate investments will increase and PATRIZIA has been represented on the market by its own asset management company since 2007 and has a track record to match, we see good opportunities here for gaining further customers and thus strengthening our income base.

NO FOREFRONT WITHOUT A BACKGROUND.

Demographic developments, demand for living space

According to forecasts by the Statistisches Bundesamt (German Federal Statistical Office), the country's population figure will decrease to 80 million from its current level of 82 million by the year 2020. The calculations point to a population of between 77 and 79 million in 2030. In the long term, the reduction in population could result in a risk of higher levels of vacancy and a lower demand for residential real estate. However, research data revises this assumption: despite the decline in population, demand for housing will rise by 2020 since the number of households will grow by 650,000 to 40.5 million. The reasons for this are firstly the growing trend toward smaller, older households due to the increasing number of single people and secondly people's increased living requirements leading to a steady rise in living space per person. According to information from LBS Research, the living space per person in western Germany will grow from 46 sqm in 2005 to 56 sqm in 2030. In the new German states the rate of increase is more than twice that: the previous deficit will be reduced from 38 sqm to 55 sqm in the same period. We see an opportunity in the persistent demand for successfully implementing our business model over the long term.

Demand for housing

The low level of new construction and the necessity of demolishing old buildings will also put pressure on supply. While it was expected that building permits would be granted for around 176,000 residential units in 2009, most residential real estate experts estimate the actual requirement for new construction in the period to 2025 to be 270,000 to 350,000 residential units per year – i.e. approx. 50 % to 100 % more. We anticipate regional bottlenecks, entailing rising rents and prices as a result of the trend toward reurbanization and increasing travel costs. Strong waves of internal migration to regions undergoing strong growth in and around the cities will intensify demand for housing in these locations. The PATRIZIA portfolio is located in these economically appealing metropolitan areas. We regard the trends described as an opportunity to attain stable to rising prices and higher rent levels than in previous years.

In view of the low home ownership rate in Germany in relation to the number of households – 43 %, of which 19 % are households with an owner-occupied apartment – we see great potential in the area of residential property resale and thus also the opportunity to realize value enhancements.

Mortgage interest rates

Rates for longer term mortgage interest remain at a low level and were significantly below the 5 % mark at the beginning of 2009. The comparison with the long-term average continues to be favorable – owner-occupiers of private residential real estate in particular are benefiting from the ongoing phase of low interest rates, especially as they are not able to claim their financing costs as a deduction from taxable income. Low interest rates and long-term certainty as regards interest rates provide PATRIZIA with the opportunity to strengthen sales of residential units to tenants and owner-occupiers as well as private investors. Increased lending by banks would also be expected to provide positive impetus.

In addition, inflationary tendencies could boost demand for tangible assets such as residential real estate that hold their value.

3.4 OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

Risk management at PATRIZIA is a continuous process which identifies changes in risk and defines appropriate countermeasures. In 2009, as in previous years, PATRIZIA examined the evaluation categories for the potential magnitude of damage of all known risks and increased or reduced them as necessary. The risk management system illustrated here enables PATRIZIA to counteract the specified risks and to exploit the opportunities that present themselves. Under consideration of all relevant individual risks and a possible cumulative effect, PATRIZIA's overall risk is limited at present. Based on our current knowledge and medium-term planning, no significant risks to the future development and continued existence of the Company and the Group have been identified.

Despite institutional investors' continuing caution with regard to investments, we are of the opinion that our risk profile has decreased compared to the previous year. Our financing situation has stabilized considerably as a result of the loan extensions agreed in 2009. Furthermore, thanks to increased sales we are able to repay loans and to reduce our gearing ratio and strengthen our liquidity. The Managing Board also rates the probability of occurrence of other individual risks as low and/or the extent of loss to be minimal. Thanks to the location and quality of our real estate portfolio, we believe that we are well positioned to exploit the individual regional growth markets to our advantage.

4. SUPPLEMENTARY REPORT

At the beginning of 2010, PATRIZIA Immobilien Kapitalanlagegesellschaft mbH launched its fourth fund. This is an individual fund for a large-scale investor with a long-term focus and a planned investment volume of EUR 300 million. New or recently built residential property in the target markets of Berlin/Potsdam, Hamburg, Cologne/Dusseldorf/Bonn, the Rhine-Main region and the Munich and Stuttgart areas is the focus. An initial property for EUR 10 million has been notarized.

5. REPORT ON EXPECTED DEVELOPMENTS

5.1 STRATEGIC FOCUS

The sale of individual residential units to private individuals is and remains a key pillar for PATRIZIA. Tenants and owner-occupiers have been stable buyer segments for two years. In the last twelve months, private investors have become the number one buyer group due to personal experiences with the financial market crisis. Everything indicates that this trend will continue.

Approximately two-thirds of our residential portfolio will be realized as asset repositioning properties. Developing and bundling individual residential properties to portfolios for sale to private and institutional investors is a key component of PATRIZIA's business model. In the last two to three years, a significant part of these properties has undergone the optimization process and is ready for sale.

With the launch of additional funds, we are well on our way to becoming an investment house and asset manager for the real estate investment category. We offer investors customized investment solutions using funds and other indirect and direct real estate products. The required administration and management expertise is covered by our subsidiaries. Our vision is to become "the" investment house for the residential property asset class in Europe.

5.2 FUTURE ECONOMIC FRAMEWORK

Future general economic situation in Germany

While leading indicators have recently shown that the economy looks set to continue its recovery, there are also signals that it is losing momentum again. Current forecasts for Germany's GDP development are between 0.3 % and 2.3 %, depending on the research group. The federal government and the majority of economic research institutes expect that after the economy contracts, growth will return in 2010 to 1.2 %. This should help the German economy pick up speed, leaving the effects of the financial market crisis behind. But the opposite could also be true: The global economy may lose its momentum as economic stimulus programs begin to run out. With regard to consumer prices, the Bundesbank anticipates a 0.9 % increase in 2010 and a 1.0 % increase in 2011. The expected rise in unemployment could result in sluggish consumer sentiment; buyers are likely to be very cost aware, and hesitate to make purchases, in 2010. At the same time, the government must get the national debt under control. State economic stimulus programs will be followed by savings plans and tax increases to finance the budget deficit. Banks may also be more restrictive in granting loans due to the intended more restrictive equity requirements, which would give consumers less money for consumption and companies less funds for capital expenditure. However, continued low interest rates and high capital market liquidity should promote investment. An environment of moderate growth and lower inflation points to continued low interest rates. Nonetheless, financing experts expect a 0.3 % increase for 10-year real estate loans in the second half of 2010; for loans with 15-year fixed interest they expect an average rise of up to 0.5 %. The European Central Bank did not change its fiscal policy in January 2010 and kept the key rate at the historic low of 1 %. Since May 2009, the Central Bank has kept this key rate for providing funds to the banking industry at a low level.

Future situation in the German residential real estate market

Depending on the region, the German residential market exhibits sharply divergent trends. Some regions have excess supply while others have excess demand. Demand for residential real estate in the main economic centers is characterized by immigration from economically weaker regions and a rising trend toward city living, due to good infrastructure and shorter commuting distances. On the other hand, rural regions are characterized by a trend toward outward migration, which has a corresponding effect on demand and therefore also the rent and ultimately the price level.

Various studies have forecast total demand for new construction in Germany of between 270,000 and 350,000 residential units per year for the next years. After years of continually declining new construction rates, in 2009 it unexpectedly started to show signs of recovery. According to estimates of the Landesbausparkassen (LBS) an estimated 176,000 residential units were approved through the end of 2009 – about 0.6 % more than 2008 (175,000). For 2010, LBS anticipates growth of 10.8 % to 195,000 approved apartments. This increase, however, will not make up for the shortfall. Most of the construction permits were issued for metropolitan areas with growing numbers of residents. In cities like Hamburg, Munich and Stuttgart, where new apartments are needed, supply is short and rents are on the rise, new construction of apartment blocks is still profitable. In the past, new construction rose greatly in price. Existing property, however, offers a significant price advantage, which is beneficial to asset repositioning and thus PATRIZIA's business model.

In metropolitan areas, more and more apartments are no longer suitable for renovation, which decreases the number of available residences over time. More than one-fourth of Germany's apartments are over 60 years old; approximately 46 % were built between 1949 and 1979, another 22 % were built in the 1980s and 1990s and only 3 % were built after 2000. It is estimated that up to 200,000 apartments a year need to be demolished. The German Real Estate Association (IVD) expects that net rent will rise an average of 1.0-1.5 % nationwide; thus the trend of moderately increasing rents would continue. IVD has forecast this for all regions, with the greatest increases being in big cities and economically strongest metropolitan areas. The purchase prices for condominiums are expected to rise by 1-2 %; higher figures are expected only for properties in good to moderate locations in metropolitan regions.

5.3 EXPECTED DEVELOPMENT OF THE EARNINGS AND FINANCIAL SITUATION

PATRIZIA's economic success will depend in the immediate future largely on the number of condominiums sold and the amount of rental income. Thanks to the quality and locations of our real estate, we are confident that prices and rents will continue to rise, though this will vary by region. As of January 1, 2010, PATRIZIA's portfolio included some 11,100 units, one-third of which was for individual privatization. For 2010, we expect privatization sales to reach at least the prior year's levels. We are optimistic that these sales figures will constantly evolve.

PATRIZIA has taken advantage of recent years to optimize its asset repositioning properties purchased in 2006 and 2007. Construction and real estate measures have been concluded for many properties, so that around 70 % of our asset repositioning portfolio will be for sale from 2010 on. We are confident that in 2010, more investors will be less hesitant, ready to make investment decisions. As we continue to sell our properties, we will repay loans and increase our equity. There are some EUR 172 million in loans for repayment or extension. The size of the loans do not pose any financing bottlenecks. Currently, there are loans scheduled for repayment in 2011 in the amount of EUR 551 million; some will be repaid as properties are sold. Experience in loan negotiations during 2009, combined with our improved portfolio quality, shows that extending loan agreements will not pose any difficulty. To optimize the rest of our portfolio we will continue to invest in construction measures going forward, even surpassing last year's high level. To renovate our apartment complex Munich-Ludwigsfeld, which dates back to the 1950s, we plan to invest some EUR 20 million by mid-2011.

In the Project Development line, all properties are in the development phase. Higher costs will arise in 2010 as construction progresses. At the end of the third quarter of 2010, we will complete the "Am Schwalbeneck" project in Augsburg with an investment volume of some EUR 10 million. The apartment complex is being privatized and 70 % of the units are notarized. The "Isartor Palais" on Munich's Zwingerstrasse, with an investment volume of EUR 30 million, is scheduled for completion in fall 2010 and will then be sold to an investor. Investor canvassing will begin in spring 2010. For our Herthastrasse Munich project, we plan to have sold all condominiums by their completion in the fourth quarter of 2010.

The recovery in the transaction market will bring about higher earnings contributions from the Services segment. We launched two new funds, seizing an early opportunity to take advantage of institutional investors' increased demand for indirect real estate investments. Here, we profit from additional fees from fund, asset and property management along with higher assets under management. We will purchases in a targeted manner. The low interest rates should produce investment opportunities, but it remains to be seen if owners of suitable residential properties are ready to sell. By continually expanding our Services segment, its contribution of 5 % to EBIT should keep growing in years to come.

As regards presentation of our income, we will differentiate between earnings under IFRS and operating profit/loss. We define operating profit/loss as adjusted EBT, i.e. EBT adjusted for substantial non-cash items. From today's perspective, i.e. provided that the general economy will continue to recover and the financial markets will not experience another breakdown, the objective is that the 2010 figures will be better than those of 2009. As the financial and economic crisis subsides, the transaction market for real estate should continue to grow. Once the banks are less restrictive in their lending, this should enable larger transactions, so that we can strive to increase earnings beyond 2010.

Dividend policy

Taking into account current equity requirements for the issue of new loans, and the equity situation in general, the Managing Board will propose to the Supervisory Board that the net profit of PATRIZIA Immobilien AG for 2009 be entirely carried forward. However, we want PATRIZIA's shareholders to benefit directly from its success as soon as possible. The amount of a potential dividend will continue to depend on PATRIZIA's results and the general business situation. Given the appropriate profit situation, 20 % to 25 % of the net profit should be used for dividends.

General statement

Germans hold fast to their dream of home ownership. According to a survey by Forsa, three of four tenants in Germany hope to own a home some day. After the critical years of 2008 and 2009, many are less optimistic, although current purchasing conditions are better than ever for residential property. As the general economic situation gradually improves, buyer confidence should return in value stability. The market for portfolio transactions will improve in 2010, though there will not be any radical shifts. We feel it will be sometime after 2010 until the consequences of the worst financial market crisis to date are overcome. We want to improve our operating result in 2010 and conclude the financial year with operating pre-tax earnings higher than that of 2009. For the current year and beyond, our primary goals include reinforcing our operating earnings power, while strengthening our equity base.

This report contains specific forward-looking statements that relate in particular to the business development of PATRIZIA and the general economic and regulatory environment and other factors to which PATRIZIA is exposed. These forward-looking statements are based on current estimates and assumptions by the Company made in good faith, and are subject to various risks and uncertainties that could render a forward-looking estimate or statement inaccurate or cause actual results to differ from the results currently expected.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

C

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS AS OF DECEMBER 31, 2009

ASSETS

	Notes to consolidated financial statements	12/31/2009	12/31/2008
A. NON-CURRENT ASSETS		EUR'000	EUR'000
Software	4.1	539	579
Investment property	4.1	657,320	660,000
Investment property under construction	4.1	0	11,162
Equipment	4.1	1,650	2,005
Investments in joint ventures	4.1	13	6,033
Participations	4.1	3,090	3,090
Long-term tax assets	4.2	313	311
Total non-current assets		662,925	683,180
B. CURRENT ASSETS		EUR'000	EUR'000
Inventories	4.3	676,008	717,772
Short-term tax assets	4.2	1,879	6,685
Current receivables and other current assets	4.5	29,428	41,611
Bank balances and cash	4.6	56,183	67,905
Total current assets		763,498	833,973
TOTAL ASSETS		**1,426,423**	**1,517,153**

EQUITY AND LIABILITIES

	Notes to consolidated financial statements	12/31/2009	12/31/2008
A. EQUITY		EUR'000	EUR'000
Share capital	5.1.1	52,130	52,130
Capital reserves	5.1.2	215,862	215,862
Retained earnings			
- legal reserves	5.1.3	505	505
Non-controlling partners	5.1.4	877	0
Valuation results from cash flow hedges	4.4	−6,079	−8,054
Consolidated net profit	4.4	21,529	31,029
Total equity		284,824	291,472
B. LIABILITIES		EUR'000	EUR'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	5,516	4,769
Long-term financial derivatives	4.4	34,208	24,551
Retirement benefit obligations	5.4	339	365
Non-current liabilities	9.2	259	0
Total non-current liabilities		40,322	29,685
CURRENT LIABILITIES			
Short-term bank loans	5.2	1,070,207	1,161,735
Short-term financial derivatives	4.4	8,895	10,238
Other provisions	5.5	580	616
Current liabilities	5.6	13,116	12,556
Tax liabilities	5.7	8,051	9,847
Other current liabilities		428	1,004
Total current liabilities		1,101,277	1,195,996
TOTAL EQUITY AND LIABILITIES		1,426,423	1,517,153

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS
FOR THE PERIOD FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

	Notes to consolidated financial statements	2009	2008
		EUR'000	EUR'000
1. Revenues	6.1	250,888	221,325
2. Income from the sale of investment property	4.1	370	21,747
3. Changes in inventories	6.2	–106,173	–75,623
4. Other operating income	6.3	14,168	4,109
5. Total operating performance		**159,253**	**171,558**
6. Cost of materials	6.4	–60,884	–66,000
7. Staff costs	6.5	–23,888	–22,445
8. Amortization of software and depreciation on equipment	6.6	–824	–846
9. Results from fair value adjustments to investment property		0	0
10. Other operating expenses	6.7	–17,553	–17,199
11. Earnings from companies accounted for using the equity method	4.1	6	–1,004
12. Finance income	6.8	12,271	29,972
13. Finance cost	6.8	–76,342	–126,444
14. Loss before income taxes		–7,961	–32,408
15. Income tax	6.9	–1,539	–1,730
16. Net loss		–9,500	–34,138
17. Profit carried forward		31,029	65,167
18. Consolidated net profit		**21,529**	**31,029**
Earnings per share (undiluted), in EUR	6.10	–0,18	–0,65
The total result is allocated to:			
- Shareholders of the parent company		–9,500	–34,138
- Non-controlling shareholders		0	0
		–9,500	–34,138

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

	Notes to consolidated financial statements	2009	2008
		EUR'000	EUR'000
Consolidated net loss	4.1	–9,500	–34,138
Other result			
Cash flow hedges			
Amounts recorded during the reporting period	4.4	–455	–10,995
Reclassification of amounts that were recorded	4.4	2,430	0
Total result for the reporting period		–7,525	–45,133
The total result is allocated to:			
Shareholders of the parent company		–7,525	–45,133
Non-controlling shareholders		0	0
		–7,525	–45,133

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

	2009	2008
	EUR'000	EUR'000
Consolidated loss after taxes	–9,500	–34,138
Amortization of intangible assets and depreciation on property, plant and equipment	824	846
Loss from / gain on disposal of investment properties	–370	–21,747
Result from the first time consolidation of F 40 GmbH	–7,984	0
Change in deferred taxes	–406	–5,145
Change in retirement benefit obligations	–26	–4
Non-cash item income and expenses that are not attributable to financing activities	10,253	29,339
Changes in inventories, receivables and other assets that are not attributable to investing activities	115,815	68,394
Changes in liabilities that are not attributable to financing activities	–6,801	–8,587
Cash inflow from operating activities	**101,805**	**28,958**
Capital investments in intangible assets and property, plant and equipment	–436	–1,205
Cash receipts from disposal of intangible assets and property, plant and equipment	8	58
Cash receipts from disposal of investment property	3,050	84,000
Payments for development or acquisition of investment property	–1,739	–1,652
Investments	–1,154	–3,017
Net inflows from the acquisition of subsidiaries	100	0
Cash inflow / outflow from investing activities	**–171**	**78,184**
Borrowing of loans	14,304	107,771
Repayment of loans	–127,660	–201,021
Cash outflow from financing activities	**–113,356**	**–93,250**
Changes in cash	**–11,722**	**13,892**
Cash January 1	67,905	54,013
Cash December 31	56,183	67,905

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS
FOR THE PERIOD FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

	Share capital	Capital reserves	Retained earnings (legal reserve)	Non-controlling partners	Valuation results from cash flow hedges	Consolidated net profit/loss	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2009	52,130	215,862	505	0	−8,054	31,029	291,472
Results from fair valuation adjustments cash flow hedges					1,975		1,975
Net loss for the period				0		−9,500	−9,500
Additional non-controlling partners which originated in the course of the F 40 GmbH acquisition (see Notes to the Consolidated Financial Statements 2.1)				877			877
BALANCE DECEMBER 31, 2009	**52,130**	**215,862**	**505**	**877**	**−6,079**	**21,529**	**284,824**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS
FOR THE PERIOD FROM JANUARY 1, 2008 TO DECEMBER 31, 2008

	Share capital	Capital reserves	Retained earnings (legal reserve)	Non-controlling partners	Valuation results from cash flow hedges	Consolidated net profit/loss	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2008	52,130	215,862	505	0	2,941	65,167	336,605
Results from fair valuation adjustments cash flow hedges					−10,995		−10,995
Net loss for the period						−34,138	−34,138
BALANCE DECEMBER 31, 2008	**52,130**	**215,862**	**505**	**0**	**−8,054**	**31,029**	**291,472**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation based in Augsburg. The Company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. The Company operates on the German real estate market and performs all services along the value-added chain in the real estate sector.

1. PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2009 were prepared in line with IFRS and in compliance with the provisions of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code. All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied, i.e. those adopted until the balance sheet date by the EU in the context of the endorsement process and published in the Official Journal of the EU.

The following standards and interpretations had already been published at the time of preparing the consolidated financial statements, and will be adopted for the current financial year:

- IFRS 8 – "Operating Segments"
- IAS 23 (revised) – "Borrowing Costs"
- IFRIC 13 – "Customer Loyalty Programs"
- IFRIC 15 – "Agreements for the Construction of Real Estate"
- IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation"

At the time of preparing the consolidated financial statements, the following standards, as amended, were to be used for the first time:

- Amendment to IFRS 1 and IAS 27 – "First-time Adoption of International Financial Reporting Standards" (amendment related to determining cost of subsidiaries in separate financial statements of a parent)
- Amendment to IFRS 2 – "Share-based Payment" (amendment relating to vesting conditions and cancellations)
- Amendment to IFRS 7 – "Financial Instruments: Disclosures" (amendment relating to reclassification of certain assets)
- Amendment to IFRS 7 – "Financial Instruments: Disclosures" (expansion of information relating to reclassification of certain assets)
- Amendment to IAS 1 – "Presentation of Financial Statements" (comprehensive revision including the requirement to present comprehensive income)
- Amendment to IAS 1 – "Presentation of Financial Statements" (amendments regarding information about callable financial instruments and obligations arising on liquidation)
- Amendment to IAS 32 and IAS 1 – "Financial Instruments: Specifications and Presentation" (amendments regarding callable financial instruments and obligations arising on liquidation)
- Amendments arising from the annual improvements to the IFRSs dating from May 2008

Previously under IAS 23 – "Borrowing Costs," in exercising the option granted, borrowing costs were recorded as expenses in the period in which they were incurred. This option will no longer exist in the new version of IAS 23. From the point in time of its adoption, borrowing costs relating to the production of a qualifying asset must be capitalized. In the year under review, 222 TEUR in borrowing costs were capitalized for the Zwingerstrasse, Schwalbeneck and Feuerbachstrasse project developments.

IFRIC 15 standardizes accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete. Adoption of the interpretation has no effect on the consolidated financial statements of PATRIZIA Immobilien AG.

IRFS 8 has stipulated more extensive segment reporting information. The other IFRICs did not affect the consolidated financial statements.

Although the following standards and interpretations had already been published at the time of preparing the consolidated financial statements, their adoption was not compulsory at that time:

- IFRS 9 – "Financial Instruments" (to be adopted for fiscal years commencing on or after January 1, 2013; this standard has not yet been adopted by the EU)
- IFRIC 17 – "Distributions of Non-cash Assets to Owners" (to be adopted for fiscal years commencing on or after July 1, 2009)
- IFRIC 18 – "Transfer of Assets from Customers" (to be adopted for fiscal years commencing on or after July 1, 2009)
- IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" (to be adopted for fiscal years commencing on or after July 1, 2010; this interpretation has not yet been adopted by the EU)

Although the following standards and interpretations had already been published at the time of preparing the consolidated financial statements, their adoption was not compulsory at that time:

- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (restructured standard, to be adopted for fiscal years commencing on or after July 1, 2009)
- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (amendments relating to assets used for exploration of oil and gas and additional relief for embedded leasing agreements; to be used for fiscal years commencing on or after January 1, 2010; this amendment has not yet been adopted by the EU)
- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (amendments relating to exceptions from the disclosures under IFRS 7 – in comparative figures to be used for fiscal years commencing on or after July 1, 2010; this amendment has not yet been adopted by the EU)
- Amendment to IFRS 2 – "Share-based Payment" (clarification of accounting for cash-settled, share-based payments in the Group; to be adopted for fiscal years commencing on or after January 1, 2010; these amendments have not yet been adopted by the EU)
- Amendment to IFRS 3 – "Business Combinations" (amendment relating in particular to the application of the acquisition method; to be adopted for fiscal years commencing on or after July 1, 2009)
- Amendment to IAS 27 – "Consolidated and Separate Financial Statements" (amendments regarding partial disposal of subsidiaries, associated and joint companies and the results related to the non-controlling shares; to be adopted for fiscal years commencing on or after July 1, 2009)
- Amendment to IAS 32 – "Financial Instruments: Presentation" (amendments regarding accounting for rights issues, if they are denominated in a currency besides the company's functional currency; to be adopted for fiscal years commencing on or after February 1, 2010)
- Amendment to IAS 39 – "Financial Instruments: Recognition and Measurement" (amendments relating to the risk positions qualifying for hedge accounting; to be adopted for fiscal years commencing on or after July 1, 2009)
- Amendment to IAS 39 and IFRIC 9 – "Reassessment of Embedded Derivatives" (amendments relating to the assessment of embedded derivatives upon reclassification of financial assets; to be adopted for fiscal years commencing on or after July 1, 2009)
- Amendment to IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (amendment regarding voluntary pre-payments in line with minimum funding requirements; to be adopted for financial years commencing on or after January 1, 2011; these amendments have not yet been adopted by the EU)

- Amendments arising from annual IFRS improvements made in April 2009; partly applicable for fiscal years commencing on or after January 1, 2009; these amendments have not yet been adopted by the EU

We do not expect any significant effects on the consolidated financial statements following the application of the amended standards and interpretations.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as short-term if their realization or repayment is expected within the normal course of the business cycle of the Group or, in relation to assets, if the latter are held for sale within this period. The nature of expense method was selected for the profit and loss account.

The fiscal year corresponds to the calendar year. The consolidated financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

Material differences of the accounting, valuation and consolidation methods compared with the German Commercial Code:

- Investment property valued at fair value;
- Financial derivatives valued at fair value, with valuation changes being treated with an impact on income unless these involve hedges that are directly recognized in equity under a separate item
- Deferred taxes

Before the IPO, First Capital Partner GmbH had a stake in PATRIZIA Immobilien AG of 93.21 % following first listing of the shares on March 31, 2006 with 50.02 %. Following the capital increase carried out in January 2007 and various share purchases during the course of 2007, First Capital Partner GmbH was indirectly and directly a shareholder in PATRIZIA Immobilien AG with 50.16 %. As part of existing designated sponsor agreements, First Capital Partner GmbH loaned a total of 100,000 shares to two designated sponsor banks. As at December 31, 2009, First Capital Partner GmbH was thus indirectly and directly a shareholder in PATRIZIA Immobilien AG with 49.97 %.

2. SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 SCOPE OF CONSOLIDATION

All of the Company's subsidiaries are consolidated in the consolidated financial statements of PATRIZIA Immobilien AG. The Group includes all companies controlled by PATRIZIA Immobilien AG. Control is regarded as the possibility of determining the business and financial policy of the subsidiary in order to benefit from its commercial activities.

Control is assumed if PATRIZIA Immobilien AG directly or indirectly holds the majority of voting rights in another company.

All the companies included in PATRIZIA Immobilien AG's consolidated financial statements can be found in the list of shareholdings at the end of the Notes to the Consolidated Financial Statements. The subsidiaries listed and bound by a profit and loss transfer agreement each make use of the relief provided for in Article 264 (3) of the German Commercial Code. The partnerships also found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.
Joint ventures are companies that do not meet the criteria to be classified as subsidiaries since with regard to their business and financial policies two or more partner companies are bound to common management via contractual agreement. Joint ventures are accounted for at equity within the Group.

Associated companies are companies that do not meet the criteria of a subsidiary or joint venture and whose business and financial policy can be significantly influenced by PATRIZIA Immobilien AG. A significant influence is assumed if a direct or indirect voting right share of at least 20 % is held in another company. Associated companies are accounted for at equity within the consolidated financial statements.

In addition to the parent company, the scope of consolidation comprises 50 subsidiaries. They are recognized in the consolidated financial statements in line with the rules of full consolidation. There were no longer any associated companies as at the balance sheet date. In addition, one joint venture is accounted for at equity in the consolidated financial statements.

The financial statements of the subsidiaries recognized in the consolidated financial statements are prepared on the balance sheet date of the annual financial statements of PATRIZIA Immobilien AG. The annual financial statements of Wohnungsgesellschaft Olympia mbH, with a balance sheet date of November 30 are converted to the balance sheet date of the consolidated financial statements. The financial statements are prepared in line with uniform accounting and valuation principles.

Company acquisitions, sales and intercompany restructuring

With effect from January 1, 2009, PATRIZIA Projekt 180 GmbH absorbed its subsidiaries PATRIZIA Projekt 320 GmbH, PATRIZIA 340 GmbH, PATRIZIA Projekt 350 GmbH and PATRIZIA Projekt 360 GmbH.

With effect from April 8, 2009, PATRIZIA Projekt 180 GmbH sold its shares in its subsidiaries PATRIZIA Projekt 390 GmbH, PATRIZIA Projekt 400 GmbH and PATRIZIA Projekt 410 GmbH. The selling company received 77 TEUR cash for the shares; due to the loss of control, 71 TEUR in bank balances, 1 TEUR in tax refund claims and 3 TEUR in liabilities were deposed of from the consolidated companies. The 8 TEUR gain on disposal is contained in the item "other operating income" in the profit and loss account.

Also with effect from January 1, 2009, PATRIZIA Projekt 470 GmbH, PATRIZIA Projekt 480 GmbH, PATRIZIA Projekt 490 GmbH, PATRIZIA Projekt 500 GmbH and PATRIZIA Projekt 510 GmbH merged with PATRIZIA Immobilien AG.

Also with effect from January 1, 2009, PATRIZIA Immobilien AG absorbed its subsidiaries PATRIZIA Projekt 270 Verwaltungs GmbH, PATRIZIA Projekt 290 Verwaltungs GmbH, PATRIZIA Projekt 300 Verwaltungs GmbH and PATRIZIA Projekt 310 Verwaltungs GmbH. Related to this is the termination of PATRIZIA Immobilien AG's role as limited partner and partner in PATRIZIA Projekt A 270 KG, PATRIZIA Projekt C 290 KG, PATRIZIA Projekt D 300 KG and PATRIZIA Projekt E 310 KG, so that the assets of these KGs are merged with PATRIZIA Immobilien AG as of January 1, 2009 and the KGs are dissolved

With effect from January 1, 2009, PATRIZIA Projekt 160 GmbH terminated its role as general partner in the property Dresden Altmarkt SARI KG and the assets of the KG were merged with PATRIZIA Immobilien AG due to the exit of the partner from the limited partnership.

With effect from March 30, 2009, PATRIZIA Real Estate 10 S.à r.l. sold its shares in PATRIZIA Projekt 220 GmbH to PATRIZIA Immobilien AG. With effect from March 30, 2009, PATRIZIA Real Estate 20 S.à r.l. sold its shares in PATRIZIA Projekt 230 GmbH to PATRIZIA Immobilien AG. With effect from March 30, 2009, PATRIZIA Real Estate 50 S.à r.l. sold its shares in PATRIZIA Projekt 240 GmbH to PATRIZIA Immobilien AG. With effect from March 30, 2009, PATRIZIA Real Estate 60 S.à r.l. sold its shares in PATRIZIA Projekt 250 GmbH to PATRIZIA Immobilien AG.

The results of the subsidiaries established or sold during the year are recognized in the consolidated profit and loss account from the effective date of establishment or to the date of the effective disposal point.

Additionally, with effect from July 14, 2009, PATRIZIA Immobilien AG has acquired 50 % of the shares in PATRoffice Real Estate 820 GmbH. The company is now doing business as "meridomus GmbH Forderungsmanagement und Servicegesellschaft für den Vermieter" and is measured at equity as a joint venture.

PATRIZIA Projekt 380 GmbH purchased 44.9 % of the shares in F 40 GmbH as of December 21, 2009. Therefore, since December 21, 2009, the Group has held a 94.9 % stake in F 40 GmbH and the company is included as a fully consolidated subsidiary in the consolidated financial statements. Through December 21, 2009, the stake in F 40 GmbH is shown as a joint company measured at equity. The earnings at equity through December 21, 2009 were 6 TEUR. F 40 GmbH's main activity is project development for residential and commercial property on Feuerbachstrasse in Frankfurt/Main. The payment for the purchase of the 44.9 % stake was 0.90 EUR. The amortized cost for this stake was 19 TEUR. It was capitalized as ancillary acquisition costs and consolidated. As of December 21, 2009, F 40 GmbH had equity in the amount of 14,270 TEUR, of which 7,180 TEUR were accounted for at equity.

The fair value of these shares in F 40 GmbH was 7,726 TEUR. This corresponds to the amount of share capital and the capital reserve of F 40 GmbH at the time of purchase, multiplied by the shareholding.

The carrying amount of the assets purchased from F 40 GmbH directly before the time of purchase were 48,550 TEUR for inventories and 119 TEUR for bank balances. The carrying amount of F 40 GmbH's liabilities directly before the time of purchase was 27,029 TEUR for current liabilities, 47 TEUR for current trade payables and other payables and 7,324 TEUR for liabilities to the Group.

The values corresponded to the carrying amount, with the exception of the value of inventories.

F 40 GmbH's inventories were valued at market value of 51,488 TEUR. This was determined based on capital payments to date and typical returns for project development.

The positive result from the discontinuation of the equity method (1,429 TEUR) and the surplus in fair value of the shares from the acquisition costs (7,708 TEUR) increased the result as income from the initial consolidation, taking into account deferred tax liabilities (1,153 TEUR). This income is contained under "other operating income" in the profit and loss account. Non-controlled shares (5.1 %) of F 40 GmbH were accounted for at the time of acquisition and valued at 877 TEUR under the fair value method.

Since the time of acquisition, F 40 GmbH has not generated any more earnings.

If the merger had been effected at the start of the reporting period, the consolidated net loss would have been –9,494 TEUR. As F 40 GmbH did not post consolidated revenues for 2009, a corporate merger at the beginning of the reporting period would not have affected consolidated revenues.

2.2 CAPITAL CONSOLIDATION VIA FULL CONSOLIDATION

All subsidiaries are recognized in the consolidated financial statements via full consolidation. Acquired subsidiaries are accounted for since January 1, 2002 using the purchase method under IFRS 3. Purchases of shares in companies before this date were carried out on the basis of the purchasing method of accounting in accordance with the German Commercial Code, whilst using the relief options of IFRS 1.

The date of initial consolidation is the date of acquisition and therefore the date on which control of the net worth and operating activities of the acquired company is actually transferred to the parent company. The acquisition costs consist of the cash used for the acquisition plus the ancillary acquisition costs directly attributable to the acquisition. The calculated acquisition costs are split between the identifiable assets and liabilities of the acquired company. If the acquisition costs exceed the share in the re-valued net worth of the acquired company applicable to the parent company, goodwill is to be recognized. In the reverse case, negative goodwill is to be recognized as income. The equity share held in the acquired company is the crucial factor in determining the net worth applicable to the Group. The re-valued net worth must be recognized in full. Non-controlling partners' interests are posted separately within consolidated equity. If the loss of a period applicable to the non-controlling partners exceeds their interest to be posted in the consolidated balance sheet, this is offset against the majority share in the consolidated equity.

2.3 CONSOLIDATION OF JOINT VENTURES USING THE EQUITY METHOD

The equity method is applied to the presentation of joint ventures in the consolidated financial statements. In contrast to full consolidation, no assets and liabilities or expenses and income of the company valued at equity (proportionately) are recognized in the consolidated financial statements in the equity method. Instead, the carrying amount of the participation is updated annually according to the development of the proportionate equity of the associated company.

The initial application of the equity method takes place from the time at which the associated company is to be classified as a joint venture. Within the scope of initial consolidation, the acquisition costs for the shares acquired are netted against the equity attributable to them. Any difference is reviewed in accordance with the rules for full consolidation for hidden reserves or charges and any difference is treated as goodwill. Within the scope of subsequent consolidation, the carrying amount of the participation is developed in line with the proportionate changes in equity at associated companies.

2.4 CONSOLIDATION OF LIABILITIES, EXPENSES AND INCOME AND INTRA-GROUP RESULTS

Intercompany balances, transactions, profits and expenditure of the companies recognized in the consolidated financial statements by means of full consolidation are fully eliminated. Deferred taxes are recognized for temporary differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY TRANSLATION

The scope of consolidation is made up only of subsidiaries located in the European Monetary Union. Consequently, there are no financial statements in a foreign currency that would need to be translated, neither were there assets or liabilities, contingent receivables or liabilities in foreign currencies on the reporting date.

3. SUMMARY OF KEY ACCOUNTING AND VALUATION POLICIES

The financial statements included in the consolidated financial statements are prepared in line with uniform accounting and valuation principles.

3.1 SOFTWARE AND EQUIPMENT

Software and equipment are recognized at cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as reversals taking into account amortized cost.

Acquisition costs cover the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Acquired software is amortized over 3 to 5 years. Equipment is amortized over 3 to 14 years.

3.2 IMPAIRMENT OF ASSETS

Assets subject to scheduled depreciation are then subjected to an impairment if there are indications of impairment. Assets that are not subject to scheduled depreciation are checked on each balance sheet date for a value-adjustment requirement.

3.3 INVESTMENT PROPERTY

Qualifying real estate as an investment is based on a corresponding management decision to use this real estate to generate rental income and thus liquidity, while realizing higher rent potential over a long time period and, accordingly, increased value. The share of owner-occupier use does not exceed 10 % of the rental space. Real estate that is created or developed for this type of future use is qualified and reported as "investment property under construction." In contrast to the real estate posted under inventories, real estate investments are not intended for sale in the ordinary course of business or in the process or construction or development for such sale. Investment property is carried at fair value, with changes in value recognized in income.

Investment property is measured at fair value on the basis of external appraisals carried out by independent experts using current market prices or customary valuation methods with the aid of the current and long-term rental situation. The fair value is equivalent to the market value. According to IAS 40, this is defined as the value reasonably obtainable on the market subject to a hypothetical buyer purchaser situation. It is reported at this fictitious market value without deduction of transaction costs.

The fair value of the investment property as shown in the consolidated financial statements is based on valuations by independent experts who apply international assessment standards pursuant to discounted cash flows using the DCF method (IAS 40.46). The detailed observation period used for DCF is 10 years. Based on the market rent in the first year of the observation period, the rent per property is derived for the subsequent years. The cash flow results from the balance of expected income and payments. Income is generally calculated from net rent, minus property-specific vacancy rates between 0 % and 8 %; the payments include the management costs to be paid by the owner. Key items of payments are maintenance costs averaging 8 EUR p.a./sqm residential space, 3–6 EUR p.a./sqm commercial space and 25–50 EUR p.a. per parking space; management costs in the amount of 180 EUR p.a./residential unit for properties with more than 8 units, EUR 220 p.a./unit for properties with up to 8 units, 20 EUR/p.a. per parking space, amounting to 1–5 % of the commercial rent, operating costs of vacancies with 0.25 EUR/month and 1 % of risk of loss of rental income.

An increase rate of 1–2.5 % p.a. was used to index rent, depending on the real estate's location.

The rate of inflation used in the DCF model is based on the statistical average by the European Central Bank and was set at 2 % p.a.

The fluctuation used for the rental space is based on actual fluctuation rates, taken from tenant lists by type of use, for 2009.

Costs that cannot be passed on to the tenants, such as risk of loss of rental income, management, maintenance costs and an appropriation for operating costs that cannot be passed on, were deducted for each property from the gross income of the rental forecast along with estimated costs for modernization and re-renting. Flat-fee modernization cost estimates are used that take effect periodically after every move in the course of the fluctuation level assumed.

The net profit of the periodically assessed rent forecasts obtained in this manner were discounted as at the assessment date, along with the forecast sales price at the end of the observation period. Per property, extraordinary maintenance/modernization costs were subtracted from the net profit.

Payment surpluses from each period are discounted using a fair market, property-specific discount rate as at the date of assessment. Depending on the standard 5.25 % to 6.25 % is used as the discount rate. The basic interest rate is derived from the interest rate of long-term government bonds, plus a property-related risk supplement. The risk premium is used to account for property-related and sector characteristics. This results in the present value of the payment surpluses for each period. For the end of the ten-year detailed observation period, a terminal value is forecast for each property. This represents the most probable sales price that can be achieved at the end of the detailed planning phase. The discounted payment surpluses from the tenth year are capitalized at the exit rate as perpetual annuity. An exit rate of between 3.75 % and 6.5 % is used specific to the property. The total of the discounted payment surpluses and the discounted disposal value equals the fair value of the property.

All investment property held by the Group is leased. The resultant rental income and the expenses directly associated with it are recognized in the profit and loss account.

Investment property under construction is measured at fair value, to the extent that this can be reliably defined.

3.4 INVESTMENTS IN JOINT VENTURES

The Group has a stake in a joint venture, meridomus GmbH Forderungsmanagement- und Servicegesellschaft für den Vermieter in the form of a jointly managed company. Accordingly, there is a contractual agreement between the partners on the joint control over the economic activities of the entity. The Group accounts for its share in the joint venture at equity. The Group includes its share in the joint venture in which the carrying amount of the participation is updated annually according to the development of the proportionate equity of the associated company. The joint venture's financial statements are prepared to the same balance sheet day as are the parent company's financial statements. If necessary, adjustments are made to bring them in line with the accounting policies uniform across the Group.

3.5 INVENTORIES

The Inventories item contains real estate that is intended for sale in the context of ordinary activities or is intended for such sale in the context of the construction or development process, especially real estate that has been solely acquired for the purpose of resale in the near future or for development and resale. Development also covers modernization and renovation activities. The assessment and qualification as inventory is completed in the context of the purchasing decision and integrated into the balance sheet as at the date of addition.

PATRIZIA has defined the operating business cycle as three years, because based on experience, the majority of the units to be sold are sold during this time period. However, inventories are still intended for direct sale even if it is not realized in three years (e.g. due to unforeseen / foreseen changes in economic conditions).

Inventories are carried at the lower of cost and net sales price. Acquisition costs comprise the directly attributable purchase and commitment costs, i.e. especially acquisition costs for real estate as well as ancillary acquisition costs (notary's fees etc.). Manufacturing costs comprise the costs directly attributable to the real estate development process, i.e. especially renovation costs. Borrowing costs that are directly related to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the respective asset. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recorded as an expense in the time period in which they arise. The net sale price corresponds to the sale proceeds likely to be generated in the ordinary course of business less other incurred renovation or modernization and selling costs.

3.6 FINANCIAL ASSETS

IAS 39 distinguishes between the following four categories of financial assets:

- Held-to-maturity investments
- Loans and receivables
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets

Financial assets are recognized in the balance sheet if the company is party to a contract for this asset. Customary purchases of financial assets for which there is only a short customary period between entry into, and fulfillment of, the obligation are generally accounted for on the trading date. In turn, this also applies to customary sales.

There were no **held-to-maturity investments** as at the balance sheet date.

Derivatives which are not designated as hedging instruments or are not effective as such within the meaning of IAS 39 are classified as **financial assets at fair value through profit or loss**.

These financial instruments must be allocated to one of three steps, depending on whether the fair value can be assessed.

- Step 1-valuation at fair value are those which arise from listed prices (not adjusted) on active markets for identical financial assets or liabilities.
- Step 2-valuations at fair value are those based on parameters not based on listed prices for assets and liabilities as in phase 1 (data), but are either derived directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Step 3-valuations at fair value are those derived from models that use parameters for the assessment of assets or liabilities that are not based on observable market data (non-observable parameters, assumptions).

The fair values of the derivatives are determined by external banks. The assessment belongs in Step 2.

Investments which have been entered with the intention to hold are categorized as **available-for-sale financial assets**. These are valued at acquisition cost since a fair value can only be determined on the basis of specific sale negotiations due to the absence of an active market. There are currently no plans to sell these instruments. They are reviewed at every balance sheet date for indications of impairment.

Loans and receivables are non-derivative financial assets with fixed or definable payments which are not listed in an active market. Following initial recognition, the loans and receivables are measured at amortized cost using the effective interest method less any impairment.

If there are any objective indications that **impairment of financial assets which have been accounted for at amortized cost** has taken place, the amount of impairment loss is equivalent to the difference between the carrying amount of the asset and the present value of the expected cash flow (with the exception of expected, though not yet occurred, loan losses), discounted with the original effective interest rate of the financial asset, i.e. at the effective interest rate determined at initial recognition. The carrying amount of the asset is decreased using a value adjustment account. The impairment loss is recognized in income.

If the amount of impairment write-downs decreases in the subsequent reporting periods and if this decrease can be objectively attributable to a circumstance occurring subsequent to impairment loss, the previous impairment loss is reversed. However, the new carrying amount of the asset may not exceed the acquisition costs at the time of the reversal of the impairment. The reversal of the impairment is recognized in income.

If there are objective indications in the case of trade receivables that not all amounts due will be received in accordance with the originally agreed invoice conditions (such as probability of insolvency or significant financial difficulties on the part of the debtor), impairment is recognized using a value adjustment account. Derecognition of receivables take place if they are classified as uncollectible.

3.7 CASH AND CASH EQUIVALENTS

Cash and cash deposits shown in the balance sheet comprise cash, bank balances with an original term of less than three months.

3.8 FINANCIAL LIABILITIES

Upon initial recognition, **interest-bearing loans** are measured at fair value less the transaction costs directly associated with the borrowing. They are not recognized in income at fair value. Following initial recognition, the interest-bearing loans are measured at amortized cost using the effective interest method.

3.9 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (i.e. a part of a financial asset or a group of similar financial assets) is derecognized if the preconditions of IAS 39 are met.

A **financial liability** is derecognized if the obligation upon which this liability is based is fulfilled, reversed or dissolved.

If an existing financial liability is exchanged for another financial liability of the same lender at substantially different contractual conditions or if the conditions of an existing liability are significantly changed, such an exchange or change is treated as a reversal of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in income.

3.10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the derivative financial instruments interest swaps, collars and caps to protect itself against interest rate risks. These derivative financial instruments are measured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive, and as liabilities if their fair value is negative.

Profit or losses resulting from changes to the fair value of derivative financial instruments which do not meet the criteria for accounting as hedges are recognized in income immediately.

The PATRIZIA Group's hedging instruments are classified as cash flow hedges for accounting purposes, since it involves hedging against the risk of fluctuations in the cash flow, which can be allocated to the risk associated with a recognized asset or with the recognized liability.

At the start of the hedging, both the hedges and the Group's risk management objectives and strategies regarding hedging are formally specified and documented. The documentation contains the determination of the hedging instrument when compensating for risks arising from changes to the fair value or cash flow of the hedged underlying transaction. These types of hedges are considered highly effective in compensating for changes to fair value or cash flow. They are assessed on an ongoing basis as to whether they were actually highly effective during the reporting period for which the hedge was defined.

Cash flow hedges, which meet the strict criteria for accounting of hedges, are accounted for as follows:

The effective part of the profit or loss from a hedging instrument is taken directly to equity, while the ineffective part is immediately recognized in income.

The amounts taken directly to equity are transferred to the profit and loss account during the period in which the hedged transaction influences the result, e.g. if hedged financial income or expenses are recognized or if an expected sale is executed.

If the scheduled transaction or the fixed obligation is no longer expected, the amounts previously recognized in equity are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without substitution by a roll over of the hedging instrument into another hedging instrument, the amounts previously recognized in equity remain as separate items in equity until the scheduled transaction or fixed obligation has occurred.

3.11 RETIREMENT BENEFIT OBLIGATIONS

Performance-related plans are valued using the projected unit credit method on the basis of a pension report. The interest share of pension expenses was not significant enough to be recognized in the financial result, and was instead recognized in staff costs.

3.12 OTHER PROVISIONS

Provisions are liabilities of uncertain timing or amount. Recognition of a provision cumulatively requires a current obligation arising from a past event from which an outflow of resources is likely and the value of which must be able to be measured in a reliable manner. Provisions are measured using the best possible estimate of the extent of the obligation. In the event of material interest effects, the provisions are discounted.

3.13 LEASES

The determination of whether an agreement includes a lease is made on the basis of the economic substance of the agreement at the time of the conclusion of this agreement and requires an estimate as to whether the fulfillment of the contractual agreement is dependent upon the utilization of a certain asset or certain assets and whether the agreement grants a right to the utilization of the asset.

The Group as Lessor

Leases where all opportunities and risks of the Group associated with the ownership are not passed to the lessee to a significant degree are classified as operating leases. Initial direct costs which arise in the negotiations and conclusion of an operating leasing contract are added to the carrying amount of the leasing object and are recognized as expenses corresponding to the rental income over the term of the lease. Contingent rent is recognized as income during the period in which it is generated.

Within the PATRIZIA Group, there are only an insignificant number of leases for which the Group is the lessee. All these are to be classified as operating leases.

3.14 TAXES

Current Taxes

Current tax assets and liabilities for current and previous periods are measured at the amount expected to be paid to or recovered from the tax authorities. The calculation of the amount is based on the tax rate and the tax laws which apply at the balance sheet date.

Actual taxes which refer to items which are directly recognized in equity are not recognized in the profit and loss account, but rather in equity.

Deferred Taxes

The recognition of deferred taxes takes place using the liability method on temporary differences existing on the balance sheet date between the recognition of amounts of an asset or a liability in the balance sheet and the tax base.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards not yet utilized and tax credits not yet utilized in the probable scope that taxable income will be available against which the deductible temporary differences and the tax loss carryforwards and tax credits not yet utilized can be recognized.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and decreased to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly recognized. Deferred tax assets not recognized are reviewed on every balance sheet date and recognized in the amount in which it has become probable that a future taxable result allows realization of the deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rate which will probably become effective in the period in which an asset is realized or a liability is settled. It will be based on the tax rates and laws applicable on the balance sheet date. Future tax rate changes are to be taken into account on the balance sheet date if significant effectiveness preconditions are met within the scope of pending legislation.

Deferred taxes which relate to items which are directly recognized in equity are not recognized in the profit and loss account, but also in equity.

Deferred tax assets and deferred tax liabilities are set off against one another if the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and these refer to income taxes of the same taxable entity and are levied by the same taxation authority.

3.15 BORROWING COSTS

Borrowing costs used to produce a qualifying asset are capitalized. A qualifying asset is an asset that is needed for a significant time period in order to bring it into condition for its intended use or sale. This requirement is met by all projects under development by the Group. All other borrowing costs are recorded as expenses in the period in which they were incurred.

3.16 INCOME REALIZATION

Essential conditions for profit realization in the Investments segment when selling real estate are the likelihood of economic benefits and the reliable quantification of revenues. In addition, there must be a transfer to the purchaser of the opportunities and threats associated with ownership of the assets, relinquishment of the legal or actual control of the assets and a reliable determinability of the expenses relating to the sale that have been or are still to be incurred.

In the Services segment, revenue realization is usually carried out after performance and invoicing.

3.17 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

Due to the uncertainties associated with the operating activities, individual items of the consolidated financial statements cannot be measured with precision, but can only be estimated. An estimate is made on the basis of the most recently available reliable information. The assets, liabilities, income, expenses and contingent receivables and liabilities recognized on the basis of estimates may differ from the amounts to be realized in future. Changes are taken into account with an impact on income on the date when more precise information is obtained. Estimates are largely made for the following:

- Determining the recoverable amount to assess the necessity and extent of unscheduled amortization, especially on the real estate posted under the Inventories item
- Recognizing and measuring provisions
- Valuing receivables subject to risk
- Assessing whether deferred tax assets can be realized

The assumptions made when valuing the real estate portfolios could subsequently prove to be partially or fully incorrect, or there could be unexpected problems or unidentified risks relating to real estate portfolios. Such possible developments, even of a short-term nature, could cause a decline in the earnings situation, a decrease in the value of the purchased assets and reduction in the revenues generated from residential property resale and ongoing rental.

In addition to the factors inherent in each property, the value retention of real estate assets is chiefly determined according to the development of the real estate market as well as the general economic situation. There is the risk that, in the event of a negative development of the real estate market or the general economic situation, the valuation estimates made by the Group may have to be corrected. If unscheduled amortization of the real estate assets of the Group was required, this would negatively impact the net asset, financial and earnings situation of the Group.

When buying real estate or portfolios or for carrying out modernization projects, PATRIZIA is predominantly financed by loans. A significant rise in the current interest rate would significantly increase the financing costs of the Group when refinancing existing liabilities and when financing modernization projects in future, and could thus negatively impact on the earnings situation.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

4.1 NON-CURRENT ASSETS

The breakdown and changes of non-current assets as well as the amortization of the fiscal year and previous year are set out below:

Development of non-current assets

2009	Software EUR '000	Equipment EUR '000	Total EUR '000
Acquisition costs			
Balance January 1, 2009	945	4,271	5,216
Additions	237	199	436
Disposals	–92	–256	–348
Balance December 31, 2009	1,090	4,214	5,304
Amortization			
Balance January 1, 2009	366	2,265	2,631
Additions	277	547	824
Disposals	–92	–248	–340
Balance December 31, 2009	551	2,564	3,115
CARRYING AMOUNTS AS AT JANUARY 1, 2009	579	2,005	2,584
CARRYING AMOUNTS AS AT DECEMBER 31, 2009	539	1,650	2,189

2008	Software EUR '000	Equipment EUR '000	Total EUR '000
Acquisition costs			
Balance January 1, 2008	304	4,026	4,330
Additions	641	564	1,205
Disposals	0	–319	–319
Balance December 31, 2008	945	4,271	5,216
Amortization			
Balance January 1, 2008	108	1,939	2,047
Additions	258	588	846
Disposals	0	–262	–262
Balance December 31, 2008	366	2,265	2,631
CARRYING AMOUNTS AS AT JANUARY 1, 2008	196	2,087	2,283
CARRYING AMOUNTS AS AT DECEMBER 31, 2008	579	2,005	2,584

Development of non-current assets

Investment property

2009	EUR '000
Fair Value	
Balance January 1, 2009	660,000
Additions – assets	0
Disposal – assets	–2,680
Positive fair value changes	19,940
Negative fair value changes	–19,940
BALANCE DECEMBER 31, 2009	**657,320**

Investment property

2008	EUR '000
Fair Value	
Balance January 1, 2008	711,558
Additions – assets	1,385
Disposal – assets	–52,943
Positive fair value changes	31,322
Negative fair value changes	–31,322
BALANCE DECEMBER 31, 2008	**660,000**

Development of non-current assets

Investment property under construction

2009	EUR '000
Acquisition costs	
Balance January 1, 2009	11,162
Additions – assets	1,739
Rebooked assets	–12,901
BALANCE DECEMBER 31, 2009	**0**

Investment property under construction

2008	EUR '000
Acquisition costs	
Balance January 1, 2008	20,205
Additions – assets	267
Rebooked assets	–9,310
BALANCE DECEMBER 31, 2008	**11,162**

Development of non-current assets

2009	Investments in joint ventures EUR '000	Participations EUR '000	Total EUR '000
Acquisition costs			
Balance January 1, 2009	7,335	3,090	10,425
Additions	1,154	0	1,154
Disposals	–8,476	0	–8,476
Balance December 31, 2009	13	3,090	3,103
Adjustments at equity / amortization			
Balance January 1, 2009	–1,302	0	–1,302
Additions	6	0	6
Disposals	1,296	0	1,296
Balance December 31, 2009	0	0	0
CARRYING AMOUNTS AS AT JANUARY 1, 2009	6,033	3,090	9,123
CARRYING AMOUNTS AS AT DECEMBER 31, 2009	13	3,090	3,103

2008	Investments in joint ventures EUR '000	Participations EUR '000	Total EUR '000
Acquisition costs			
Balance January 1, 2008	5,365	2,043	7,408
Additions	1,970	1,047	3,017
Disposals	0	0	0
Balance December 31, 2008	7,335	3,090	10,425
Adjustments at equity / amortization			
Balance January 1, 2008	–298	0	–298
Additions	–1,004	0	–1,004
Disposals	0	0	0
Balance December 31, 2008	–1,302	0	–1,302
CARRYING AMOUNTS AS AT JANUARY 1, 2008	5,067	2,043	7,110
CARRYING AMOUNTS AS AT DECEMBER 31, 2008	6,033	3,090	9,123

Investment property is property that is held for generating rental income and/or for capital appreciation. The investment property is recognized at fair value in profit or loss in accordance with IAS 40. An investment property in Hamburg was sold in the fiscal year.

The fair value was calculated by an independent expert using a discounted cash flow procedure and based on the property rents at that time. See 3.3 for more details on value assessment.

Investment property under construction pertains to the asset repositioning project Munich-Ludwigsfeld, which was reposted to inventories in accordance with IAS 40.57 b) and 40.58.

The 50 % share in meridomus GmbH is accounted for under the Investments in joint ventures item.

The Participations item includes the 5.1 % (previous year: 5.1 %) share in Hyrebostädter i Norra Tyskland Verwaltungs GmbH and the 6.25 % share (previous year: 6.25 %) in PATRoffice Real Estate GmbH & Co. KG.

4.2 TAX ASSETS

Corporation tax credits of 313 TEUR (previous year: 311 TEUR) with a right to payment from 2008 and to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as long-term tax assets. Measurement is at present value.

Allowable credit and tax prepayments reimbursed by the tax authorities are reported as current tax assets. These tax assets have a residual term of less than 1 year.

4.3 INVENTORIES

A breakdown of inventories is shown below:

	2009	2008
	EUR '000	EUR '000
Real estate intended for sale	607,352	705,775
Real estate in the development phase	68,656	11,997
	676,008	**717,772**

Assets held for sale in the ordinary course of business are posted under Inventories.

Inventories to the value of 126,544 TEUR (previous year: 97,205 TEUR) were sold in the fiscal year. In 2009, value adjustments were made to inventories in the amount of 1,008 TEUR (previous year: 0 TEUR).

The carrying amount of the inventories which are pledged as security totals 547,868 TEUR (previous year: 628,121 TEUR).

The realization of inventories in the amount of 477,443 TEUR is expected to last longer than twelve months.

4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps, interest rate collars and interest rate caps for the partial hedging of the interest rate risk from its bank loans. These are cash flow hedges where a hedging relationship to the respective underlying transaction could be demonstrated.

The changes to the fair value of the derivatives not classified as effective are recognized with an impact on income in the profit and loss account. In the fiscal year, they amounted to –9,711 TEUR (previous year: -31,998 TEUR).

As at December 31, 2009, the nominal volume of the derivatives classified as not effective totaled 498,136 TEUR (previous year: 514,325 TEUR); the corresponding fair values were –34,052 TEUR (previous year: –24,340 TEUR).

The changes to the fair values of the hedging derivatives of –520 TEUR (previous year: –15,114 TEUR) are directly recognized in equity, taking deferred taxes into account.

In the year under review, changes in value of cash flow hedges in the amount of 2,792 TEUR (previous year: 0 TEUR) were realized through profit or loss and transferred into the financial result, with derecognition of the deferred taxes.

Fair value changes of –670 TEUR (previous year: –776 TEUR) were taken into account during the reporting year as ineffective part of hedging derivatives in the profit and loss account.

As at December 31, 2009, the nominal volume of these hedging derivatives totaled 230,486 TEUR (previous year: 398,650 TEUR); the corresponding fair values were –9,051 TEUR (previous year: –10,449 TEUR).

As at December 31, 2009, the entire amount of unrealized loss from interest hedging transactions which was transferred to the provisions related to these future transactions for hedging transactions taking into account deferred tax effects was –6,079 TEUR (previous year: –8,054 TEUR). It is expected that the interest rate hedges will be concluded in line with contractual conditions at 15 % in 2010, at 1 % in 2011, at 26 % in 2012 and at 48 % in 2013 and 2014. For payment flows recognized in income cf. item 5.2.

4.5 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

A breakdown of receivables and other current assets is shown below:

	2009	2008
	EUR '000	EUR '000
Trade receivables	22,041	31,667
Other current assets	7,387	9,944
	29,428	**41,611**

The carrying amount of the receivables corresponds to their fair value.

As at the balance sheet date, the following receivables were overdue, but not impaired:

	2009	2008
	EUR '000	EUR '000
Rent receivables	1,681	2,980
Of which ‹ 60 days	532	1,290
Of which › 60 days and ‹ 180 days	437	215
Of which › 180 days	712	1,475

Of these, rent receivables are secured with rental deposits amounting to 572 TEUR (previous year: 616 TEUR).

NOTES

Trade receivables and other current assets are decreased by specific value adjustments of 1,762 TEUR (previous year: 342 TEUR).

Changes in the value adjustment account for receivables:

	2009	2008
	EUR '000	EUR '000
Balance as at January 1	342	488
Additions	1,612	67
Outflows due to derecognitions	–160	–19
Outflows due to payments received	–32	–194
BALANCE AS AT DECEMBER 31	**1,762**	**342**

Trade receivables are impaired via a value adjustment account.

Receivables and other current assets have a residual term of less than one year.

4.6 BANK BALANCES AND CASH

The Bank balances and cash item comprises cash and short-term cash deposits held by the Group. The carrying amount of these assets corresponds to their fair value.

Of the bank balances, 5,263 TEUR are pledged as security. A breakdown is shown below:

EUR 3,500 are pledged as collateral for a guarantee credit (Avalkredit) to IKB Deutsche Industriebank AG. This guarantee credit is security for a payment guaranty that was issued by the Bank for the general contractor in the Sternschanze water tower project. Because arbitration proceedings are pending with the general contractor, it is not possible to know how much longer the assets will be pledged as security.

A total of 606 TEUR was pledged as security with Zurich Versicherung to secure a guaranty in the amount of 7,500 TEUR. This can be used for various guarantees by PATRIZIA; cash collateral is 30 %.

An additional 1,100 TEUR are pledged as collateral to secure interest rates and repayments for a loan to the benefit of Bayerische Landesbank (institution under public law).

30 TEUR were deposited and pledged as collateral with Deutsche Bank AG for direct debit loans for rent accounts.

27 TEUR were pledged as collateral to Investitionsbank Berlin to secure a guaranty for a condominium construction loan from Investitionsbank Berlin, which had to be assumed in the context of a property purchase in Berlin.

5. NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

For the development of equity, please see the statement of changes in equity.

5.1.1 SHARE CAPITAL

As at the balance sheet date, the share capital of the Company totaled 52,130 TEUR (previous year: 52,130 TEUR) and was divided into 52,130,000 (previous year: 52,130,000) registered no-par value shares.

With the consent of the Supervisory Board, the Managing Board was authorized by the Annual General Meeting on June 13, 2007 to increase the share capital on one or more occasions by up to a total of 26,065 TEUR in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (authorized capital) by June 12, 2012.

Furthermore, the share capital was contingently increased (contingent capital) by resolution of the Annual General Meeting of June 13, 2007 by up to 26,065 TEUR by issuing up to 26,065,000 new, registered no-par value shares.

First Capital Partner GmbH is indirectly and directly a shareholder of PATRIZIA Immobilien AG with 26,047,572 no-par value shares (previous year: 26,047,572), which equates to a 49.97 % shareholding (previous year: 49.97 %).

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the past as part of the company’s capital increase are posted unchanged in the capital reserve.

5.1.3 RETAINED EARNINGS

The legal reserve of 505 TEUR (previous year: 505 TEUR) is again posted under Retained earnings.

5.1.4 NON-CONTROLLING SHAREHOLDERS

As part of the initial consolidation of F 40 GmbH, PATRIZIA KinderHaus Foundation was allocated 877 TEUR corresponding to its share as a non-controlling partner. This amount is 5.1 % of fair value of F 40 GmbH at the time of acquisition. Because the company has not generated any earnings between the time of acquisition and December 31, 2009, no earnings were allocated.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

	Dec. 31, 2009	Dec. 31, 2008
	EUR '000	EUR '000
Less than 1 year	171,727	597,884
1 to 2 years	551,307	117,673
More than 2 to 5 years	347,173	269,753
More than 5 years	0	176,425
	1,070,207	**1,161,735**

The bank loans are measured at amortized cost. They have a variable interest rate. In this respect, the Group is exposed to an interest rate risk in terms of the cash flows. To limit the risk, the Group has concluded interest hedging transactions for the majority of the loans.

All loans are in euro. In the event of real estate sales, financial liabilities are redeemed through repayment of a specific share of the sale proceeds.

Accordingly, the loan proceeds in the above table existing on the balance sheet date are allocated without taking into account repayments from resales in accordance with the contractually agreed terms of the loan agreements.

Such loans are posted as bank loans due in less than one year, whose term ends within the 12 months following the reporting date.

Regardless of the terms presented above, loans which serve to finance inventories are reported as short-term bank loans in the balance sheet (cf. 1 Principles Applied in Preparing the Consolidated Financial Statements).

The Group's own real estate serves as security for the bank loans. The bank loans secured by real estate liens amount to 1,068,978 TEUR (previous year: 1,161,161 TEUR). In addition, financial liabilities are secured by assigning purchasing prices, and others are secured by assigning future rental payments.

5.3 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

The key deferred tax assets and deferred tax liabilities and their development are set out below:

	Dec. 31, 2009 assets	Dec. 31, 2009 liabilities	Dec. 31, 2008 assets	Dec. 31, 2008 liabilities
	EUR '000	EUR '000	EUR '000	EUR '000
Investment property	0	14,847	0	13,358
Inventories	1,561	0	1,160	0
Derivatives	7,208	0	5,884	0
Tax loss carryforwards	2,248	0	1,764	0
Capitalization of borrowing costs	0	69	0	0
Initial consolidation of F 40 GmbH	0	1,153	0	0
Other	13	477	22	241
	11,030	**16,546**	**8,830**	**13,599**
Netting	–11,030	–11,030	–8,830	–8,830
	0	**5,516**	**0**	**4,769**

As at the balance sheet date, there were corporation tax loss carryforwards of 5,437 TEUR (previous year: 11,131 TEUR) and trade tax loss carryforwards of 9,252 TEUR (previous year: 0 TEUR), for which deferred tax assets of 2,248 TEUR (previous year: 1,764 TEUR) were recognized.

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognized for pre-consolidation losses of 447 TEUR (previous year: 447 TEUR). The loss carryforwards for which deferred tax assets have been capitalized will be used in line with expectations within the planning period (maximum 2 years). The losses can be carried forward for an indefinite period.

According to IAS 12.24(b), the Group has not recognized any deferred tax assets for the temporary differences arising from the real estate of Alte Haide Baugesellschaft mbH.

In the same way, no deferred tax assets have been recognized for existing loss carryforwards in this company of 5,937 TEUR (previous year: 6,782 TEUR) due to lack of predictability of their tax benefit.

Deferred tax assets and deferred tax liabilities are set off against one another, as the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income tax that is levied by the same tax authority.

5.4 RETIREMENT BENEFIT OBLIGATIONS

There are no performance-related pension schemes at the Group. One exception to this is a scheme that was transferred in 2002 in conjunction with an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of 7 people therefore had a performance-related commitment. 5 of these people are retired persons who already receive ongoing pension payments. Taking this fact into account, the provisions calculated according to the German Commercial Code were increased by approximately 14 % (previous year: 25 %) on the basis of an actuarial report prepared in accordance with IAS 19. On December 31, 2009, an actuarial interest rate of 5.25 % (previous year: 5.5 %) and a projected pension increase of 2.0 % (previous year: 1.9 %) were applied to the reference report. The projected unit credit method was used as the calculation method. The calculations were based on Prof. Klaus Heubeck's biometric guidelines (probabilities of death and invalidity) (guideline 2005G). As at December 31, 2009, the pension provision was recognized at 339 TEUR (previous year: 365 TEUR). Due to the low level of the annual pension payments of 32 TEUR (previous year: 32 TEUR) and therefore also the low value of the pension provision, the pension provision in the Consolidated Financial Statements was not regarded as material. For this reason, there is no breakdown of the change to the pension provision. As at the balance sheet date, there were neither plan assets nor non-recognized actuarial losses and/or past service costs. The interest cost is also posted under Staff costs.

5.5 OTHER PROVISIONS

A breakdown of other provisions is shown below:

	Jan. 1, 2009	Addition	Elimination	Drawn	Dec. 31, 2009
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Other provisions	616	580	14	602	580
	616	**580**	**14**	**602**	**580**

2008:

	Jan. 1, 2008	Addition	Elimination	Drawn	Dec. 31, 2008
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Other provisions	594	616	18	576	616
	594	**616**	**18**	**576**	**616**

The other provisions chiefly consist of provisions for unused holiday entitlements, contributions to employee accident insurance and surcharges for not employing handicapped persons.

With regard to other provisions, it is to be assumed that the outflow of funds will occur in the subsequent year.

5.6 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

	2009	2008
	EUR '000	EUR '000
Trade payables	2,908	1,608
Advance payments	2,092	507
Other liabilities	8,116	10,441
CURRENT LIABILITIES	**13,116**	**12,556**

The current liabilities have a residual term of less than 12 months. The fair value of the liabilities therefore corresponds to the carrying amount. Other liabilities chiefly include liabilities for acquisition and manufacturing costs arising after the balance sheet date of 3,673 TEUR (previous year: 7,665 TEUR).

5.7 TAX LIABILITIES

The tax liabilities concern subsequent taxation of the former Equity 02 portfolios amounting to 3,426 TEUR (previous year: 3,760 TEUR), corporation tax and trade tax on profits of domestic subsidiaries amounting to 3,395 TEUR (previous year: 5,290 TEUR) and taxes in Luxembourg of 620 TEUR (previous year: 370 TEUR).

5.8 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The financial assets of the Group chiefly consist of the trade receivables, other assets and bank balances. In these categories, the Group is exposed to credit risk. The Group's credit risk primarily results from trade receivables. Insofar as they are identifiable, these are decreased by specific value adjustments. For the trade receivables, in the event of sales as single assets, security exists in the form of a commercial retransfer right of the sold real estate in case of default by the customer. When selling individual apartments, ownership is not transferred until the purchase price is received in full. Consequently, there is no credit risk here.

The bank balances are held at banks with strong credit ratings.

The financial liabilities essentially used by the Group – with the exception of derivative financial instruments – comprise bank loans and revolving lines of credit, trade payables and secured loans. The main objective of these financial liabilities is financing the business activities of the Group.

Furthermore, the Group has other derivative financial instruments. These comprise interest rate swaps, interest rate collars and interest rate caps. The aim of these derivative financial instruments is hedging against interest risks which result from the business activities of the Group and its financing sources.

Significant risks for the Group arising from the financial instruments comprise interest-related cash flow risks and liquidity and credit risks. The Management has agreed upon strategies and procedures for the control of individual risk types, which are presented in the following.

Interest Rate Risk

The risk from fluctuations in the market interest rate to which the Group is exposed results primarily from those financial liabilities with a variable interest rate.

For managing and smoothing the Group's interest expense, the Group has concluded interest hedging transactions. At specified intervals the Group exchanges with the contractual partner the difference between fixed-interest and variable-interest amounts for a previously agreed nominal amount or set a maximum rate. The underlying obligation is hedged with these interest hedging transactions. As at December 31, 2009, approximately 66 % (previous year: 79 %) of the Group's external funds was fixed interest bearing taking into account existing financial derivatives.

Overview of the interest rate risk

The PATRIZIA Group concludes only variable interest rate loans. The Group is therefore subject to an interest rate risk on financial liabilities. This risk is reduced by using derivative financial instruments whereby variable interest rates are exchanged for fixed interest rates (swap) or a fixed upper ceiling is agreed for variable interest (collar or cap).

The Group measures the interest rate risk with the help of the cash flow sensitivity in the case of an assumed parallel shift in the interest curve of 100 basis points. If a rise in the interest rates of 100 basis points is assumed, as at December 31, 2009 this would have an effect without tax regards of +21,255 TEUR on the consolidated profit (previous year: +21,300 TEUR) and +3,548 TEUR on consolidated equity (previous year: +9,322 TEUR). Taking deferred taxes into account, an increase of 100 basis points would have an effect of +17,527 TEUR (previous year: 17,556 TEUR) on the consolidated profit and +2,861 TEUR (previous year: +7,655 TEUR) on consolidated equity. In determining the effect, existing accounting hedges were included with their characteristics as they appeared on the balance sheet date.

Credit Risk

Due to a wide and uncorrelated counterparty structure there is no concentration of risks in our group of companies. A receivable against a land purchaser of 16,013 TEUR is an exception. However, by date the consolidated financial statements had been prepared, this has been paid in full.

In the case of other financial assets of the Group, such as cash and cash equivalents, and financial investments available for sale the maximum credit risk corresponds to the carrying amount of these instruments in the case of default on the part of the counterparty.

Liquidity Risk

The Group continually monitors the risk of a liquidity bottleneck using liquidity planning. This liquidity planning takes into account the durations of the financial liabilities and expected cash flows from the operating activities.

The Group's objective is to ensure cash requirements are met on an ongoing basis by using overdrafts and loans.

The maturity of financial liabilities can be found in item 5.2 of the Notes to the Consolidated Financial Statements.

Capital Management

The Group monitors its capital with the help of a gearing ratio which corresponds to the ratio of net financial liabilities to the sum of modified equity and net financial liabilities. Net financial liabilities comprise interest bearing loans, trade payables and other liabilities less cash and short-term deposits. Modified equity comprises the equity attributable to the shareholders of the parent company less the unrealized profit.

	2009	2008
	EUR '000	EUR '000
Interest-bearing loans	1,070,207	1,161,735
Trade payables and other liabilities	22,175	24,023
Less cash and short-term deposits	−56,183	−67,905
Net financial liabilities	**1,036,199**	**1,117,853**
Equity	284,824	291,472
Unrealized losses	6,079	8,054
Total modified equity	**290,903**	**299,526**
Modified equity and net financial liabilities	1,327,102	1,417,379
Gearing ratio	78 %	79 %

5.9 FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets fall in the individual categories as follows:

	2009	2008
	EUR '000	EUR '000
Loans and receivables	29,428	41,611
Available-for-sale financial assets	3,090	3,090
Bank balances and cash	56,183	67,905

The carrying amounts of the financial liabilities fall in the individual categories as follows:

	2009	2008
	EUR '000	EUR '000
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	34,208	24,340
Financial liabilities which are measured at residual value through profit or loss	1,083,751	1,175,295
Derivative financial instruments which are designated as hedging instruments and are effective as such	8,895	10,449

The following net profit (+) or loss (-) was attributed to each category:

	2009	2008
	EUR '000	EUR '000
Loans and receivables	+272	+806
Available-for-sale financial assets	0	0
Bank balances and cash	+690	+1,366
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	–22,285	–46,071
Financial liabilities which are measured at residual value through profit or loss	–31,844	–39,431
Derivative financial instruments which are designated as hedging instruments and are effective as such		
- included in consolidated profit	–10,904	–13,142
- included in other profit	+1,975	–10,995
	–62,096	**–107,467**

Net profit and loss from financial instruments that are recognized at fair value include interest income or expense.

6. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The profit and loss account is prepared in line with the nature of total expense method.

6.1 REVENUES

Please refer to the statements on segment reporting.

Revenues include rental income from investment property of 43,880 TEUR (previous year: 43,447 TEUR).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of the property intended for sale are posted in income under Changes in inventories and are corrected accordingly in Cost of materials. Consequently, the acquisition of property intended for sale leads to an inventory increase and the sale of the corresponding property leads to an inventory reduction.

6.3 OTHER OPERATING INCOME

Other operating income primarily includes income from the initial consolidation of F 40 GmbH in the amount of 7,978 TEUR (previous year: 0 TEUR); income from discounted obligations in the amount of 4,298 TEUR (previous year: 1,147 TEUR); income from liability compensation in the amount of 600 TEUR (previous year: 390 TEUR); income from payments in kind of 538 TEUR (previous year: 477 TEUR); income from insurance compensation in the amount of 415 TEUR (previous year: 423 TEUR); and income from received discounts in the amount of 218 TEUR (previous year: 382 TEUR).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance. This chiefly involves the expenses from the purchase of properties, renovation and project planning costs, additional property expenses and lease expenses. This includes 4,174 TEUR (previous year: 8,579 TEUR) expenses for maintenance of investment property.

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

	2009	2008
	EUR '000	EUR '000
Wages and salaries	20,932	19,245
Social insurance contributions	2,956	3,200
	23,888	**22,445**

6.6 AMORTIZATION

Scheduled amortization amounts to 824 TEUR (previous year: 846 TEUR). It relates to software and equipment.

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

	2009	2008
	EUR '000	EUR '000
Administrative expenses	9,138	10,538
Selling expenses	4,263	5,454
Other expenses	4,152	1,207
	17,553	**17,199**

6.8 FINANCIAL RESULT

	2009	2008
	EUR '000	EUR '000
Interest on bank deposits	690	1,366
Income from interest hedges	5,477	6,703
Changes in value of the derivatives	5,832	21,097
Other interests	272	806
	12,271	29,972
Interest on revolving lines of credit and bank loans	–31,385	–38,581
Expenses from interest hedges	–28,285	–33,757
Changes in value of the derivatives	–16,213	–53,871
Other finance cost	–459	–235
	–76,342	–126,444
	–64,071	**–96,472**

Interest income of 272 TEUR (previous year: 806 TEUR), which was recognized at the effective interest rate, is attributable to credits and receivables. Pure measurement effects did not occur for instruments of this category. The amount of the impairment on receivables can be seen under text number 4.5.

6.9 INCOME TAX

A breakdown of income taxes is shown below:

	2009	2008
	EUR '000	EUR '000
Current taxes	–2,055	–4,516
Deferred taxes	516	2,786
	–1,539	**–1,730**

The deferred taxes in the profit and loss account chiefly result from loss carryforwards, the fair value measurement of interest rate hedging instruments and the investment property and the elimination of intra-Group results.

Tax Reconciliation Statement

The tax reconciliation statement describes the ratio between effective tax expenses and expected tax expenses based on the IFRS consolidated net profit for the year (before income taxes) by applying the income tax rate of 30.825% (previous year 30.825 %). The income tax rate consists of 15 % corporation tax, and on this a 5.5 % solidarity surcharge and 15 % trade tax:

	2009	2008
	EUR '000	EUR '000
IFRS consolidated profit/loss for the period before income tax	–7,961	–32,408
Expected actual income tax expenses	2,454	9,990
Additions from Luxembourg companies	–6,579	0
Other tax additions and deductions	195	–568
Use of non-capitalized loss carryforwards	1,136	3,957
Non recognition of loss carryforwards	–8	–6,827
Trade tax effects from limited taxable income	–2,492	–7,308
Special effect of the Equity 02 taxation	0	–118
Special effect of the initial consolidation of F 40 GmbH	2,583	0
Effects outside the period	722	–1,219
Other	450	363
EFFECTIVE TAX EXPENSE	**–1,539**	**–1,730**

6.10 EARNINGS PER SHARE

	2009	2008
	EUR '000	EUR '000
Profit share of Group shareholders	–9,500,401	–34,137,630
Number of shares issued	52,130,000	52,130,000
Weighted number of shares	52,130,000	52,130,000
Earnings per share (undiluted)	**–0,18 EUR**	**–0,65 EUR**

There were no diluted earnings per share in the reporting year or in the previous year. As at December 31, 2009, there was authorized capital of 26,065 TEUR.

7. SEGMENT REPORTING

Due to the introduction of IFRS 8, applicable starting in the 2009 fiscal year, PATRIZIA has revised its segment reporting and, in accordance therewith, added the transactions with other business segments. The Group's other activities are posted in the Corporate column. The information from last year has been reclassified accordingly.

PATRIZIA's segments that must be reported include Investments and Services. The segments are distinguished according to the type of products and services offered alongside the sales channels and client profiles. We have made no adjustments to the Group structure in 2009 that would have triggered a new segmentation of the business areas. As such, the existing segment classifications have remained in place.

The Investments segment holds a real estate portfolio for residential property resale, asset repositioning and project development. Clients include private and institutional investors that invest either in individual residential units or real estate portfolios. As of the balance sheet date, the segment had a portfolio of 11,120 (previous year: 12,076) residential and commercial units that are listed as real estate investments and inventories.

The Services segment covers a wide range of real estate services, in particular analysis and advice when purchasing individual residential and commercial properties or portfolios (investment management), value-oriented management of real estate portfolios (asset management), the management of real estate (property management) as well as the incorporation, supervision and administration of special funds, including on individual client request, via the company's asset management company (Kapitalanlagegesellschaft). A significant portion of the Services segment is also used by in-house entities.

The PATRIZIA Group's internal control and reporting measures are primarily based on the principles of accounting under IFRS. The Group measures the success of its segments using segment earnings, which are listed in the internal control and reporting as EBIT, EBT, EBIT adjusted and EBT adjusted.

EBT comprises a total of revenues, income from the sale of investment property, cost of materials and staff costs, amortization and depreciation, other operating income and expenses as well as earnings from investments valued at equity and the financial result. EBIT denotes EBT minus the financial result. To determine EBIT adjusted and EBT adjusted, the adjustments are made at purely valuation-related, non-cash effects; for details see the remarks in the Management Report.

The PATRIZIA Group's intercompany sales indicate the amount of revenues among the segments. Intercompany services are invoiced at market rate.

PATRIZIA's activities extend across Germany. For this reason, no geographical segment is set out.

The individual segment figures are set out below:

2009	Investments EUR '000	Services EUR '000	Corporate EUR '000	Total EUR '000
Third-party revenues	240,391	10,492	5	**250,888**
Intercompany revenues	0	23,015	6,971	**29,986**
Interest income	6,010	69	360	**6,439**
Interest expense	–59,554	–259	–316	**–60,129**
Significant non-cash earnings				
Market valuation income derivatives	5,832	0	0	**5,832**
Market valuation expenditures derivatives	–16,213	0	0	**–16,213**
Income from initial consolidation	7,948	0	0	**7,948**
Segment result EBIT	67,008	2,792	–13,690	**56,110**
Segment result EBT	3,083	2,602	–13,646	**–7,961**
Segment result EBIT adjusted	77,389	2,792	–13,690	**66,491**
Segment result EBT adjusted	13,464	2,602	–13,646	**2,420**
Thereof result from investments valued at equity	6	0	0	**6**

2008	Investments EUR '000	Services EUR '000	Corporate EUR '000	Total EUR '000
Third-party revenues	215,071	6,249	5	**221,325**
Intercompany revenues	0	27,324	9,769	**37,093**
Interest income	7,784	217	874	**8,875**
Interest expense	–72,434	–132	–7	**–72,573**
Significant non-cash earnings				
Market valuation income derivatives	21,097	0	0	**21,097**
Market valuation expenditures derivatives	–53,871	0	0	**–53,871**
Segment result EBIT	73,025	–621	–8,340	**64,064**
Segment result EBT	–24,399	–536	–7,473	**–32,408**
Segment result EBIT adjusted	106,275	–621	–8,340	**97,314**
Segment result EBT adjusted	8,851	–536	–7,473	**842**
Thereof result from investments valued at equity	–1,004	0	0	**–1,004**

The assets and liabilities in the Investments segment account for well over 90 % of the total assets and liabilities of the Group due to the capital intensity of this segment. For this reason, there is no breakdown of assets and liabilities by individual segment.

8. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement was prepared in line with the provisions of IAS 7.

In the cash flow statement, the payment flows are subdivided into cash flow from current operating activities, cash flow from investing activities and cash flow from financing activities. Effects of changes to the scope of consolidation are eliminated in the respective items. The cash flow from current operating activities was calculated using the indirect method.

Cash and cash equivalents contain the short-term bank balances and cash posted in the balance sheet.

In the cash flow from current operating activities, interest income in the amount of 6,467 TEUR (previous year: 8,875 TEUR) and interest expense in the amount of 62,557 TEUR (previous year: 79,905 TEUR) are reported here, while the non-cash item operating expenditure and income as well as the income from disposals of intangible assets, property, plant and equipment and participations are eliminated. Reimbursed income taxes of 1,685 TEUR (previous year: 2,269 TEUR) are also included.

Cash flow from investing activities contains financial investments and sales, particularly in and of investment property, property, plant and equipment.

Cash flow from financing activities includes cash outflows for dividends and cash inflows from capital increases of PATRIZIA Immobilien AG as part of the capital increase as well as payments and redemptions of loans to finance current and non-current assets.

As in the previous year, no dividend was distributed during the reporting year.

9. OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

There are no performance-related pension schemes at the Group. An exception to this is a scheme that was transferred in 2002 within the scope of an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of 7 people therefore had a performance-related commitment. 5 of these people are retired persons who already receive ongoing pension commitments. In addition, there are performance-related pension schemes for the Managing Board in the context of a company provident fund. In this respect, the Group makes set contributions to an independent entity (fund). This pension commitment gives rise to the risk of subsidiary liability for the Group if the fund does not have sufficient assets to pay all benefits relating to work performed by the employees in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2009, a total of 56 TEUR (previous year: 56 TEUR) was paid in contributions to the provident fund.

The employees in the Group are largely compulsorily insured with the state pension insurance and are thus covered by a state defined contribution scheme. As a result of this pension commitment, the Group is neither legally nor constructively obliged to pay contributions above and beyond this. Contributions in the context of contribution-oriented pension systems are paid in the year in which the employee performed the counterperformance for these contributions.

Since January 1, 2002, employees have had a statutory right to deferred compensation of up to 4 % of the contributions ceiling per year in the state pension insurance. For this purpose, the Group has concluded a collective framework agreement with an external pension fund.

9.2 MANAGEMENT PARTICIPATION MODEL

The new management participation model of PATRIZIA Immobilien AG focuses on the aspects market conformity, performance and sustainability. The model was developed taking into account the requirements of the German Corporate Governance Code.

The fundamental requirement of the PATRIZIA management participation model is a consistent target system that supports the corporate strategy. It is developed for the long-term to be multidimensional and neutral. The system sets directors and managers of Group companies quantitative and qualitative Company, business line and individual goals. The amount to which quantitative goals can be achieved is based on projected figures according to the Company's planning. Key objectives here are above all consolidated profit before taxes and Group return on equity as well as absolute share price performance and performance in relation to reference indices.

On a business line level, the basic structure of the PATRIZIA provision of services is mapped in the form of value contributions to processes and the performance relationships interdependence among those involved in the process. The directors and managers of Group companies involved in the provision of services or in qualitative projects will be bound to common goals.

On an individual basis, the quantitative results or qualitative project results for which the directors and managers of Group companies are responsible will be taken into account.

The level at which the individual goals are achieved determines the amount of the variable share of remuneration. There is a cap to the variable compensation component. If less than two thirds of the forecast consolidated profit is not reached, directors and managers of Group companies lose the entire variable share of remuneration.

The variable share of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive will be paid directly after it has been established that the goals have been achieved. The long-term incentive is a salary commitment with a virtual link to the PATRIZIA share price. It is paid two years following confirmation that the targets have been achieved.

Within this vesting period, the cash commitment is tied to allocation conditions. These regulate the consequences regarding allocation of the long-term incentive to the individual director or manager of a Group company should they leave the Group. Upon leaving the Group, a member may receive complete, part or none of the committed and as yet undistributed claims, depending on the reason for leaving.

In 2009, a long-term incentive of 259 TEUR was paid out for the first time for the second management level. This monetary amount is converted into performing share units at the average Xetra rate 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the next year but one (vesting period).

Managers who leave the Company during the vesting period generally lose their claims to payment, unless they retire or die. Individual agreements are possible on a case-by-case basis.

Based on the average share price of the PATRIZIA share 30 days before and after December 31, 2009, the average rate is EUR 3.23. This corresponds to 80,186 shares. Expenses and income related to the stock option plan did not arise during the reporting period.

Fair value is as follows:

Components with long-term incentive effect	No. of performing share units	Fair value Dec. 31, 2009	Fair value Dec. 31, 2008	Paid out
		EUR '000	EUR '000	EUR '000
Tranche performing share units fiscal 2009	80,186	259	0	**0**

The performing share units as of the balance sheet date are as follows (number):

	Dec. 31, 2009	Dec. 31, 2008
Outstanding at the start of the reporting period	0	0
Granted for the reporting period	80,186	0
Forefeited in the reporting period	0	0
Paid out in the reporting period	0	0
Outstanding at the end of the reporting period	80,186	0

9.3 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The individuals and companies related to the company include the members of the Managing Board and Supervisory Board as well as the directors of subsidiaries, in each case including their close relatives, as well as companies on which the Managing Board or Supervisory Board members or their close relatives can exert a significant influence or in which they hold a significant share of the voting rights. In addition, related individuals include companies with which the company forms an affiliated group or in which it holds a participating interest that enables it to exert significant influence on the business policy of the associated company, as well as the main shareholders of the company including its affiliated companies.

The related companies of the Group are listed individually below:

- WE Verwaltungs GmbH, Augsburg
- WE Vermögensverwaltung GmbH & Co. KG, Augsburg
- First Capital Partner GmbH, Gräfelfing
- FCP Service GmbH, Gräfelfing
- FCP Anlage AG, Gräfelfing
- Wohnungsportfolio WPO Berlin GmbH, Berlin
- Wohnungsportfolio WPO Immobilienservice GmbH, Berlin
- Immobilienportfolio IPO Berlin GmbH, Berlin
- Eurobilia AG, Gräfelfing
- Hansa-Langenhorn-Immobilien GmbH, Hamburg
- Verwaltung EHG Erste Hanseatische Grundvermögen GmbH, Hamburg
- E.H.G. Erste Hanseatische Grundvermögen GmbH & Co. KG, Hamburg
- Wolfgang Egger Verwaltungs-GmbH, Gräfelfing
- Wolfgang Egger GmbH & Co. KG, Gräfelfing
- Objektgesellschaft An der Alster 47 GmbH & Co. KG, Augsburg
- Stadtresidenz Friedrich-List Vermögensverwaltungs KG, Augsburg

The company maintains the following business relationships with related individuals.

Ownership of PATRIZIA shares by members of the Managing Board and persons related to Managing Board members

As at the balance sheet date, Wolfgang Egger, CEO, holds a total stake of 49.97 % indirectly and directly in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100 % stake via WE Vermögensverwaltung GmbH & Co. KG.

Wolfgang Egger also has a 5.1 % stake in Projekt Wasserturm Grundstücks GmbH & Co. KG. A further 45.9 % is indirectly held by PATRIZIA Immobilien AG, and the remaining 49 % is held by Ernest-Joachim Storr.

Klaus Schmitt, a member of the Managing Board of the Company, holds a total stake of 0.15 % in PATRIZIA Immobilien AG.

Ownership of shares by other members of the management in key positions

Johannes Altmayr, Eckhard Bolte, Dr. Bernhard Engelbrecht, Gerhard Faltermeier, Markus Fischer, Werner Gorny, Jürgen Kolper, Klaus Kümmerle, Dr. Wolfgang Lange, Martin Lemke and Markus Scherl also hold a total of 1.31 % as members of the additional management levels of PATRIZIA.

Direct contracts and business relationships between the Managing Board members and PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG perform various services for Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In particular, these services relate to management of real-estate portfolios and construction projects. The scope of services to be performed by PATRIZIA Immobilien AG and/or its subsidiaries is precisely defined in the framework agreement of February 12, 2008. The remuneration for services performed agreed in the contract is in line with current market conditions. In the 2009 fiscal year, PATRIZIA performed services to the value of 739 TEUR (previous year: 569 TEUR).

Rental agreements between Managing Board members and PATRIZIA

Wolfgang Egger – as lessor – has concluded a rental agreement with the Company – as tenant – relating to the building used by the Company as its head office (Fuggerstrasse 26 in Augsburg) at a current monthly rent of 22 TEUR (previous year: 20 TEUR).

Rental agreements between individuals related to Managing Board members and PATRIZIA

Furthermore, Objektgesellschaft An der Alster 47 GmbH & Co. KG – as lessor – (Wolfgang Egger has a direct stake of 95 % in this company) has concluded a rental agreement with the Company for a floor of a building in Hamburg with monthly rent of 6 TEUR (previous year: 6 TEUR) plus statutory VAT.

Through February 28, 2009, Friedrich-List Vermögensverwaltungs KG had a rental agreement for office space at Bavariaring 6, Munich, Germany with PATRIZIA Wohnen GmbH. The monthly rent was 2 TEUR (previous year: 2 TEUR).

Activities of Managing Board members outside PATRIZIA

Chairman of the Board Wolfgang Egger is a director of Wolfgang Egger Verwaltungs GmbH (general partner of Wolfgang Egger Vermögensverwaltung GmbH & Co. KG), as well as general partner of Friedrich-List Vermögensverwaltungs KG.

Consultancy agreement with the law firm Seitz, Weckbach, Fackler

There is a consultancy relationship with the law firm Seitz, Weckbach, Fackler of Augsburg, under which the company is advised on competition and employment law. A partner in this law firm, Dr. Theodor Seitz, is also Chairman of the Supervisory Board of the Company. The consultancy agreement was approved by means of a Supervisory Board resolution dated February 23, 2009. In 2009, consultancy costs of 13 TEUR (previous year: 9 TEUR) were incurred at the law firm Seitz, Weckbach, Fackler.

9.4 SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

Wolfgang Egger, businessman, Chief Executive Officer
Arwed Fischer, business studies graduate (univ.), Chief Financial Officer
Klaus Schmitt, law graduate, Chief Operating Officer

In the fiscal year, the payments made to the Managing Board totaled 1,050 TEUR (previous year: 1,137 TEUR); details are included in the following table:

Remuneration of Managing Board 2009 in euro	Annual income				
	Fixed compensation	Short-term variable compensation	Payments in kind and other payments*	Long-term variable compensation**	Contribution to pension fund
	EUR	EUR	EUR	EUR	EUR
Wolfgang Egger	260,000	0	21,828	0	12,000
Arwed Fischer	240,000	240,000	41,586	0	12,000
Klaus Schmitt	180,000	0	30,554	0	12,000
TOTAL	**680,000**	**240,000**	**93,968**	**0**	**36,000**

* The item primarily includes non-cash benefits from the provision of company cars and insurance premiums.
** Conversion into performing share units with two-year vesting period; see 9.2 for the conditions. No performing share units were granted for the 2009 fiscal year, as the defined target hurdles were not achieved.

Previous year:

Remuneration of Managing Board 2008 in euro	Annual income				
	Fixed compensation	Short-term variable compensation	Payments in kind and other payments*	Long-term variable compensation**	Contribution to pension fund
	EUR	EUR	EUR	EUR	EUR
Wolfgang Egger	260,000	0	21,963	0	12,000
Arwed Fischer (since March 1, 2008)	200,000	200,000	26,160	0	10,000
Alfred Hoschek (until November 30, 2008)	165,000	0	9,471	0	11,000
Klaus Schmitt	180,000	0	29,389	0	12,000
TOTAL	**805,000**	**200,000**	**86,983**	**0**	**45,000**

* The item primarily includes non-cash benefits from the provision of company cars and insurance premiums.
** Conversion into performing share units with two-year vesting period; see 9.2 for the conditions. No performing share units were granted for the 2008 fiscal year, as the defined target hurdles were not achieved.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

Dr. Theodor Seitz, Chairman, tax consultant, lawyer, Augsburg
Harald Boberg, representative of Bankhaus Lampe KG, (Bielefeld), Hamburg
Manfred J. Gottschaller, director of Bayerische Handelsbank AG, Munich, retired

The Supervisory Board received remuneration of 62 TEUR (previous year: 62 TEUR); details can be found in the following table:

Remuneration of Supervisory Board 2009 in euro	Fixed compensation	Variable compensation
	EUR	EUR
Dr. Theodor Seitz, chairman	24,938	0
Harald Boberg	18,750	0
Manfred J. Gottschaller	18,750	0
TOTAL	**62,438**	**0**

Remuneration of Supervisory Board 2008 in euro	Fixed compensation	Variable compensation
	EUR	EUR
Dr. Theodor Seitz, chairman	24,938	0
Harald Boberg	18,750	0
Manfred J. Gottschaller	18,750	0
TOTAL	**62,438**	**0**

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The obligations arising from existing rental and leasing agreements amount to:

	EUR '000
2010	671
2011 – 2014	476
2015 and later	0
	1,147

Subsidiaries of PATRIZIA Immobilien AG have issued rental guarantees totaling 133 TEUR as part of real estate sales. These guarantees are only called on in the event that an agreed minimum amount of rent is not reached.

9.6 EMPLOYEES

The average headcount at the Group in 2009 (excluding directors) was 357 (previous year 374).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded in 2009 for auditing the financial statements amounted to 284 TEUR (previous year: 379 TEUR).

9.8 GERMAN CORPORATE GOVERNANCE CODE

On December 14, 2009, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the German Stock Corporation Act and published it on the Company's homepage (www.patrizia.ag).

10. STATEMENT OF THE MANAGING BOARD

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and the report on the position of the Company and the Group.

The Consolidated Financial Statements were prepared in line with the International Financial Reporting Standards (IFRSs).

The report on the position of the Company and the Group contains analyses relating to the net asset, financial and earnings situation of the Group as well as other explanations as required by Article 315 of the German Commercial Code.

Augsburg, March 5, 2010

Wolfgang Egger
Chairman of the Board

Arwed Fischer
Member of the Board

Klaus Schmitt
Member of the Board

LIST OF SHAREHOLDINGS

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
		%	EUR	EUR
PATRIZIA Acquisition & Consulting GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Investmentmanagement GmbH [1]	Augsburg	100	164,912.54	0.00
PATRIZIA Immobilienmanagement GmbH [1]	Augsburg	100	16,881.05	0.00
PATRIZIA Projektentwicklung GmbH [1]	Augsburg	100	250,000.00	0.00
PATRIZIA Wohnen GmbH [1]	Augsburg	100	618,682.33	0.00
Deutsche Wohnungsprivatisierungs GmbH [1]	Augsburg	100	13,145.51	0.00
PATRIZIA Projekt 100 GmbH [1]	Augsburg	100	23,004.93	0.00
PATRIZIA Projekt 110 GmbH [1]	Augsburg	100	24,216.35	0.00
PATRIZIA Projekt 120 GmbH [1]	Augsburg	100	22,280.88	0.00
PATRIZIA Projekt 140 GmbH [1]	Augsburg	100	34,592.95	0.00
PATRIZIA Projekt 150 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 160 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH [1]	Augsburg	100	135,245,000.00	0.00
PATRIZIA Projekt 180 GmbH [1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA Immobilien Kapitalanlage-gesellschaft mbH [1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 220 GmbH	Augsburg	100	19,811.56	–3,781.18
PATRIZIA Projekt 230 GmbH	Augsburg	100	23,763.04	–3,522.75
PATRIZIA Projekt 240 GmbH	Augsburg	100	20,213.81	–3,595.27
PATRIZIA Projekt 250 GmbH	Augsburg	100	19,339.84	–3,473.26
PATRIZIA Projekt 260 GmbH [1]	Augsburg	100	24,040.80	0.00
PATRIZIA Projekt 280 Verwaltungs GmbH	Augsburg	100	19,191.36	–3,183.10
Wohnungsgesellschaft Olympia mbH	Hamburg	100	809,977.88	279,826.11
Stella Grundvermögen GmbH [1]	Munich	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Munich	100	15,687.62	–3,461.03
PATRIZIA Projekt 420 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 430 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 440 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 460 GmbH [1]	Augsburg	100	25,000.00	0.00
meridomus GmbH Forderungsmanagement- und Servicegesellschaft für den Vermieter (formerly: PATRoffice Real Estate 820 GmbH, Augsburg)	Cologne	50	47,689.23	22,689.23

[1] As a result of the existing control and profit transfer agreements, the results were adopted by PATRIZIA Immobilien AG.

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
		%	EUR	EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	255,855.47	530,855.07
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	525.87	–4,501.39
Alte Haide Baugesellschaft mbH	Munich	94,9	3,296,051.80	799,329.44
PATRIZIA Luxembourg S.à.r.l.	Luxembourg	100	137,197,322.42	395,916.78
PATRIZIA Lux 10 S.à.r.l	Luxembourg	100	12,043,874.98	–19,768.77
PATRIZIA Lux 20 S.à.r.l.	Luxembourg	100	29,875,371.51	–163,399.11
PATRIZIA Lux 30 N S.à.r.l.	Luxembourg	100	11,694.22	–2,683.66
PATRIZIA Lux 50 S.à.r.l.	Luxembourg	100	9,061,933.48	–16,020.58
PATRIZIA Lux 60 S.à.r.l.	Luxembourg	100	676,729.47	–2,361,622.26
PATRIZIA Real Estate 10 S.à.r.l.	Luxembourg	100	12,175,445.21	4,779,910.41
PATRIZIA Real Estate 20 S.à.r.l.	Luxembourg	100	–60,505,553.26	–28,944,142.34
PATRIZIA Real Estate 30 S.à.r.l.	Luxembourg	100	16,138.17	–1,257.50
PATRIZIA Real Estate 50 S.à.r.l.	Luxembourg	100	2,509,376.33	–1,125,406.53
PATRIZIA Real Estate 60 S.à.r.l.	Luxembourg	100	–7,220,193.36	–3,553,629.48
PATRIZIA Projekt 330 GmbH [1)]	Augsburg	100	25,000.00	0.00
F 40 GmbH	Augsburg	94.9	13,444,724.53	–22,543.31
PATRIZIA Projekt 380 GmbH	Augsburg	100	19,070.23	–4,078.05
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–580,109.41	–275,715.51
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–795,948.72	–538,734.47

[1)] As a result of the existing control and profit transfer agreements, the results were adopted by the stockholder PATRIZIA Projekt 180 GmbH.

PATRIZIA Immobilien AG participates indirectly and directly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
		%	EUR	EUR
PATRIZIA Projekt B 280 GmbH & Co. KG	Augsburg	100	–611.85	2,098.70
PATRIZIA Vermögensverwaltungs GmbH [1)]	Augsburg	100	687,583.35	0.00

[1)] As a result of the existing profit transfer agreements, the results were adopted by the stockholder PATRIZIA Projekt 180 GmbH.

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by PATRIZIA Immobilien AG, Augsburg – comprising the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and notes – as well as the report on the position of the company and the Group (combined management report) for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and combined management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code is the responsibility of the company's Managing Board. Our responsibility is to express an opinion on these consolidated financial statements and the combined management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PATRIZIA Immobilien AG, Augsburg, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law as per Article 315a (1) of the German Commercial Code and give a true and fair view of the net asset, financial and earnings situation of the Group in accordance with these requirements. The report on the position of the company and the Group (combined management report) is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 15, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler	Stadter
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wolfgang Egger	Arwed Fischer	Klaus Schmitt
Chairman of the Board	Member of the Board	Member of the Board

FURTHER INFORMATION

D

FIVE-YEAR OVERVIEW OF THE CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS

ASSETS

	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
A. NON-CURRENT ASSETS	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Software	539	579	196	237	234
Investment property	657,320	660,000	711,558	0	1,700
Investment property under construction	0	11,162	20,205	0	0
Equipment	1,650	2,005	2,087	1,472	1,271
Securities	0	0	0	0	247
Investments in joint ventures	13	6,033	5,067	0	0
Participations	3,090	3,090	2,043	1	0
Long-term financial derivatives	0	0	8,704	0	0
Long-term tax assets	313	311	375	361	0
Deferred tax assets	0	0	0	1,470	1,560
Total non-current assets	**662,925**	**683,180**	**750,235**	**3,541**	**5,012**
B. CURRENT ASSETS					
Inventories	676,008	717,772	793,395	228,403	189,516
Short-term financial derivatives	0	0	4,546	827	0
Short-term tax assets	1,879	6,685	3,144	0	0
Current receivables and other current assets	29,428	41,611	37,859	58,684	16,395
Bank balances and cash	56,183	67,905	54,013	83,211	16,477
Total current assets	**763,498**	**833,973**	**892,957**	**371,125**	**222,388**
TOTAL ASSETS	**1,426,423**	**1,517,153**	**1,643,192**	**374,666**	**227,400**

EQUITY AND LIABILITIES

	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
A. EQUITY	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Share capital	52,130	52,130	52,130	47,400	5,050
Capital reserves	215,862	215,862	215,862	118,398	573
Retained earnings					
- legal reserves	505	505	505	505	505
Non-controlling partners	877	0	0	0	0
Valuation results from cash flow hedges	−6,079	−8,054	2,941	475	0
Consolidated net profit	21,529	31,029	65,167	24,946	35,976
Total equity	**284,824**	**291,472**	**336,605**	**191,724**	**42,104**
B. LIABILITIES					
NON-CURRENT LIABILITIES					
Long-term bank loans	0	0	0	0	2,858
Deferred tax liabilities	5,516	4,769	9,914	0	0
Long-term financial derivatives	34,208	24,551	1,142	946	1,541
Retirement benefit obligations	339	365	369	306	285
Non-current liabilities	259	0	0	0	0
Total non-current liabilities	**40,322**	**29,685**	**11,425**	**1,252**	**4,684**
Current liabilities					
Short-term bank loans	1,070,207	1,161,735	1,261,997	125,494	149,298
Short-term financial derivatives	8,895	10,238	235	0	0
Other provisions	580	616	594	535	521
Current liabilities	13,116	12,556	32,171	44,489	23,560
Tax liabilities	8,051	9,847	165	10,810	6,295
Other current liabilities	428	1,004	0	362	938
Total current liabilities	**1,101,277**	**1,195,996**	**1,295,162**	**181,690**	**180,612**
TOTAL EQUITY AND LIABILITIES	**1,426,423**	**1,517,153**	**1,643,192**	**374,666**	**227,400**

FIVE-YEAR OVERVIEW OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS

		2009	2008	2007	2006	2005
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1.	Revenues	250,888	221,325	193,253	237,611	99,508
2.	Income from the sale of investment property	370	21,747	0	0	0
3.	Changes in inventories	–106,173	–75,623	666,705	44,114	35,823
4.	Other operating income	14,168	4,109	1,905	3,357	2,791
5.	**Total operating performance**	**159,253**	**171,558**	**861,863**	**285,082**	**138,122**
6.	Cost of materials	–60,884	–66,000	–778,775	–201,777	–85,815
7.	Staff costs	–23,888	–22,445	–19,908	–14,882	–12,359
8.	Amortization of software and depreciation on equipment	–824	–846	–771	–593	–603
9.	Results from fair value adjustments to investment property	0	0	69,477	150	–300
10.	Other operating expenses	–17,553	–17,199	–20,543	–16,706	–13,547
11.	Earnings from companies accounted for using the equity method	6	–1,004	–298	0	0
12.	Finance income	12,271	29,972	20,371	2,645	829
13.	Finance cost	–76,342	–126,444	–68,246	–6,719	–6,263
14.	**Profit / loss before income taxes**	**–7,961**	**–32,408**	**63,170**	**47,200**	**20,064**
15.	Income tax	–1,539	–1,730	–15,129	–14,800	–3,432
16.	**Net profit / loss**	**–9,500**	**–34,138**	**48,041**	**32,400**	**16,632**
17.	Profit carried forward	31,029	65,167	17,126	0	19,349
18.	Allocation to retained earnings					
	- legal reserves	0	0	0	0	–5
	- other retained earnings	0	0	0	–7,454	0
19.	**Consolidated net profit**	**21,529**	**31,029**	**65,167**	**24,946**	**35,976**
Earnings per share in line with IFRSs, in EUR		–0.18	–0.65	0.92	0.71	0.41

SUPERVISORY BOARD

Dr. Theodor Seitz
Chairman

Member of the Supervisory Board since 2002 and chairman since 2003
Tax consultant, lawyer, Augsburg

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- Supervisory board chairman of CDH AG, Augsburg

Harald Boberg
1st Deputy Chairman

Member of the Supervisory Board since 2003
Representative of Bankhaus Lampe KG, (Bielefeld), Hamburg

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- Supervisory board member of HanseMerkur Lebensversicherung AG, Hamburg
- Supervisory board member of Flughafen Hamburg GmbH, Hamburg

Manfred J. Gottschaller
2nd Deputy Chairman

Member of the Supervisory Board since 2003
Director of Bayerische Handelsbank AG, retired, Munich

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- None

MANAGING BOARD

Wolfgang Egger
Chief Executive Officer

First appointed on: August 21, 2002
Appointed until: April 30, 2012
Responsibilities:
Communications, corporate strategy, funds acquisition, marketing, research
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

Arwed Fischer
Chief Financial Officer

First appointed on: March 1, 2008
Appointed until: February 28, 2011
Responsibilities:
Accounting/tax, controlling, financing, investor relations, IT, risk management
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

Klaus Schmitt
Chief Operating Officer

First appointed on: January 1, 2006
Appointed until: December 31, 2010
Responsibilities:
Boards and committees, corporate acquisitions, human resources, legal affairs, management of operating business fields
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

GLOSSARY

BaFin The Federal Financial Supervisory Authority (BaFin) combines the business areas of the former federal supervisory offices for banking (bank supervision), for insurance (insurance supervision) as well as for securities trading (securities supervision/asset management) and continues to manage these. Amongst other things, BaFin shall supervise the correct and proper implementation of securities trading. In particular, it is responsible for protection against prohibited insider dealing.

Capital Stock The capital which is stipulated in the joint stock company's Articles of Association. The Articles of Association also stipulate that the capital stock is to be divided up into x number of shares. The company issues shares which equate to the total of its capital stock.

Cash flow An indicator which is used in particular in Anglo-Saxon countries for the purposes of shares or company analyses. It means the receipt of liquid assets within a specific accounting period and is basically made up of the addition of net income, depreciation, changes to long-term provisions, taxes on income and earnings. Conclusions can be drawn regarding the company's financing potential from the amount of cash flow and its identifiable trend during the course of the year. In terms of a share (Cash flow : Number of shares) or in terms of the share price (Share price : Cash flow per share), one obtains important indicators which, within the framework of the shares analysis, allows the comparison with a company in the same line of business at national and international level.

Corporate Governance An instrument which is required by professional financial analysts and investors when performing modern company analysis. It can also redress current deficits in the traditional valuation processes particularly in respect of growth values. Competences, communications and control by the decision-making committees for companies quoted on the stock exchange are viewed and inspected. These supposed soft facts are of crucial importance when evaluating a company with increasingly non-material production processes.

DAX The German Share Index (DAX) reflects the value trend of the 30 most important German shares. In addition to the market prices, the dividend payments are also included here. DAX began at the end of 1987 with a value of 1,000.

DIMAX DIMAX is the German Real Estate Share Index which was first established by the Ellwanger & Geiger Bank in 1995. At present, the shares of 76 listed German companies are registered, all of which generate more than 75% of their income from the real estate business.

Dividend Each shareholder is entitled to a share in the annual profit of his company which is paid out. This will correspond to the amount of his shareholding. This part of the profit is called a dividend.

EBIT Earnings before interests and taxes. A figure which provides in concrete terms information on the company's success and its income situation. By leaving out of account taxes, net interest income and extraordinary income when considering the annual surplus, EBIT allows you to have a comparable statement on the actual earning power of the company, regardless of the equity ratio.

EBITDA Earnings before interests, taxes, depreciation and amortization. A figure which provides in concrete terms information on the company's success and its income situation. With EBITDA, depreciation and amortization are also left out of account when considering the annual surplus. This takes into account the fact that companies which have a propensity to invest will show – as a result of high depreciation which reduces profit – a profit which is smaller than companies which have less of a propensity to invest.

EPRA European Public Real Estate Association. Based in Amsterdam, the EPRA is an organization that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. The well-known international index named after it, the EPRA index, tracks the performance of the largest European and North American listed property companies.

EPS Earnings per share

GEX The German Entrepreneurial Index. This is the index of small and medium-sized enterprises on the Deutsche Börse. The index contains all “owner-dominated” companies listed on the Prime Standard segment of the Frankfurt Stock Exchange who have gone public within the past ten years. “Owner-dominated” means a company where managing board members, members of the supervisory board or their families hold between 25% and 75% of voting rights.

IFRS International Financial Reporting Standards (IFRS) is a world-wide accepted guideline for group accounting.

Individual Share Certificate The individual share certificate does not show a par value. Its share in the capital stock depends solely on the number of shares issued. All individual share certificates embody the same share in the company.

Issue Issue of securities by means of a public offer; usually happens as a result of a group of financial institutions acting as mediators (issuing syndicate).

Issuer As a rule, issuers are companies or authorities who issue securities.

Listing Listing/quoting a share on a stock exchange.

Par Value A specific amount in Euro is printed on par value shares i.e. the par value. It shows what share the shareholder holds in the capital stock and thus in the total assets of his joint stock company. The smallest par value of a share is, in accordance with the Companies' Act, 1 Euro. All higher par values are made out as a multiple of 1 Euro. This is distinct from the market price.

Registered Share A share which is made out in the name of the shareholder. Contrary to the bearer share, when issuing registered shares the company is obliged to keep a shares register. The shareholders' names and addresses are listed in this register. With regard to the company, a person is only deemed to be a shareholder if s/he is recorded in the register.

SDAX Small Cap Index. The SDAX comprises the next 50 issues from the traditional (“Classic”) sectors within the Prime Standard Segment that are ranked below the MDAX.

Share Buy Back A process whereby a joint stock company buys its own shares and thus allows capital to flow back to the shareholders. No rights are conceded to the company from these shares (voting right, dividend entitlement, subscription right etc.).

Share index Share indexes group together the price or value trend of several shares. The shares included are weighted per index according to certain criteria. Price indexes (for example FAZ [Frankfurter Allgemeine Zeitung] share index) take into account only the price trend of the shares. Performance indexes (for example DAX) also take into account dividends and subscription rights in the event of capital increases. Performance indexes therefore cover the whole of the value trend of the shares contained in the index.

Share Option Plans Joint stock companies set up option plans in order to grant employees and in particular executive personnel a remuneration which is dependent upon the share price instead of other bonuses. In the event of management decisions, this shall in particular contribute to a shareholder value orientation.

Subscription Right The right of the shareholder to buy new (“young”) shares from his company in the event of a capital increase. The shareholders can waive their right to subscribe and they can sell the subscription rights to the stock exchange.

XETRA The term XETRA stands for the electronic stock exchange trading system of Deutsche Börse AG (Exchange Electronic Trading System).

FINANCIAL CALENDAR

March 25, 2010	Financial Statements of Fiscal Year 2009
March 25, 2010	Press Conference on Financial Statements 2009
May 11, 2010	Interim Report – 1st Quarter 2010
June 23, 2010	Annual General Meeting, Augsburg
August 11, 2010	Interim Report – 2nd Quarter 2010
October 19, 2010	Real Estate Share Initiative, Frankfurt/Main
November 10, 2010	Interim Report – 3rd Quarter 2010

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