

# Report of the Supervisory Board

**Dear shareholders,  
Dear ladies and gentlemen,**

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 2010. We regularly advised the Managing Board on corporate management issues and monitored management measures. The Supervisory Board was at all times appropriately and directly involved in all decisions and projects that were of key importance to the Company and the Group. The Managing Board fulfilled its reporting duties as prescribed by law and the bylaws in full and provided us with comprehensive information on a regular and prompt basis regarding key aspects of the Company's and Group's business performance and current earnings situation including their risk position and risk management system. The Company's planning and associated opportunities and risks as well as deviations from plans and objectives previously made were explained and justified in detail. We were also informed about important business transactions and projects at an early stage outside of our regular meetings.

## Ordinary Meetings and Topics of the Supervisory Board

The Supervisory Board came together in four ordinary meetings during the reporting year, and each meeting was attended by all members in person. Regular exchanges between the Supervisory Board and the Managing Board also took place outside of these meetings in personal discussions. We treated all measures that, according to the law, the Articles of Association or the bylaws of the Managing Board, require the approval of the Supervisory Board in accordance with the reports and resolutions of the Managing Board. When necessary, resolutions of the Supervisory Board were also passed by circulation. Contrary to the recommendations of the German Corporate Governance Code we refrained from forming committees owing to the number of three Supervisory Board members. We consciously took the decision to base the size of the Supervisory Board of PATRIZIA on the minimum number of members to enable us to work efficiently and to allow an intensive exchange of ideas.

During the meeting on March 24, 2010, the Supervisory Board approved the 2009 annual financial statements for PATRIZIA Immobilien AG and the Group as well as the summary management report for PATRIZIA Immobilien AG and the Group. Following a separate examination the Supervisory Board also approved the dependent company report for the 2009 fiscal year. The resolutions for the agenda of the Annual General Meeting on June 23, 2010, were also approved. In the meeting on March 24, 2010, we also dealt with the compensation system for members of the Managing Board and in this context approved the target agreement for the 2010 fiscal year, which represents a significant component of variable compensation of the Managing Board. A further topic on the agenda was the rental agreement between PATRIZIA Immobilien AG as lessee and Wolfgang Egger as lessor for additional space for the Group's headquarters in the new adjacent building in Augsburg. After a close examination of the conditions, my Supervisory Board colleagues and I unanimously approved the rental agreement. The rent per square meter that PATRIZIA will pay for office space in the new building does not exceed the rent per square meter that other tenants will be paying for office space in the same building. The conditions for previously rented spaces in a public car park were adopted for the parking spaces.

Following the Annual General Meeting on June 23, 2010, the Supervisory Board met for their second meeting in the 2010 fiscal year. Topics on the agenda included D&O insurance for members of the Managing Board, for whom a deductible was agreed in accordance with legal stipulations. After close examination and discussions with the Managing Board we unanimously approved an extension to the rental agreement between Wolfgang Egger and PATRIZIA Immobilien AG regarding the rental of additional space in the extension housing the Group's headquarters.



Dr. Theodor Seitz (Chairman of the Supervisory Board)

The focus of the Supervisory Board meeting on September 20, 2010 was PATRIZIA's economic performance. We discussed topics concerning the operational areas and dealt with the Group's financial position and earnings situation, the status of financing and liquidity within the Group. The new allocation of responsibilities within the Managing Board was subsequently agreed.

Special attention in the Supervisory Board meeting of December 13, 2010, was devoted to planning for the coming fiscal year and the acquisition of LB Immo Invest GmbH. The plenary meeting also discussed amendments to the German Corporate Governance Code. The Managing Board and Supervisory Board then issued a 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. This year my Supervisory Board colleagues and I again subjected the efficiency of our work to close scrutiny on the basis of the Corporate Governance Code and discussed the results. The efficiency of our collaboration with each other and with the Managing Board was found to be very good.

### Further Supervisory Board Resolutions

The Supervisory Board of PATRIZIA Immobilien AG have extended the Managing Board contracts of CFO Arwed Fischer and COO Klaus Schmitt by resolutions passed by circulation by five years in each case. Arwed Fischer is appointed as Managing Board member until February 29, 2016, and Klaus Schmitt until December 31, 2015.

We have given our express support for the plan to acquire LB Immo Invest GmbH. We passed the resolution relating to this matter by circulation. In this context it seems important to us that by integrating LB Immo Invest PATRIZIA will become more independent of the contribution made to earnings by the sale of real estate and thus less dependent on fluctuations in demand. The expansion of activities in commercial real estate will go hand in hand with a sustained consolidation of the services area. The course was set in 2007 with the establishment of PATRIZIA's own asset management company and is being continued with the purchase of an established specialist investment company. Over the past few years PATRIZIA has demonstrably built up a level of competence in the field of commercial real estate via direct mandates and co-investments, and national and international pension funds and insurance companies have been placing their trust in the Company for some time. We are convinced that the acquisition of LB Immo Invest provides PATRIZIA with excellent long-term perspectives and will drive the successful growth of the Company.

### Examination of the Annual and Consolidated Financial Statements for 2010 and the 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 (IFRS) for fiscal year 2010 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 and consolidated 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 21, 2011. The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information. 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 raised no objections. We agreed with the findings of the audit by the auditors and approved the annual and consolidated financial statements prepared by the Managing Board. The annual financial statements for fiscal year 2010 have thus been adopted pursuant to Article 172 of AktG. The Supervisory Board agrees with the proposal on the appropriation of net profit whereby a dividend for the 2010 fiscal year will not be paid out; it will instead be used to strengthen the Group's equity.

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 on the basis of relevant documents. These contractual relationships with related parties were also checked by the auditors and are in line with current market conditions also applicable to such relationships concluded 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 sum paid by the Company 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.

The Supervisory Board would like to express its sincere thanks to all who have contributed to the wellbeing of PATRIZIA. We wish to thank the employees, the Managing Board and the directors of the operating companies for their commitment and their loyalty to the Company. The motivation and determination of each and every one will again contribute to the success of PATRIZIA in 2011. We would also like to thank our shareholders for placing their confidence in PATRIZIA.

Augsburg, March 21, 2011

For the Supervisory Board



**Dr. Theodor Seitz**  
Chairman