

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

C

CONSOLIDATED FINANCIAL STATEMENTS.....	60
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	66
PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS	66
SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS.....	68
ACCOUNTING AND VALUATION POLICIES	71
NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS	79
NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES	85
NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME	92
SEGMENT REPORTING	95
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT	98
OTHER NOTES	98
STATEMENT OF THE MANAGING BOARD	104
LIST OF SHAREHOLDINGS.....	105
AUDITOR'S OPINION.....	107

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.

IFRS 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 disposed 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 PATRofice Real Estate 82o 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 38o GmbH purchased 44.9 % of the shares in F 4o GmbH as of December 21, 2009. Therefore, since December 21, 2009, the Group has held a 94.9 % stake in F 4o GmbH and the company is included as a fully consolidated subsidiary in the consolidated financial statements. Through December 21, 2009, the stake in F 4o GmbH is shown as a joint company measured at equity. The earnings at equity through December 21, 2009 were 6 TEUR. F 4o 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 0.9o 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 4o GmbH had equity in the amount of 14,27o TEUR, of which 7,18o TEUR were accounted for at equity.

The fair value of these shares in F 4o GmbH was 7,726 TEUR. This corresponds to the amount of share capital and the capital reserve of F 4o GmbH at the time of purchase, multiplied by the shareholding.

The carrying amount of the assets purchased from F 4o GmbH directly before the time of purchase were 48,55o TEUR for inventories and 119 TEUR for bank balances. The carrying amount of F 4o 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 4o 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 (7,7o8 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 4o 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 4o 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 4o 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, 20o2 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 de-

velopment 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 pre-conditions 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

	Software	Equipment	Total
2009	EUR '000	EUR '000	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

	Software	Equipment	Total
2008	EUR '000	EUR '000	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

	Investments in joint ventures	Participations	Total
2009	EUR '000	EUR '000	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

	Investments in joint ventures	Participations	Total
2008	EUR '000	EUR '000	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 Hyrebostäder 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).

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:

	Investments	Services	Corporate	Total
2009	EUR '000	EUR '000	EUR '000	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

	Investments	Services	Corporate	Total
2008	EUR '000	EUR '000	EUR '000	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 EUR '000	Fair value Dec. 31, 2008 EUR '000	Paid out 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
Forfeited 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
- ▶ Eurobilis 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.

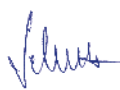
Augsburg, March 5, 2010



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	Net profit/net loss for the last fiscal year	
			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	Net profit/net loss for the last fiscal year	
			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
German Public Auditor

Stadter
German Public Auditor

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG

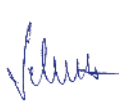
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the 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
Chairman of the Board



Arwed Fischer
Member of the Board



Klaus Schmitt
Member of the Board