C. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

IFRS – CONSOLIDATED BALANCE SHEET TO DECEMBER 31, 2006

ASSETS

	Notes to consolidated financial statements	2006	2005
A. NON-CURRENT ASSETS		EUR'000	EUR'000
Software	4.1	237	234
Investment Property	4.1	0	1,700
Equipment	4.1	1,472	1,271
Securities	4.1	0	247
Participations	4.1	1	0
Tax assets	4.2	361	0
Deferred tax assets	4.3	1,470	1,560
Total non-current assets		**3,541**	**5,012**
B. CURRENT ASSETS			
Inventories	4.4	228,403	189,516
Interest-rate swaps	4.5	827	0
Current receivables and other current assets	4.6	58,684	16,395
Bank balances and cash	4.7	83,211	16,477
Total current assets		**371,125**	**222,388**
TOTAL ASSETS		**374,666**	**227,400**

EQUITY AND LIABILITIES

	Notes to consolidated financial statements	2006	2005
A. EQUITY		EUR'000	EUR'000
Share capital	5.1.1	47,400	5,050
Capital reserves	5.1.2	118,398	573
Retained earnings			
- legal reserves	5.1.3	505	505
- other retained earnings		0	0
Valuation results from cash flow hedges	4.5	475	0
Consolidated net profit		24,946	35,976
Total Equity		**191,724**	**42,104**
B. LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term bank loans	5.2	0	2,858
Interest-rate swaps	4.5	946	1,541
Retirement benefit obligations	5.3	306	285
Total non-current liabilities		**1,252**	**4,684**
CURRENT LIABILITIES			
Short-term bank loans	5.2	125,494	149,298
Other provisions	5.4	535	521
Current liabilities	5.5	44,489	23,560
Tax liabilities	5.6	10,810	6,295
Other current liabilities		362	938
Total current liabilities		**181,690**	**180,612**
TOTAL ASSETS		**374,666**	**227,400**

IFRS – CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period from January 1, 2006 to December 31, 2006

	Notes to consolidated financial statements	2006	2005
		EUR'000	EUR'000
1. Revenues	6.1	237,611	99,508
2. Changes in inventories	6.2	44,114	35,823
3. Other operating income	6.3	3,357	2,791
4. Total operating performance		**285,082**	**138,122**
5. Cost of material	6.4	–201,777	–85,815
6. Staff costs	6.5	–14,882	–12,359
7. Amortization of software and depreciation on equipment	6.6	–593	–603
8. Results from fair value adjustments to investment property	6.7	150	–300
9. Other operating expenses	6.8	–16,706	–13,547
10. Finance income	6.9	2,645	829
11. Finance cost	6.9	–6,719	–6,263
12. Profit before income taxes		**47,200**	**20,064**
13. Income tax	6.10	–14,800	–3,432
14. Net profit		**32,400**	**16,632**
15. Profit carried forward		0	19,349
16. Allocation to retained earnings			
a) legal reserves		0	–5
b) other retained earnings		–7,454	0
17. Consolidated net profit		**24,946**	**35,976**
Earnings per share (undiluted)	6.11	€ 0.71	€ 0.41

IFRS – CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1, 2006 to December 31, 2006

	2006	2005
	EUR'000	EUR'000
Consolidated profit after taxes	32,400	16,632
Amortization of intangible assets and depreciation on property, plant and equipment	593	603
Write-down of securities	0	8
Results from fair value adjustments to investment property	–150	300
Loss from / gain on disposal of fixed assets	–8	–64
Change in deferred taxes	90	847
Non-cash item income and expenses that are not attributable to financing activities	–947	0
Change in retirement benefit obligations	21	–49
Changes in inventories, receivables and other assets that are not attributable to investing activities	–81,537	–42,933
Changes in liabilities that are not attributable to financing activities	1,078	31,736
Cash outflow / inflow from operating activities	**–48,460**	**7,080**
Capital investments in intangible assets and property, plant and equipment	–804	–1,115
Cash receipts from disposal of intangible assets and property, plant and equipment	15	122
Cash receipts from disposal of investment property	1,850	0
Investments	–1	0
Cash receipts from disposal of financial assets	247	371
Cash outflow / inflow from investing activities	**1,307**	**–622**
Dividend of PATRIZIA Immobilien AG	–8,080	–555
Capital increase of PATRIZIA Immobilien AG	129,500	623
Repayment of long-term loans	–2,858	–51
Other cash inflows or outflows from financing activities	–4,675	0
Cash outflow / inflow from financing activities	**113,887**	**17**
Change in operating activities of a cash nature	**66,734**	**6,475**
Cash January 1	16,477	10,002
Cash December 31	83,211	16,477

IFRS – STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period from January 1, 2006 to December 31, 2006

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Consolidated net profit	Minority interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2006	**5,050**	**573**	**505**	**0**	**0**	**35,976**	**0**	**42,104**
Capital increase out of retained earnings	35,350					–35,350	0	**0**
Capital increase (net receipts from IPO)	7,000	117,825						**124,825**
Dividend						–8,080	0	**–8,080**
Results from fair valuation adjustments cash flow hedges					475			**475**
Net income for the period						32,655	–255	**32,400**
Reclassification of minority interests						–255	255	**0**
BALANCE DECEMBER 31, 2006	**47,400**	**118,398**	**505**	**0**	**475**	**24,946**	**0**	**191,724**

IFRS – STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (REPORTING PERIOD PREVIOUS YEAR)

for the period from January 1, 2005 to December 31, 2005

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Consolidated net profit	Minority interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2005	**5,000**	**0**	**500**	**0**	**0**	**19,904**	**0**	**25,404**
Capital increase	50	573						**623**
Dividend						–555	0	**–555**
Net income for the period			5			16,900	–273	**16,632**
Reclassification of minority interests						–273	273	**0**
BALANCE DECEMBER 31, 2005	**5,050**	**573**	**505**	**0**	**0**	**35,976**	**0**	**42,104**

IFRS – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS TO DECEMBER 31, 2006

GENERAL INFORMATION

PATRIZIA Immobilien AG is a listed German joint stock corporation based in Augsburg. The business premises of the company are located at Fuggerstraße 26, 86150 Augsburg. The company operates on the German real-estate market and performs all services in the value-added chain in the real-estate sector.

1. PRINCIPLES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2006 were prepared in line with IFRS, as accepted in the EU, and in compliance with the provisions of German commercial law applicable as per section 315a paragraph 1 of the German Commercial Code. In this respect, the accounting standards applied are those adopted by the EU in the context of the endorsement process up to December 31, 2006, i.e. those published in the Official Journal of the EU. The consolidated financial statements of PATRIZIA Immobilien AG prepared on this basis conform to the original IFRS and therefore to the International Financial Reporting Standards (IFRS). All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied. The following standards were taken into account in exercising of the options granted by the IASB in the applicable version dated 2006.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 10	Events After the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements as per IFRS
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IFRS 3	Business Combinations

The rules for financial instruments applicable to fiscal years that begin after January 1, 2007 in line with IFRS 7 and IAS 1 have not yet been applied. We do not expect their future application to have any impact.

For the first-time preparation of the consolidated financial statements in line with the accounting standards adopted by the EU as at December 31, 2003, the following conveniences as per IFRS 1 were used:

- Business combinations (first-time application to business combinations from January 1, 2002)
- Employee benefits (the value of the pension provision as at January 1, 2002 includes the actuarial gains and losses from previous periods)

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 T€ (thousand euros).

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

- Investment property valued at market value;
- Interest rate swaps valued at market value, with valuation changes being treated with an impact on income unless these involve cash flow hedges that are directly recognized in equity under a separate item;
- Deferred taxes.

As at December 31, 2006, the majority shareholder of PATRIZIA Immobilien AG, with a stake of 50.02 %, was First Capital Partner GmbH, of which WE Vermögensverwaltung GmbH & Co. KG is in turn the majority shareholder.

2. SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 SCOPE OF CONSOLIDATION

All subsidiaries of PATRIZIA Immobilien AG are subsumed under the consolidated Group, which 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 the consolidated financial statements of PATRIZIA Immobilien AG can be found in the list of shareholdings at the end of the notes to the consolidated financial statements.

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 included in the consolidated financial statements in line with the equity method.

A participation in an associated company was sold on December 29, 2005. The assets, liabilities and income attributable to the Group in the previous year are insignificant from a Group viewpoint.

In addition to the parent company, the scope of consolidation comprises 57 subsidiaries. They are included 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.

A proportion of the real estate in Munich Schwabing and Munich Allach/Untermenzing held by Alte Haide Baugesellschaft mbH does not satisfy the criteria for a business combination defined in IFRS 3. The corresponding figure is thus recognized in assets as a partial acquisition in the consolidated financial statements.

The financial statements of the subsidiaries included 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

Two subsidiaries, PATRIZIA Projekt 130 GmbH and PATRIZIA Projekt 210 GmbH & Co. KG, were sold in the reporting year. PATRIZIA Immobilien AG still holds a 5.2 % share in PATRIZIA Projekt 130 GmbH. The book value is T€ 1. There were no other business combinations as defined by IFRS 3 or company sales. In fiscal year 2006, in order to purchase real-estate portfolios, PATRIZIA Immobilien AG set up a total of 30 shell companies, of which 21 are based in Germany and 9 in Luxemburg.

The results of the subsidiaries established or sold during the year are included in the consolidated profit and loss account on or by the date when the acquisition or sale takes place, according to the effective date of establishment.

2.2 CAPITAL CONSOLIDATION THROUGH FULL CONSOLIDATION

All subsidiaries are included in the consolidated financial statements through full consolidation. Since January 1, 2002, accounting for acquired subsidiaries has been carried out in line with the acquisition method as per IFRS 3. Purchases of shares in companies before this date were still carried out on the basis of the book value method whilst using the facility options of IFRS 1.

The date of first-time 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 apportionable to the parent company, goodwill is to be applied. 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 apportionable to the Group. The re-valued net worth must be applied in full. Shares allocated to minority shareholders are posted separately within the consolidated equity. If the loss of a period apportionable to the minority shareholders exceeds the minority interest to be posted in the consolidated balance sheet, this is offset against the majority share in the consolidated equity.

2.3 INCLUSION OF ASSOCIATED COMPANIES THROUGH THE EQUITY METHOD

There was no participation in an associated company in the reporting year.

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

Intercompany balances, transactions, profits and expenditure of the companies included in the consolidated financial statements by means of full consolidation are fully eliminated. Deferred taxes are stated 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 Currency Union. Consequently, there are no financial statements in a foreign a currency that would need to be translated.

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 valuation provides for the carrying out of scheduled and, if applicable, unscheduled amortization as well as appreciation taking into account the historical cost principle (= valuation at amortized cost).

Acquisition costs cover the directly attributable purchase and commitment costs. Borrowing costs are recorded as expenses in the period in which they were incurred.

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

3.2 IMPAIRMENT OF ASSETS

Assets subject to scheduled depreciation are then checked for an amortization requirement if there is a starting point for impairment. Assets that are not subject to scheduled depreciation are checked at least annually for a value-adjustment requirement.

3.3 INVESTMENT PROPERTY

Investment property was sold in the fiscal year. Valuation was carried out at the fair value, and results from fair value adjustments up to the date of sale impacted on Group profit.

3.4 INVENTORIES

The inventories position contains real estate that is intended for sale in the context of ordinary activities or are 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.

Inventories are valued at the lower of acquisition cost or manufacturing cost. If the net sale price is lower, this is applied. Acquisition costs comprise the directly attributable purchase and commitment costs, i.e. especially acquisition costs for real estate as well as ancillary acquisition costs (notary's fees etc.). Manufacturing costs comprise the costs directly attributable to the real-estate development process, i.e. especially renovation costs. Borrowing costs are recorded as expenses in the period in which they were incurred. 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.

3.5 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 trade date. In turn, this also applies to customary sales.

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

Financial assets at fair value through profit or loss existed in the previous year in the form of bearer bonds, which were sold in the fiscal year.

There were no **available-for-sale financial assets** as at the balance sheet date.

Receivables and other assets include no interest and are recognized at present value or nominal value. In the event of doubt regarding the collectability of receivables, the latter are reduced by specific value adjustments and general value adjustments and recognized with the lowest realizable amount.

3.6 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized at market value in line with IAS 39. Market values are calculated on the basis of market data and recognized valuation methods. In the event of market value changes of derivative financial instruments that qualify as cash flow hedges and are used to counter future cash flow risks arising from existing underlying transactions, the hedging portion of the market value change is initially recognized in equity with no impact on income. Reposting in the profit and loss account is carried out at the same time as the income impact of the secured underlying transaction. A non-hedging portion of the market valuation is directly recognized in earnings. If no hedge accounting is used, the market valuation of derivative financial instruments is recognized with an impact on income.

3.7 LIABILITIES

Liabilities, especially bank loans, are valued at amortized costs.

3.8 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 included in the financial result, and was instead included in staff costs.

3.9 OTHER PROVISIONS

Provisions are liabilities that are uncertain in terms of extent or maturity. 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 estimated in a reliable manner. Provisions are valued using the optimum estimate of the extent of the obligation. In the event of material interest effects, the provisions are discounted.

3.10 INCOME TAXES

Income tax expenses are the sum total of actual taxes and deferred taxes incorporated in the calculation of net income for the period.

Actual tax expenses are calculated on the basis of taxable income at the level of the separate financial statements for the respective year. The currently applicable tax rates are used for this.

Deferred taxes are the expected tax charges or tax relief arising from temporary differences, i.e. as a result of differences between the book value of an asset or a liability in the IFRS consolidated balance sheet and a tax value. Deferred tax assets are also stated from carrying forward unused tax losses. The balance sheet-oriented liabilities method is applied. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets insofar as taxable income is likely to be available at the time of reversal of the temporary differences. Deferred tax assets are checked annually for an asset impairment requirement.

Deferred taxes are calculated on the basis of the expected tax rates that apply at the time of payment of the liability or realization of the asset. The currently applicable tax rates are recognized as the expected tax rates until amendments to taxation legislation are approved. Deferred taxes are generally recognized with an impact on income, except for items that are entered directly in equity.

3.11 BORROWING COSTS

Borrowing costs are recorded as expenses in the period in which they were incurred.

3.12 LEASING

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.

3.13 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.

3.14 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

Due to the uncertainties associated with the operating activities, individual items of the consolidated financial statements can only be estimated rather than precisely valued. 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 valuing 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 rentals.

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 were required, this would negatively impact on 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 currently low 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 development 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
2006	EUR'000	EUR'000	EUR'000
Acquisition costs			
As at Jan. 1, 2006	**701**	**3,179**	**3,880**
Additions	109	695	804
Disposals	0	– 57	– 57
As at Dec. 31, 2006	**810**	**3,817**	**4,627**
Amortization			
As at Jan. 1, 2006	**467**	**1,908**	**2,375**
Additions	106	487	593
Disposals	0	– 50	– 50
As at Dec. 31, 2006	**573**	**2,345**	**2,918**
BOOK VALUES JAN. 1, 2006	**234**	**1,271**	**1,505**
BOOK VALUES DEC. 31, 2006	**237**	**1,472**	**1,709**

	Software	Equipment	Total
2005	EUR'000	EUR'000	EUR'000
Acquisition costs			
As at Jan. 1, 2005	**446**	**2,419**	**2,865**
Additions	203	873	1,076
Disposals	– 18	– 113	– 131
Correction from audit	70	0	70
As at Dec. 31, 2005	**701**	**3,179**	**3,880**
Amortization			
As at Jan. 1, 2005	**310**	**1,504**	**1,814**
Additions	153	450	603
Disposals	– 18	– 56	– 74
Correction from audit	22	10	32
As at Dec. 31, 2005	**467**	**1,908**	**2,375**
BOOK VALUES JAN. 1, 2005	**136**	**915**	**1,051**
BOOK VALUES DEC. 31, 2005	**234**	**1,271**	**1,505**

DEVELOPMENT OF NON-CURRENT ASSETS

Investment Property

2006	EUR'000
Fair value	
As at Jan. 1, 2006	**1,700**
Fair value adjustments	150
Disposal of assets	–1,850
AS AT DEC. 31, 2006	**0**

Investment Property

2005	EUR'000
Fair value	
As at Jan. 1, 2005	**16,660**
Fair value adjustments	–300
Reposting as inventories	–14,660
AS AT DEC. 31, 2005	**1,700**

DEVELOPMENT OF NON-CURRENT ASSETS

	Securities	Shareholdings in associated companies valued at equity	Participations	Total
2006	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition costs				
As at Jan. 1, 2006	**255**	**0**	**0**	**255**
Additions		0	1	1
Disposals	255	0	0	255
As at Dec. 31, 2006	**0**	**0**	**1**	**1**
Amortization				
As at Jan. 1, 2006	**8**	**0**	**0**	**8**
Additions	0	0	0	0
Disposals	8	0	0	8
As at Dec. 31, 2006	**0**	**0**	**0**	**0**
BOOK VALUES JAN. 1, 2006	**247**	**0**	**0**	**247**
BOOK VALUES DEC. 31, 2006	**0**	**0**	**1**	**1**

	Securities	Shareholdings in associated companies valued at equity	Participations	Total
2005	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition costs				
As at Jan. 1, 2005	**510**	**164**	**0**	**674**
Additions	0	0	0	0
Disposals	– 255	– 164	0	– 419
As at Dec. 31, 2005	**255**	**0**	**0**	**255**
Abschreibungen				
As at Jan. 1, 2005	**0**	**48**	**0**	**48**
Additions	8	0	0	8
Disposals	0	– 48	0	– 48
As at Dec. 31, 2005	**8**	**0**	**0**	**8**
BOOK VALUES JAN. 1, 2005	**510**	**116**	**0**	**626**
BOOK VALUES DEC. 31, 2005	**247**	**0**	**0**	**247**

Investment property was sold for T€ 1,850 in the fiscal year.

In the previous year, fixed-interest corporate bonds assigned to the category "financial assets at fair value through profit or loss" were posted as securities. This corporate bond was sold in fiscal year 2006.

The "participations" item includes a 5.2 % shareholding in Hyrebostädter i Norra Tyskland Verwaltungs GmbH (formerly PATRIZIA Projekt 130 GmbH).

4.2 TAX ASSETS

Corporation tax credits of T€ 361 that carry a right to payment from 2008 and will be paid by the fiscal authorities over a period of 10 years in equal annual amounts are treated as long-term tax assets. Valuation is carried out at present value.

4.3 DEFERRED TAX ASSETS / TAX LIABILITIES

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

	31.12.2006 Assets side	31.12.2006 Liabilities side	31.12.2005 Assets side	31.12.2005 Liabilities side
	EUR'000	EUR'000	EUR'000	EUR'000
Inventories	834	0	625	0
Retirement Benefit Obligations	29	0	16	0
Interest rate swaps	296	317	617	
Tax loss carryforwards	628	0	302	0
	1,787	**317**	**1,560**	**0**
Balancing	–317	–317	0	0
	1,470	**0**	**1,560**	**0**

As at the balance sheet date, there were corporation tax loss carryforwards of T€ 1,162 (previous year T€ 606) and trade tax loss carryforwards of T€ 2,360 (previous year T€ 1,210), for which deferred tax assets of T€ 628 (previous year T€ 302) have been stated.

Due to the lack of foreseeability regarding dissolution of the tax group, no deferred tax assets have been stated for pre-consolidation losses of T€ 447 (previous year T€ 447). 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 stated 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 stated for existing loss carryforwards in this company of T€ 18,214 (previous year T€ 26,292) due to lack of foreseeability of their tax benefit. In the reporting year, profits arising from the portfolio sales were offset against loss carryforwards of T€ 8,078, leading to a corresponding tax reduction (cf. 6.10). Distributions of Alte Haide Baugesellschaft mbH within the transition period from the imputation system to the half-income system carry the risk of subsequent corporation tax payments. No such distributions are planned.

Deferred tax assets and deferred tax liabilities are balanced, 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 office.

4.4 INVENTORIES

A breakdown of inventories is shown below:

	2006	2005
	EUR'000	EUR'000
Real estate intended for sale	228,403	184,374
Advance payments	0	5,142
	228,403	**189,516**

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

Inventories to the value of T€ 162,557 were sold in the fiscal year.

In 2007, the Group plans to sell inventories to the amount of T€ 75,000 from the inventories included in the portfolio as at December 31, 2006.

As in the previous year, no value adjustments were to be carried out on inventories in the fiscal year.

The real estate in the inventories is negatively impacted by land charges of T€ 125,466 (previous year T€ 149,200) that serve as collateral for liabilities to banks. Furthermore, future revenues from the sale of real estate have been ceded to financing banks, also to secure bank loans of T€ 79,574 (previous year T€ 93,200).

4.5 INTEREST RATE SWAPS

The Group uses various interest rate swaps for partial hedging of the interest rate risk arising from its bank loans. These partially qualify as cash flow hedges.

The changes to the fair value of the hedges that do not qualify as cash flow hedges are recognized with an impact on income in the profit and loss account. They totaled T€ 595 in the fiscal year.

As at December 31, 2006, the nominal volume of these interest rate swaps amounted to T€ 17,700 (previous year T€ 55,287); the corresponding market values were T€ -946 (previous year T€ -1,541). The associated interest payments were fixed at 5.25 % for the period up to August 2011 and 4.07 % for the period up to September 2008. These interest payments are countered by variable interest income on the basis of the 6-month Euribor and 3-month Euribor.

The changes to the fair values of the cash-flow hedges of T€ 792 are directly recognized in equity, taking deferred taxes into account.

As at December 31, 2006, the nominal volume of these derivatives classified as cash flow hedges totaled T€ 60,200 (previous year T€ 0); the corresponding market values were T€ 827 (previous year T€ 0). The associated interest payments were fixed at 4.75 % for the period up to December 2010, 3.33 % for the period up to September 2009, 3.24 % for the period up to December 2008 and 2.98 % for the period up to September 2008. These interest payments are countered by variable interest income on the basis of the 6-month Euribor and 3-month Euribor.

4.6 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

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

	2006	2005
	EUR'000	EUR'000
Trade receivables	31,208	15,130
Other current assets	27,476	1,045
	58,684	**16,395**

Trade receivables and other current assets are reduced by specific value adjustments of T€ 175 (previous year T€ 833).

Other assets chiefly include the balance of an escrow account of T€ 25,047 (previous year T€ 0) in order to meet the contractual obligations in the context of a real-estate purchase for which the transfer of ownership, benefits and encumbrances is to take place no earlier than January 31, 2007.

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

The book value of the receivables corresponds to their fair value.

4.7 BANK BALANCES AND CASH

The “bank balances and cash” item comprises cash and cash deposits held by the Group. The book value of these assets corresponds to their fair value.

4.8 COUNTERPARTY RISK OF FINANCIAL ASSETS

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 a counterparty risk. The counterparty risk of the Group primarily results from the trade receivables. Insofar as they are identifiable, these are reduced 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 counterparty risk here.

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

5. NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

Please refer to the statement of changes in equity for details including on the development of equity including minority interests.

5.1.1 SHARE CAPITAL

As at the balance sheet date, the share capital of the company totaled T€ 47,400 (previous year T€ 5,050) and was divided into 47,400,000 no-par value shares. Two capital increases by a nominal total of T€ 42,350 were carried out in the reporting year. Of this amount, T€ 35,350 stemmed from shareholders' funds and T€ 7,000 stemmed from cash contributions.

The contingent capital of the previous year was converted to authorized capital of T€ 20,200 by means of an Annual General Meeting resolution dated February 23, 2006.

First Capital Partner GmbH is the majority shareholder of PATRIZIA Immobilien AG with 23,708,572 shares, which equates to a 50.02 % shareholding (previous year 93.96 %).

On January 12, 2007, the share capital was increased by T€ 4,730 to T€ 52,130. After this capital increase, the authorized capital now totals T€ 15,470.

As a result of the capital increase carried out in January 2007, First Capital Partner GmbH currently has a 45.48 % stake in PATRIZIA Immobilien AG.

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the reporting year as part of the IPO of the company are posted in the capital reserve. T€ 122,500 was allocated to the capital reserve. Of this, T€ 7,791 in transaction costs, reduced by taxes of T€ 3,116, was deducted.

5.1.3 RETAINED EARNINGS

The legal reserve of T€ 505 is again posted under “retained earnings”.

5.1.4 MINORITY INTERESTS

The key minority interests relate to the 49 % minority interests in the equity of Wasserturm Bau GmbH & Co. KG, Augsburg, and Wasserturm Grundstück GmbH & Co. KG, Augsburg. The 5.1 % shareholding of Mr. Wolfgang Egger in Wasserturm Grundstück GmbH & Co. KG is assigned to the Group for capital consolidation purposes, but is posted as a minority interest.

Minority interests are not posted as they are absorbed by losses; the losses in excess of the shareholdings are included in the consolidated net profit.

5.2 BANK LOANS

A breakdown of bank loans is shown below:

	2006	2005
	EUR'000	EUR'000
Utilization of revolving lines of credit	28	56
Bank loans	125,466	152,100
	125,494	**152,156**

The residual terms of the loans are as follows:

	Total floating-rate financial liabilities	Total fixed-rate financial liabilities	Weighted interest rate in % (fixed-rate loans)	Total floating-rate financial liabilities	Total fixed-rate financial liabilities	Weighted interest rate in % (fixed-rate loans)
	2006			2005		
	EUR'000	EUR'000		EUR'000	EUR'000	
‹ 1 year	110,901	0	n.a.	149,200	42	6.0
1 – 2 years	247	0	n.a.	0	44	6.0
2 – 5 years	14,346	0	n.a.	0	149	6.0
› 5 years	0	0	n.a.	0	2,665	6.0
	125,494	**0**		**149,200**	**2,900**	

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

The bank loans are based on variable interest rate and correspond to the market value. In this respect, the Group is exposed to an interest rate risk in terms of the cash flows.

For the bank loans, the owned real estate posted under "inventories" serves as security. The bank loans secured by real-estate liens amount to T€ 125,466 (previous year T€ 152,100). In the previous year, “investment property” accounted for T€ 2,900. In addition, financial liabilities of T€ 79,574 (T€ 93,200) are secured by ceding purchasing prices, and others of T€ 125,466 (previous year T€ 152,100) are secured by ceding future rental payments.

5.3 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 the acquisition of a subsidiary. As at the balance sheet date, five people therefore had a performance-related commitment. 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 approx. 25 % on the basis of an actuarial report prepared in accordance with IAS 19. On December 31, 2006, an actuarial interest rate of 4.25 % and a projected pension increase of 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 RT 2005G). As at December 31, 2006, the pension provision was recognized at T€ 306 (previous year T€ 285). Due to the low level of the annual pension payments of T€ 32 and therefore also the low value of the pension provision, the pension provision in the consolidated financial statements was not regarded as significant. For this reason, there is no breakdown of the change to the pension provision. As at the balance sheet date, there were neither scheme assets nor unrecorded actuarial losses and/or unrecorded past service costs. The interest cost is also posted under “staff costs”.

5.4 OTHER PROVISIONS

A breakdown of other provisions is shown below:

	01.01.2006	Allocation	Reversal	Utilization	31.12.2006
	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000
Other provisions	521	535	1	520	535
	521	**535**	**1**	**520**	**535**

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 cash outflow will occur in the subsequent year.

5.5 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

	2006	2005
	EUR'000	EUR'000
Trade payables	32,659	8,988
Advance payments	2,507	8,439
Other liabilities	9,323	6,133
CURRENT LIABILITIES	**44,489**	**23,560**

Current liabilities have a residual term of less than 12 months. The fair value of the liabilities therefore corresponds to the book value. Other liabilities chiefly include accruals of bank interest and bank charges of T€ 1,620 (previous year T€ 1,112), follow-up costs of T€ 4,564 (previous year T€ 1,002), wage and church tax as well as social security contributions of T€ 311 (previous year T€ 456) and value-added tax of T€ 252 (previous year T€ 330).

5.6 TAX LIABILITIES

Tax liabilities of T€ 10,810 (previous year T€ 6,295) include the expected actual tax payments arising from the taxable income of the current year and from additional tax payments for previous years.

6. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

6.1 REVENUES

Please refer to the statements on segment reporting.

Revenues include rentals from investment property of T€ 110 (previous year T€ 102).

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 under “changes in inventories” with an impact on income 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 chiefly relates to income from payments of damages of T€ 900 (previous year T€ 0), reversal of provisions of T€ 1,176 (previous year T€ 608) as well as received discounts of T€ 245 (previous year T€ 294) and income from payments in kind of T€ 348 (previous year T€ 267).

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.

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

	2006	2005
	EUR'000	EUR'000
Wages and salaries	12,853	10,632
Social insurance contributions	2,029	1,727
	14,882	**12,359**

6.6 AMORTIZATION

Scheduled amortization amounts to T€ 593 (previous year T€ 603). It relates to software and equipment.

6.7 RESULTS FROM FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTY

Results from fair value adjustments to investment property amount to T€ 150 (previous year T€ – 300). Investment property was sold in the fiscal year.

6.8 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

	2006	2005
	EUR'000	EUR'000
Administrative expenses	8,012	6,338
Selling expenses	6,902	5,843
Other expenses	1,792	1,366
	16,706	**13,547**

These expenses include expenditure for the ongoing maintenance of investment property, totaling T€ 7 (previous year T€ 90).

6.9 FINANCIAL RESULT

	2006	2005
	EUR'000	EUR'000
Interest on bank deposits	2,163	829
Income from securities	482	0
Interest on revolving lines of credit and bank loans	– 6,719	– 6,063
Profit share of silent partners	0	– 200
	–4,074	**–5,434**

6.10 INCOME TAXES

A breakdown of income taxes is shown below:

	2006	2005
	EUR'000	EUR'000
Actual income taxes	–15,027	–2,585
Deferred taxes	227	–847
	–14,800	**–3,432**

The deferred taxes in the profit and loss account chiefly result from loss carryforwards, the market valuation of the interest-rate swaps 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 obtained from the IFRS consolidated net profit for the year (before income taxes) by applying the income tax rate of 40 % (previous year 40 %). The income tax rate consists of 25 % corporation tax, thereafter 5.5 % solidarity surcharge and 13.63 % trade tax:

	2006	2005
	EUR'000	EUR'000
IFRS consolidated net profit for the year before income tax	47,200	20,064
Expected actual income tax expenses	18,880	8,026
Non-deductible operating expenditure	166	24
Tax-free income	–3,291	–4,796
Utilization of non-capitalized loss carryforwards (net amount)	–649	0
Effects outside the period	–306	136
Other	0	42
EFFECTIVE TAX EXPENSES	**14,800**	**3,432**

6.11 EARNINGS PER SHARE

	2006	2005
Profit share of Group shareholders	€ 32,400,133	€ 16,631,894
Number of shares issued	47,400,000	40,400,000*
Weighted number of shares	45,673,973	40,226,848*
Earnings per share (undiluted)	€ 0.71	€ 0.41

* Previous year's figure adjusted for capital increase from shareholders' funds of T€ 35,350

There were no diluted earnings per share in the reporting year or in the previous year. As at December 31, 2006 there was authorized capital of T€ 20,200. On January 12, 2007, the Managing Board exercised its authority to carry out capital increases from the authorized capital and issued 4,730,000 new shares, with exclusion of the subscription right.

7. SEGMENT REPORTING

The Group is divided into two segments, “Investments” and “Services”. The Investments segment consists of the Residential Property Resale, Asset Repositioning and Project Development lines. 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) and the management of real estate (real-estate management). In addition, the Group carries out residential property resale and sales of properties as single assets on behalf of customers (sales management).

The Group'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
2006	EUR'000	EUR'000	EUR'000	EUR'000
External revenues	228,704	8,823	84	**237,611**
EBITDA	54,186	1,297	–3,765	**51,718**
EBIT	54,229	1,235	–4,190	**51,274**
2005	EUR'000	EUR'000	EUR'000	EUR'000
External revenues	86,946	12,491	71	**99,508**
EBITDA	25,856	1,899	–1,354	**26,401**
EBIT	25,547	1,877	–1,926	**25,498**

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 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 operating activities was calculated using the indirect method.

Cash and cash equivalents only contain the bank balances and cash posted in the balance sheet.

In the cash flow from operating activities, 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. Interest income of T€ 2,163 (previous year T€ 829), interest expenses of T€ 6,838 (previous year T€ 6,263) and paid income taxes of T€ 7,443 (previous year T€ 1,723) as well as borrowing and repayment of bank loans are assigned to operating activities due to the special nature of the real-estate sector.

Cash flow from investing activities contains the financial investments in and sales of property, plant and equipment, particularly investment property, intangible assets and securities reported under non-current assets as well as associated bank loans.

Cash flow from financing activities includes cash outflows for dividends and cash inflows from capital increases of PATRIZIA Immobilien AG as part of the IPO.

9. OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

There are no performance-related pension schemes at the Group. One exception to this is a scheme that was transferred in 2002 in the context of an acquisition. As at the balance sheet date, five people therefore had a performance-related commitment. 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 a standalone 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 employee in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2006, a total of T€ 50 (previous year T€ 48) was paid in contributions to the provident fund.

The employees in the Group are largely compulsorily insured with the statutory annuity insurance and are thus covered by a contribution-oriented state 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 statutory annuity insurance. For this purpose, the Group has concluded a collective framework agreement with an external pension fund.

9.2 STOCK-BASED REMUNERATION

In 2005, PATRIZIA Immobilien AG introduced a management investment model aimed at giving the directors and managers of Group companies the opportunity to invest in PATRIZIA Immobilien AG. After the first stages of the investment model (stock or options granted through First Capital Partner GmbH and FCP Projekt A GmbH) were implemented, in the run-up to the IPO, in close cooperation with First Capital Partner GmbH, who initiated the investment model, the Managing Board took the decision not to implement the third stage of the stock option model (granting of stock options through PATRIZIA Immobilien AG and conversion into stock via contingent capital). The corresponding authority of the Managing Board to grant stock options and the contingent capital established for this effect were therefore to be reversed. This was possible because the Managing Board had not yet exercised its authority to issue stock options.

With a resolution of the Annual General Meeting on February 23, 2006, the corresponding authority for the Managing Board and the contingent capital was therefore reversed.

PATRIZIA plans to introduce a new management investment model that meets the requirements of the capital market.

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, the 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 (top controlling company)
- First Capital Partner GmbH, Gräfelfing
- FCP Projekt A GmbH, Augsburg
- FCP Anlage AG, Gräfelfing
- Wohnungsportfolio WPO Berlin GmbH, Berlin
- Wohnungsportfolio WPO Immobilienservice GmbH, Berlin
- Immobilienportfolio IPO Berlin GmbH, Berlin
- AHO Verwaltung GmbH, Augsburg (formerly: PATRIZIA Grundbesitz Beteiligungs GmbH, Augsburg)
- AHO Grundbesitz GmbH & Co. KG, Augsburg
- eurobilia AG, Cologne
- Hansa-Langenhorn-Immobilien GmbH, Hamburg
- Verwaltung EHG Erste Hanseatische Grundvermögen GmbH, Hamburg
- E.H.G. Erste Hanseatische Grundvermögen GmbH & Co. KG, Hamburg

- Objektgesellschaft An der Alster 47 GmbH & Co. KG, Augsburg
- Z.H.G. Zweite Hanseatische Grundvermögen GmbH & Co. KG, Hamburg
- Stadtresidenz Friedrich-List Vermögensverwaltungs KG, Augsburg
- PATRIZIA KinderHaus-Stiftung, 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, via First Capital Partner GmbH, in which he indirectly holds a 99.9 % stake via WE Vermögensverwaltung GmbH & Co. KG, Mr. Wolfgang Egger, Chairman of the Board of the Company, held a total stake of 50.02 % in the company.

Mr. 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 Mr. Ernest-Joachim Storr.

Dr. Georg Erdmann, a member of the Managing Board of the company, holds a total stake of 0.15 % in PATRIZIA Immobilien AG.

Mr. Alfred Hoschek, a member of the Managing Board of the Company, holds a total stake of 1.62 % in the company. Via AHO Verwaltung GmbH, in which he owns a 100 % stake, he also holds 5.1 % of the shares in Alte Haide Baugesellschaft mbH. The remaining 94.9 % of the shares are indirectly held by PATRIZIA Immobilien AG via Stella Grundvermögen GmbH.

Mr. 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

Furthermore, as members of the additional management levels of PATRIZIA, Messrs Eckhard Bolte, Gerhard Faltermeier, Werner Gorny, Jürgen Kolper, Klaus Kümmerle, Martin Lemke and Markus Scherl hold a total of 0.77 %.

Direct Contracts and Business Relationships Between the Managing Board Members and PATRIZIA

Rental Agreements Between Managing Board Members and PATRIZIA

Mr. 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) with a current monthly rent of T€ 27.

Service and Support Contracts Between Persons and Companies Related to Managing Board Members and PATRIZIA

PATRIZIA Immobilien AG has concluded service contracts with the above-mentioned persons, for which it performs some of the following services:

- Handling of financial accounting and preparation of annual financial statements
- Assistance with financing matters
- Assistance with preparing strategic concepts and corporate communication
- Assistance with image design and implementation of advertising measures
- Assistance with legal matters (no legal advice).

All contracts with a total volume of T€ 51 are on customary terms. There were no open balances as at the balance sheet date.

The following additional contracts are in place between Chairman of the Board Wolfgang Egger, Alfred Hoschek or persons related to them and PATRIZIA: A contract relating to supervision of the private real-estate portfolio, contracts for carrying out private accounting, a contract for managing the private real-estate portfolio and also contracts for main and general contractor activities in the private real-estate portfolio, which were also concluded on customary terms.

Rental Agreements Between Individuals Related to Managing Board Members and PATRIZIA

Furthermore, Objektgesellschaft An der Alster 47 GmbH & Co. KG - as lessor - (Wolfgang Egger and Alfred Hoschek have indirect stakes of 95 % and 5 % respectively in this company) has concluded a rental agreement with the company for a floor of a building in Hamburg with monthly rent of T€ 6 plus statutory VAT.

Other Contracts Between Individuals Related to Managing Board Members and PATRIZIA

Mrs. Edeltraud Egger, mother of Chairman of the Board of the company Wolfgang Egger, concluded a contract (as the customer) with PATRIZIA Hausverwaltung GmbH for caretaker activities for management of a building in Augsburg on December 1, 1993. The contract was extended for a further five years on December 1, 2003.

Activities of Managing Board Members Outside PATRIZIA

Chairman of the Board Wolfgang Egger is a director of WE Verwaltungs GmbH (general partner of WE Vermögensverwaltung GmbH & Co. KG), as well as a director of First Capital Partner GmbH and FCP Projekt A GmbH.

Managing Board member Dr. Georg Erdmann is a director of WE Verwaltungs GmbH (general partner of WE Vermögensverwaltung GmbH & Co. KG), as well as a director of First Capital Partner GmbH and FCP Projekt A GmbH.

Managing Board member of the company Alfred Hoschek is a Managing Board member at eurobilia AG in Cologne, in which Wolfgang Egger holds an indirect 99.9 % stake via First Capital Partner GmbH. Furthermore, Alfred Hoschek is a director of Immobilienportfolio IPO Berlin GmbH, Wohnungsportfolio WPO Berlin GmbH, Wohnungsportfolio WPO Immobilienservice GmbH and Verwaltung EHG Erste Hanseatische Grundvermögen GmbH. Wolfgang Egger is the sole shareholder of all these companies. In addition, Alfred Hoschek is a director and sole shareholder of AHO Verwaltung GmbH.

Managing Board member Klaus Schmitt is a director of First Capital Partner GmbH.

Consultancy Agreement with the Law Firm Seitz, Weckbach, Fent & Fackler

There is a consultancy relationship with the law firm Seitz, Weckbach, Fent & 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 March 18, 2005. In 2006, consultancy costs of T€ 22 were incurred at the law firm Seitz, Weckbach, Fent & 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:

Mr. Wolfgang Egger, businessman, Chief Executive Officer
Dr. Georg Erdmann, business studies graduate, Chief Financial Officer (from October 1, 2006)
Mr. Alfred Hoschek, graduate engineer, Chief Investment Officer
Mr. Klaus Schmitt, law graduate, Chief Operating Officer

In the fiscal year, the payments made to the Managing Board totaled T€ 1,681 (previous year T€ 370); details are set out in the list below:

	Annual income		Pension contribution
	Salary	Bonus	
	EUR	EUR	EUR
Wolfgang Egger (Chairman)	260,000	259,732	12,000
Dr. Georg Erdmann (member of the Managing Board since October 1, 2006)	120,000	319,732	1,536
Alfred Hoschek	180,000	259,732	12,000
Klaus Schmitt	180,000	70,000	6,143

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
Mr. Harald Boberg, Hamburg, representative of Bankhaus Lampe KG, (Bielefeld), Hamburg
Mr. Manfred J. Gottschaller, director of Bayerische Handelsbank AG i. R., Munich

In the fiscal year, the Supervisory Board received remuneration of T€ 35 (previous year T€ 35); details are set out in the list below:

	Fixed remuneration
	EUR
Dr. Theodor Seitz (Chairman)	15,000
Harald Boberg	10,000
Manfred J. Gottschaller	10,000

9.5 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

	EUR'000
2007	1,087
2008 – 2011	1,478
2012 and beyond	0
	2,565

In conjunction with the erection of the "Wasserturm Sternschanze" hotel project, in relation to the buyer of the hotel, PATRIZIA Immobilien AG has assumed the unrestricted obligation to finance Projekt Wasserturm Grundstück GmbH & Co. KG in such a way that it is always in a position to fulfill all its obligations and liabilities arising from the purchase agreement in full and without restriction.

In the context of the acquisition of a real-estate portfolio, letters of comfort were issued as security for the purchases to a total of T€ 1,147,000. In this respect, €25 million was also deposited in an escrow account (cf. also the note on item 4.6 Other Current Assets). The transfer of ownership, benefits and encumbrances of this real-estate portfolio is to occur no earlier than January 31, 2007.

9.6 EMPLOYEES

The average headcount at the Group in 2006 (excluding directors) was 247 (previous year 228).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded in fiscal year 2006 for auditing the financial statements amounted to T€ 370. In addition, T€ 300 was recorded for auditing services relating to the IPO, although this figure was offset against the capital reserve as IPO costs. (See also 9.8 IPO Costs)

9.8 IPO COSTS

In conjunction with the IPO, T€ 7,791 transaction costs were incurred. Reduced by the tax effect of T€ 3,116, these costs were recognized as a reduction of the capital reserve instead of as expenses.

9.9 GERMAN CORPORATE GOVERNANCE CODE

On February 23, 2007, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with section 161 of the German Stock Corporation Act and published it on the company's homepage (www.patrizia.ag).

10. DECLARATION BY 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 (IFRS).

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 section 315 of the German Commercial Code.

Augsburg, February 26, 2007

Wolfgang Egger	Alfred Hoschek	Klaus Schmitt	Dr. Georg Erdmann
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

LIST OF SHAREHOLDINGS

The following companies are included in the consolidated financial statements of PATRIZIA Immobilien AG as subsidiaries:

Direct participations:

Company	Head office	Share holding	Equity	Net Profit/ net loss of the last fiscal year
		%	EUR	EUR
PATRIZIA Acquisition & Consulting GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Advisory & Sales GmbH [1]	Augsburg	100	35,102.02	0.00
PATRIZIA Asset Management GmbH [1]	Augsburg	100	129,810.52	0.00
PATRIZIA Bautechnik GmbH [1]	Augsburg	100	118,182.33	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 Wohnungsprivatisierung GmbH [1]	Augsburg	100	10,656.343.99	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	54,125,000.00	0.00
PATRIZIA Projekt 180 GmbH	Augsburg	100	71,378.40	6,675,777.61
PATRIZIA Projekt 190 GmbH	Augsburg	100	488,776.67	–85,151.73
PATRIZIA Projekt 200 GmbH [1]	Augsburg	100	6,763.95	0.00
PATRIZIA Projekt 260 GmbH	Augsburg	100	24,040.80	–959.20
PATRIZIA Projekt 270 Verwaltungs GmbH	Augsburg	100	24,040.80	–959.20
PATRIZIA Projekt 280 Verwaltungs GmbH	Augsburg	100	24,040.80	–959.20
PATRIZIA Projekt 290 Verwaltungs GmbH	Augsburg	100	24,040.80	–959.20
PATRIZIA Projekt 300 Verwaltungs GmbH	Augsburg	100	24,040.80	–959.20
PATRIZIA Projekt 310 Verwaltungs GmbH	Augsburg	100	24,052.40	–947.60
Wohnungsgesellschaft Olympia mbH	Hamburg	100	546,683.68	352,866.35
Stella Grundvermögen GmbH [1]	Munich	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Munich	100	21,396.12	–283.98

1) As a result of the existing control and profit transfer agreements, the results of the company in question are adopted.

Indirect participations:

Company	Head office	Share holding	Equity	Net profit/ net loss of the last fiscal year
		%	EUR	EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	24,599.80	– 400.20
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	4,110.42	– 4,639.81
Alte Haide Baugesellschaft mbH	Munich	94.9	19,922,957.32	4,626,388.36
PATRIZIA Luxembourg S.à.r.l.	Luxemburg	100	54,117,813.77	– 2,186.23
PATRIZIA Lux 10 S.à.r.l	Luxemburg	100	12,043,101.44	– 1,898.56
PATRIZIA Lux 20 S.à.r.l.	Luxemburg	100	30,043,101.44	– 1,898.56
PATRIZIA Lux 50 S.à.r.l.	Luxemburg	100	9,043,161.41	– 1,838.59
PATRIZIA Lux 60 S.à.r.l.	Luxemburg	100	3,043,161.41	– 1,838.59
PATRIZIA Real Estate 10 S.à.r.l.	Luxemburg	100	12,053,105.67	8,105.67
PATRIZIA Real Estate 20 S.à.r.l.	Luxemburg	100	30,068,066.78	23,066.78
PATRIZIA Real Estate 50 S.à.r.l.	Luxemburg	100	9,050,869.10	5,869.10
PATRIZIA Real Estate 60 S.à.r.l.	Luxemburg	100	3,045,769.10	769.10
PATRIZIA Projekt 220 GmbH	Augsburg	100	27,530.80	2,530.80
PATRIZIA Projekt 230 GmbH	Augsburg	100	32,665.80	7,665.80
PATRIZIA Projekt 240 GmbH	Augsburg	100	26,628.30	1,628.30
PATRIZIA Projekt 250 GmbH	Augsburg	100	24,903.30	– 96.70
PATRIZIA Projekt 320 GmbH [1]	Augsburg	100	25,000.00	0,00
PATRIZIA Projekt 330 GmbH [1]	Augsburg	100	25,000.00	0,00
PATRIZIA Projekt 340 GmbH [1]	Augsburg	100	25,000.00	0,00
PATRIZIA Projekt 350 GmbH [1]	Augsburg	100	25,000.00	0,00
PATRIZIA Projekt 360 GmbH [1]	Augsburg	100	25,000.00	0,00
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	– 1,142,377.33	– 328.167,34
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	– 1,222,434.90	– 756.635,78

1) As a result of the existing control and profit transfer agreements, the results of the company in question are adopted.

Indirect and direct participations:

Company	Head office	Share holding	Equity	Net profit/ net loss of the last fiscal year
		%	EUR	EUR
PATRIZIA Projekt 270 A GmbH & Co. KG	Augsburg	100	443.90	– 556.10
PATRIZIA Projekt 280 B GmbH & Co. KG	Augsburg	100	443.90	– 556.10
PATRIZIA Projekt 290 C GmbH & Co. KG	Augsburg	100	443.90	– 556.10
PATRIZIA Projekt 300 D GmbH & Co. KG	Augsburg	100	443.90	– 556.10
PATRIZIA Projekt 310 E GmbH & Co. KG	Augsburg	100	443.90	– 556.10
Objekt Dresden Altmarkt SARI GmbH & Co. KG	Augsburg	100	– 1,068.36	– 1,168.36
PATRIZIA Vermögensverwaltungs GmbH [1)]	Augsburg	100	687,583.33	0.00

1) As a result of the existing control and profit transfer agreement, the results of the company in question are adopted.

AUDITOR'S CERTIFICATE

We have audited the consolidated financial statements prepared by PATRIZIA Immobilien AG, Augsburg – comprising the balance sheet, profit and loss account, 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. 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 section 315a paragraph 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 section 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 section 315a paragraph 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 2, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Löffler)	(Stadter)
Auditor	Wirtschaftsprüfer

This annual report contains specific forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements relating to future financial earning capacity, plans and expectations with respect to the business and management of PATRIZIA, growth, profitability and the general economic and regulatory conditions and other factors to which PATRIZIA is exposed.

Forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that may cause the actual results including the net asset, financial and earnings situation of PATRIZIA to differ materially from or disappoint expectations expressed or implied by these statements. The operating activities of PATRIZIA are subject to a number of risks and uncertainties that may also cause a forward-looking statement, estimate or prediction to become inaccurate.