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CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS AS OF DECEMBER 31, 2007

ASSETS

	Notes to consolidated financial statements	31.12.2007	31.12.2006
A. NON-CURRENT ASSETS		EUR'000	EUR'000
Software	4.1	196	237
Investment property	4.1	711,558	0
Investment property under construction	4.1	20,205	0
Equipment	4.1	2,087	1,472
Investments in joint ventures	4.1	5,067	0
Participations	4.1	2,043	1
Long-term financial derivatives	4.4	8,704	0
Long-term tax assets	4.2	375	361
Deferred tax assets	5.3	0	1,470
<b>Total non-current assets</b>		<b>750,235</b>	<b>3,541</b>
B. CURRENT ASSETS			
Inventories	4.3	793,395	228,403
Short-term financial derivatives	4.4	4,546	827
Short-term tax assets	4.2	3,144	0
Current receivables and other current assets	4.5	37,859	58,684
Bank balances and cash	4.6	54,013	83,211
<b>Total current assets</b>		<b>892,957</b>	<b>371,125</b>
<b>TOTAL ASSETS</b>		<b>1,643,192</b>	<b>374,666</b>

## EQUITY AND LIABILITIES

	Notes to consolidated financial statements	31.12.2007	31.12.2006
A. EQUITY		EUR'000	EUR'000
Share capital	5.1.1	52,130	47,400
Capital reserves	5.1.2	215,862	118,398
Retained earnings			
- legal reserves	5.1.3	505	505
Valuation results from cash flow hedges	4.4	2,941	475
Consolidated net profit		65,167	24,946
<b>Total equity</b>		<b>336,605</b>	<b>191,724</b>
<b>B. LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	5.3	9,914	0
Long-term financial derivatives	4.4	1,142	946
Retirement benefit obligations	5.4	369	306
<b>Total non-current liabilities</b>		<b>11,425</b>	<b>1,252</b>
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	5.2	1,261,997	125,494
Short-term financial derivatives	4.4	235	0
Other provisions	5.5	594	535
Current liabilities	5.6	32,171	44,489
Tax liabilities	5.7	165	10,810
Other current liabilities		0	362
<b>Total current liabilities</b>		<b>1,295,162</b>	<b>181,690</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,643,192</b>	<b>374,666</b>

**CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS**  
for the period from January 1, 2007 to December 31, 2007

	Notes to consolidated financial statements	2007	2006
		EUR'000	EUR'000
1. Revenues	6.1	193,253	237,611
2. Changes in inventories	6.2	666,705	44,114
3. Other operating income	6.3	1,905	3,357
<b>4. Total operating performance</b>		<b>861,863</b>	<b>285,082</b>
5. Cost of materials	6.4	-778,775	-201,777
6. Staff costs	6.5	-19,908	-14,882
7. Amortization of software and depreciation on equipment	6.6	-771	-593
8. Results from fair value adjustments to investment property	6.7	69,477	150
9. Other operating expenses	6.8	-20,543	-16,706
10. Earnings from companies accounted for using the equity method		-298	0
11. Finance income	6.9	20,371	2,645
12. Finance cost	6.9	-68,246	-6,719
<b>13. Profit before income taxes</b>		<b>63,170</b>	<b>47,200</b>
14. Income tax	6.10	-15,129	-14,800
<b>15. Net profit</b>		<b>48,041</b>	<b>32,400</b>
16. Profit carried forward		17,126	0
17. Allocation to retained earnings			
a) legal reserves		0	0
b) other retained earnings		0	-7,454
<b>18. Consolidated net profit</b>		<b>65,167</b>	<b>24,946</b>
Earnings per share (undiluted), in EUR	6.11	0.92	0.71

**CONSOLIDATED CASH FLOW STATEMENT**  
for the period from January 1, 2007 to December 31, 2007

	2007	2006
	EUR'000	EUR'000
Consolidated profit after taxes	48,041	32,400
Amortization of intangible assets and depreciation on property, plant and equipment	771	593
Results from fair value adjustments to investment property	- 69,477	- 150
Loss from / gain on disposal of fixed assets	419	- 8
Change in deferred taxes	11,384	90
Change in retirement benefit obligations	63	21
Non-cash item income and expenses that are not attributable to financing activities	- 22,619	- 947
Changes in inventories, receivables and other assets that are not attributable to investing activities	- 614,570	- 81,537
Changes in liabilities that are not attributable to financing activities	583,385	1,078
<b>Cash outflow from operating activities</b>	<b>- 62,603</b>	<b>- 48,460</b>
Capital investments in intangible assets and property, plant and equipment	- 1,845	- 804
Cash receipts from disposal of intangible assets and property, plant and equipment	81	15
Cash receipts from disposal of investment property	0	1,850
Payments for development or acquisition of investment property	- 595,041	0
Investments	- 7,407	- 1
Cash receipts from disposal of financial assets	0	247
<b>Cash outflow / inflow from investing activities</b>	<b>- 604,212</b>	<b>1,307</b>
Dividend of PATRIZIA Immobilien AG	- 7,820	- 8,080
Capital increase of PATRIZIA Immobilien AG	104,060	129,500
Borrowing of loans	543,243	0
Repayment of loans	0	- 2,858
Other cash inflows or outflows from financing activities	- 1,866	- 4,675
<b>Cash inflow from financing activities</b>	<b>637,617</b>	<b>113,887</b>
<b>Change in operating activities of a cash nature</b>	<b>- 29,198</b>	<b>66,734</b>
Cash January 1	83,211	16,477
Cash December 31	54,013	83,211

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS**  
for the period from January 1, 2007 to December 31, 2007

	Share capital	Capital reserves	Retained earnings (legal reserve)	Valuation results from cash flow hedges	Consolidated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Balance January 1, 2007</b>	<b>47,400</b>	<b>118,398</b>	<b>505</b>	<b>475</b>	<b>24,946</b>	<b>191,724</b>
Capital increase (net receipts)	4,730	97,464				<b>102,194</b>
Dividend					-7,820	<b>-7,820</b>
Results from fair valuation adjustments cash flow hedges				2,466		<b>2,466</b>
Net income for the period					48,041	<b>48,041</b>
<b>BALANCE DECEMBER 31, 2007</b>	<b>52,130</b>	<b>215,862</b>	<b>505</b>	<b>2,941</b>	<b>65,167</b>	<b>336,605</b>

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS**  
**(REPORTING PERIOD PREVIOUS YEAR)**  
for the period from January 1, 2006 to December 31, 2006

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

### 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, 2007 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, 2007, 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 standards were taken into account in exercising of the options granted by the IASB in the applicable version dated 2007.

The regulations in accordance with IAS 23 (Borrowing costs) for fiscal years which begin on or after January 1, 2009, applicable to financing costs are not deployed early. Previously, 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 application, borrowing costs must be capitalized. IAS 23 has already been passed by the IASB. The endorsement process in the EU is ongoing.

The regulations in accordance with IFRS 8 (Operating segments) valid for fiscal years which begin on or after January 1, 2008 are not applied early for the 2007 fiscal year. We do not expect future application to affect the consolidated financial statements significantly. This standard has already run through the endorsement process of the EU.

We are also not expecting any significant effects as a result of the changes in the revised IAS 1, which come into force for fiscal years from January 1, 2009 and have not yet been approved by the EU. We have not applied the revised standard early.

IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions), IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programs) and IFRIC 14 (IAS 19 – Defined Benefit Assets and Minimum Funding Requirements) have not yet been applied. We do not expect their future application to have any material impact.

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 TEUR (thousand euros).

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, First Capital Partner GmbH had a 45.48 % stake in PATRIZIA Immobilien AG. As a result of transactions of November 1 and November 2, 2007, First Capital Partner GmbH also acquired a 4.68 % stake in PATRIZIA Immobilien AG via its wholly-owned subsidiary, IPO Berlin GmbH, and is now indirectly and directly a shareholder in PATRIZIA Immobilien AG with 50.16 %.

## 2. SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

### 2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements of PATRIZIA Immobilien AG contain all of the Company's subsidiaries. This 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 section 264 paragraph 3 Handelsgesetzbuch (HGB – German Commercial Code) with regard to disclosure.

Joint ventures are companies which 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 presented in the Group according to the equity method.

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

In addition to the parent company, the scope of consolidation comprises 73 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 presented in the consolidated financial statements in accordance with the equity method.

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

In fiscal year 2007, in order to purchase real estate portfolios, PATRIZIA Immobilien AG set up a total of 17 shell companies, 15 of which are based in Germany and 2 in Luxemburg. 50 % of the shares in a newly established subsidiary, PATRIZIA Projekt 370 GmbH, were sold in the reporting year. PATRIZIA Immobilien AG still holds a stake of 50 % in PATRIZIA Projekt 370 GmbH, whose name was changed to F 40 GmbH. Its carrying value is 5,067 TEUR. PATRIZIA Immobilien AG retains a stake of 6.25 % in PATROffice Real Estate GmbH & Co. KG. Its carrying value is 2,042 TEUR. There were no other share acquisitions or disposals.

The results of the subsidiaries established or sold during the year are recognized 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 VIA FULL CONSOLIDATION

All subsidiaries are recognized in the consolidated financial statements via 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 carrying value method, 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 apportionable 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 apportionable to the Group. The re-valued net worth must be recognized 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 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 value of the investment 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 value of the investment is developed in line with the proportionate changes in equity at associated companies.

A participation in a joint venture was established 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 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 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 valuation provides for the carrying out of scheduled amortization 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 3 to 5 years. Equipment is amortized over 3 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 on each balance sheet date for a value-adjustment requirement.

### 3.3 INVESTMENT PROPERTY

Investment property is property that is held for generating rental income or for capital appreciation or both. The proportion of owner-occupier use does not exceed 10 % of the rental space. Investment property is carried at fair value, with changes in value recognized in Group profit.

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

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

Investment property under construction is posted at cost. If the development is concluded and if the transfer to property investment is successful, the difference between the carrying value and the fair value is recognized in the results as is a change in value in investment property.

### 3.4 INVESTMENTS IN JOINT VENTURES

The Group has a stake in a joint venture, F 40 GmbH, in the form of a jointly managed company. Accordingly, there is a contractual agreement between the partner companies on the joint control over the economic activities of the entity. The Group accounts for its share in the joint venture using the equity method. The Group includes its share in the joint venture in which the carrying value of the investment 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.

Inventories are valued at acquisition or manufacturing cost. If the net sale price is lower, this is recognized. 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.

### 3.6 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**. The fair values of the derivatives are determined by external banks.

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 and cash deposits with an original term of less than three months.

The cash in the consolidated cash flow statement is delimited according to the above definition and also covers the revolving lines of credit utilized.

### 3.8 FINANCIAL LIABILITIES

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

### 3.9 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

### 3.10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the derivative financial instruments interest swaps, collars and caps to protect itself against interest 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 includes the determination of the hedging instrument, the underlying transaction or the hedged transaction and the type of hedged risk and a description of how the company determines the effectiveness of the hedging instrument in compensating for risks resulting from changes to fair value or to the 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 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 are recorded as expenses in the period in which they are 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 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 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 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
2007	EUR'000	EUR'000	EUR'000
<b>Acquisition costs</b>			
<b>Balance as at January 1, 2007</b>	<b>810</b>	<b>3,817</b>	<b>4,627</b>
Additions	284	1,561	1,845
Disposals	-790	-1,352	-2,142
<b>Balance as at December 31, 2007</b>	<b>304</b>	<b>4,026</b>	<b>4,330</b>
<b>Amortization</b>			
<b>Balance as at January 1, 2007</b>	<b>573</b>	<b>2,345</b>	<b>2,918</b>
Additions	126	645	771
Disposals	-591	-1,051	-1,642
<b>Balance as at December 31, 2007</b>	<b>108</b>	<b>1,939</b>	<b>2,047</b>
<b>BOOK VALUES AS AT JANUARY 1, 2007</b>	<b>237</b>	<b>1,472</b>	<b>1,709</b>
<b>BOOK VALUES AS AT DECEMBER 31, 2007</b>	<b>196</b>	<b>2,087</b>	<b>2,283</b>

	Software	Equipment	Total
2006	EUR'000	EUR'000	EUR'000
<b>Acquisition costs</b>			
<b>Balance as at January 1, 2006</b>	<b>701</b>	<b>3,179</b>	<b>3,880</b>
Additions	109	695	804
Disposals	0	-57	-57
<b>Balance as at December 31, 2006</b>	<b>810</b>	<b>3,817</b>	<b>4,627</b>
<b>Amortization</b>			
<b>Balance as at January 1, 2006</b>	<b>467</b>	<b>1,908</b>	<b>2,375</b>
Additions	106	487	593
Disposals	0	-50	-50
<b>Balance as at December 31, 2006</b>	<b>573</b>	<b>2,345</b>	<b>2,918</b>
<b>BOOK VALUES AS AT JANUARY 1, 2006</b>	<b>234</b>	<b>1,271</b>	<b>1,505</b>
<b>BOOK VALUES AS AT DECEMBER 31, 2006</b>	<b>237</b>	<b>1,472</b>	<b>1,709</b>

## DEVELOPMENT OF NON-CURRENT ASSETS

		Investment Property
2007		EUR'000
<b>Fair value</b>		
<b>Balance as at January 1, 2007</b>		<b>0</b>
Reclassification from inventories		57,739
Additions – assets		584,342
Fair value adjustments		69,477
<b>BALANCE AS AT DECEMBER 31, 2007</b>		<b>711,558</b>

		Investment Property
2006		EUR'000
<b>Fair value</b>		
<b>Balance as at January 1, 2006</b>		<b>1,700</b>
Fair value adjustments		150
Disposal of assets		–1,850
<b>BALANCE AS AT DECEMBER 31, 2006</b>		<b>0</b>

## DEVELOPMENT OF NON-CURRENT ASSETS

		Investment Property under construction
2007		EUR'000
<b>Fair value</b>		
<b>Balance as at January 1, 2007</b>		<b>0</b>
Reclassification from inventories		9,182
Additions – assets		11,023
Fair value adjustments		0
<b>BALANCE AS AT DECEMBER 31, 2007</b>		<b>20,205</b>

		Investment Property under construction
2006		EUR'000
<b>Fair value</b>		
<b>Balance as at January 1, 2006</b>		<b>0</b>
Fair value adjustments		0
Disposal of assets		0
<b>BALANCE AS AT DECEMBER 31, 2006</b>		<b>0</b>

## DEVELOPMENT OF NON-CURRENT ASSETS

	Investments in joint ventures	Participations	Securities	Total
2007	EUR'000	EUR'000	EUR'000	EUR'000
<b>Acquisition costs</b>				
<b>Balance as at January 1, 2007</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
Additions	5,365	2,042	0	7,407
Disposals	0	0	0	0
<b>Balance as at December 31, 2007</b>	<b>5,365</b>	<b>2,043</b>	<b>0</b>	<b>7,408</b>
<b>Amortization</b>				
<b>Balance as at January 1, 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions	298	0	0	298
Disposals	0	0	0	0
<b>Balance as at December 31, 2007</b>	<b>298</b>	<b>0</b>	<b>0</b>	<b>298</b>
<b>BOOK VALUES AS AT JANUARY 1, 2007</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>BOOK VALUES AS AT DECEMBER 31, 2007</b>	<b>5,067</b>	<b>2,043</b>	<b>0</b>	<b>7,110</b>

	Investments in joint ventures	Participations	Securities	Total
2006	EUR'000	EUR'000	EUR'000	EUR'000
<b>Acquisition costs</b>				
<b>Balance as at January 1, 2006</b>	<b>0</b>	<b>0</b>	<b>255</b>	<b>255</b>
Additions	0	1	0	1
Disposals	0	0	-255	-255
<b>Balance as at December 31, 2006</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Amortization</b>				
<b>Balance as at January 1, 2006</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>
Additions	0	0	0	0
Disposals	0	0	8	8
<b>Balance as at December 31, 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>BOOK VALUES AS AT JANUARY 1, 2006</b>	<b>0</b>	<b>0</b>	<b>247</b>	<b>247</b>
<b>BOOK VALUES AS AT DECEMBER 31, 2006</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

Investment property is property that is held for generating rental income or for capital appreciation or both. The investment property is recognized at fair value in profit or loss in accordance with IAS 40.

Investment property under construction involves two properties which are being constructed or developed for future investment purposes. Recognition is carried out in line with IAS 16 at amortized cost.

The 50 % share in F 40 GmbH (formerly PATRIZIA Projekt 370 GmbH) is accounted for under the Investments in joint ventures item.

The Participations item includes the 5.1 % share in Hyrebostädter i Norra Tyskland Verwaltungs GmbH (formerly PATRIZIA Projekt 130 GmbH) and the 6.25 % share in PATRoffice Real Estate GmbH & Co. KG.

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

▶ Loans and receivables	41,378 TEUR
▶ Available-for-sale financial assets	2,043 TEUR
▶ Financial assets which are valued at fair value through profit or loss and are held for trading in accordance with IAS 39	8,225 TEUR
▶ Derivative financial instruments which are designated as hedging instruments and are effective as such	5,025 TEUR
▶ Bank balances and cash	54,013 TEUR

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

▶ Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	1,142 TEUR
▶ Financial liabilities which are measured at residual value through profit or loss	1,305,210 TEUR
▶ Derivative financial instruments which are designated as hedging instruments and are effective as such	235 TEUR

Other liabilities are measured entirely at amortized cost.

#### 4.2. TAX ASSETS

Corporation tax credits of 375 TEUR with a right to payment from 2008 and will 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:

	2007	2006
	EUR'000	EUR'000
Real estate intended for sale	793,395	228,403
	<b>793,395</b>	<b>228,403</b>

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

Inventories to the value of 84,572 TEUR (previous year: 162,557 TEUR) were sold in the fiscal year.

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

The carrying amount of the inventories which are pledged as security totals 680,846 TEUR (previous year: 125,466 TEUR).

#### 4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps, interest rate collars and a cap 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 5,969 TEUR (previous year: 595 TEUR).

As at December 31, 2007, the nominal volume of the derivatives classified as not effective totaled 505,779 TEUR (previous year: 17,700 TEUR); the corresponding fair values were 7,083 TEUR (previous year: – 946 TEUR).

The changes to the fair values of the hedging derivatives of 2,808 TEUR (previous year: 792 TEUR) are directly recognized in equity, taking deferred taxes into account.

No changes in value of cash flow hedges recognized in equity were realized through profit or loss and transferred into the financial result.

Fair value changes of 146 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, 2007, the nominal volume of these hedging derivatives totaled 530,800 TEUR (previous year: 60,200 TEUR); the corresponding fair values were 4,790 TEUR (previous year: 827 TEUR).

As at December 31, 2007, the entire amount of unrealized profit 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 2,941 TEUR (previous year: 475 TEUR). It is expected that the interest hedging transactions will be concluded in accordance with contractual conditions by 20 % in 2008, by 20 % in 2009, by 30 % in 2012 and by 30 % in 2013. 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:

	2007	2006
	EUR'000	EUR'000
Trade receivables	27,128	31,208
Other current assets	10,731	27,476
	<b>37,859</b>	<b>58,684</b>

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

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

	< 60 days	> 60 days, but < 180 days	> 180 days
	EUR'000	EUR'000	EUR'000
Rent receivables	1,578	1,821	0

Of these, rent receivables are secured with rental deposits amounting to 769 TEUR.

Trade receivables and other current assets are decreased by specific value adjustments of 488 TEUR (previous year: 175 TEUR).

Changes in the value adjustment account for receivables:

	EUR'000
<b>Balance as at December 31, 2006</b>	<b>175</b>
Additions	341
Outflows due to derecognitions	-19
Outflows due to payments received	-9
<b>BALANCE AS AT DECEMBER 31, 2007</b>	<b>488</b>

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 cash deposits held by the Group. The carrying value of these assets corresponds to their fair value.

### 5. NOTES 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: 47,400 TEUR) and was divided into 52,130,000 no-par value shares.

On January 12, 2007, the share capital was increased using authorized capital by 4,730 TEUR, divided into 4,730,000 no-par value shares, to 52,130 TEUR. The shareholders' subscription right was excluded for this capital increase.

With the consent of the Supervisory Board, the Managing Board was also 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 no-par value bearer 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 the majority shareholder of PATRIZIA Immobilien AG with 26,147,572 no-par value shares. First Capital Partner GmbH is therefore indirectly and directly a shareholder in PATRIZIA Immobilien AG with 50.16 %.

### 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 company's capital increase are posted in the capital reserve. 97,465 TEUR was allocated to the capital reserve. Of this, 2,697 TEUR in transaction costs, decreased by taxes of 832 TEUR, was deducted.

### 5.1.3 RETAINED EARNINGS

The legal reserve of 505 TEUR is again posted under Retained earnings.

## 5.2 BANK LOANS

A breakdown of bank loans is shown below:

	2007	2006
	EUR'000	EUR'000
Utilization of revolving lines of credit	1,362	28
Other bank loans	1,260,635	125,466
	<b>1,261,997</b>	<b>125,494</b>

The residual terms of the bank loans are as follows:

	Total floating-rate financial liabilities 2007	Total floating-rate financial liabilities 2006
	EUR'000	EUR'000
< 1 year	655,593	110,901
1 – 2 years	13,347	247
2 – 5 years	121,484	14,346
> 5 years	471,573	0
	<b>1,261,997</b>	<b>125,494</b>

All loans are in euros. 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 as those mentioned above are posted as bank loans with a residual term of up to 1 year, whose term ends within the 12 months following the balance sheet date.

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

Other bank loans are based on variable interest rates and are measured at amortized cost. 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.

For the other bank loans, the Group's own real estate serves as security. The bank loans secured by real estate liens amount to 1,260,635 TEUR (previous year: 125,466 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, 2007 Assets side	Dec. 31, 2007 Liabilities side	Dec. 31, 2006 Assets side	Dec. 31, 2006 Liabilities side
	EUR'000	EUR'000	EUR'000	EUR'000
Investment property	0	12,912	0	0
Inventories	1,459	0	834	0
Retirement benefit obligations	22	0	29	0
Derivatives	332	1,675	296	317
Tax loss carryforwards	2,860	0	628	0
	<b>4,673</b>	<b>14,587</b>	<b>1,787</b>	<b>317</b>
Netting	-4,673	-4,673	-317	-317
	<b>0</b>	<b>9,914</b>	<b>1,470</b>	<b>0</b>

As at the balance sheet date, there were corporation tax loss carryforwards of 7,158 TEUR (previous year: 1,162 TEUR) and trade tax loss carryforwards of 6,835 TEUR (previous year: 2,360 TEUR), for which deferred tax assets of 2,860 TEUR (previous year: 628 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 18,214 TEUR (previous year: 18,214 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 25 % on the basis of an actuarial report prepared in accordance with IAS 19. On December 31, 2007, 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, 2007, the pension provision was recognized at 369 TEUR (previous year: 306 TEUR). Due to the low level of the annual pension payments of 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. 01, 2007	Allocation	Reversal	Utilization	Dec. 31, 2007
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Other provisions	535	594	4	531	594
	<b>535</b>	<b>594</b>	<b>4</b>	<b>531</b>	<b>594</b>

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:

	2007	2006
	EUR'000	EUR'000
Trade payables	16,681	32,659
Advance payments	837	2,507
Other liabilities	14,653	9,323
<b>CURRENT LIABILITIES</b>	<b>32,171</b>	<b>44,489</b>

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 10,665 TEUR (previous year: 4,564 TEUR).

## 5.7 TAX LIABILITIES

The tax liabilities concern taxes in Luxemburg of 165 TEUR (previous year: 0 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 and interest rate collars and a cap. 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, 2006, approximately 82 % (2006: 62 %) of the Group's external funds was fixed interest bearing taking into account existing financial derivatives.

### Overview of the interest rate risk

The PATRIZIA Immobilien 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, 2007 this would have an effect without tax regards of 21,024 TEUR on the consolidated profit (previous year: 300 TEUR) and 12,245 TEUR on consolidated equity (previous year: 307 TEUR). In determining the effect on consolidated profit and consolidated equity, 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 16,900 TEUR is an exception. However, this has been secured since in the case of default the land will be reconveyed. As a result, no significant risk arises for the Group.

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.

	2007	2006
	EUR'000	EUR'000
Interest-bearing loans	1,261,997	125,494
Trade payables and other liabilities	32,930	56,196
Less cash and short-term deposits	– 54,013	– 83,211
<b>Net financial liabilities</b>	<b>1,240,914</b>	<b>98,479</b>
Equity	336,605	191,724
Unrealized profits	– 2,941	– 475
<b>Total modified equity</b>	<b>333,664</b>	<b>191,249</b>
Modified equity and net financial liabilities	1,574,578	289,728
Gearing ratio	79 %	34 %

## 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 rental income from investment property of 36,948 TEUR (previous year: 110 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 chiefly relates to income from received discounts of 425 TEUR (previous year: 245 TEUR), and income from payments in kind of 402 TEUR (previous year: 348 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 2,901 TEUR (previous year: 0 TEUR) expenses for maintenance of investment property.

### 6.5 STAFF COSTS

A breakdown of staff costs is shown below:

	2007	2006
	EUR'000	EUR'000
Wages and salaries	17,193	12,853
Social insurance contributions	2,715	2,029
	<b>19,908</b>	<b>14,882</b>

### 6.6 AMORTIZATION

Scheduled amortization amounts to 771 TEUR (previous year: 593 TEUR). It relates to software and equipment.

## 6.7 FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTY

Fair value adjustments to investment property amount to 69,477 TEUR (previous year: 150 TEUR).

## 6.8 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

	2007	2006
	EUR'000	EUR'000
Administrative expenses	11,748	8,012
Selling expenses	5,397	6,902
Other expenses	3,398	1,792
	<b>20,543</b>	<b>16,706</b>

## 6.9 FINANCIAL RESULT

	2007	2006
	EUR'000	EUR'000
Interest on bank deposits	2,589	1,252
Income from interest hedges	1,901	0
Changes in value of the derivatives	14,825	807
Income from securities	364	482
Other interests	692	104
	<b>20,371</b>	<b>2,645</b>
Interest on revolving lines of credit and bank loans	-57,910	-6,464
Expenses from interest hedges	-1,372	0
Changes in value of the derivatives	-8,711	0
Other finance cost	-253	-255
	<b>-68,246</b>	<b>-6,719</b>
	<b>-47,875</b>	<b>-4,074</b>

Interest income of 635 TEUR (previous year: 0 TEUR), which was recognized at the effective interest rate, is attributable to credit 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.

## 6.10 INCOME TAX

A breakdown of income taxes is shown below:

	2007	2006
	EUR'000	EUR'000
Actual income taxes	-3,634	-15,027
Deferred taxes	-11,495	227
	<b>-15,129</b>	<b>-14,800</b>

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 40 % (previous year: 40 %). The income tax rate consists of 25 % corporation tax, and on this a 5,5 % solidarity surcharge and 13.63 % trade tax:

	2007	2006
	EUR'000	EUR'000
IFRS consolidated profit for the period before income tax	63,170	47,200
Expected actual income tax expenses	25,268	18,880
Non-deductible operating expenditure	572	166
Tax-free income	-944	-3,291
Non recognition of loss carryforwards	3,253	-649
Trade tax savings from limited taxable income	-8,787	0
Special effect of the Equity 02 taxation	3,954	0
Effect of tax rate changes	-6,222	0
Effects outside the period	-1,305	-306
Other	-660	0
<b>EFFECTIVE TAX EXPENSE</b>	<b>15,129</b>	<b>14,800</b>

### 6.11 EARNINGS PER SHARE

	2007	2006
Profit share of Group shareholders	EUR 48,040,655	EUR 32,400,133
Number of shares issued	52,130,000	47,400,000
Weighted number of shares	51,987,452	45,673,973
Earnings per share (undiluted)	EUR 0.92	EUR 0.71

There were no diluted earnings per share in the reporting year or in the previous year. As at December 31, 2007 there was authorized capital of 26,065 TEUR.

## 7. SEGMENT REPORTING

The Group is divided into two segments, that of Investments and that of 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 (property 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
2007	EUR'000	EUR'000	EUR'000	EUR'000
<b>External revenues</b>	184,225	8,998	30	<b>193,253</b>
<b>EBITDA<sup>1)</sup></b>	117,476	1,234	-6,893	<b>111,817</b>
<b>EBIT<sup>1)</sup></b>	117,215	1,138	-7,308	<b>111,045</b>
2006	EUR'000	EUR'000	EUR'000	EUR'000
<b>External revenues</b>	228,704	8,823	84	<b>237,611</b>
<b>EBITDA<sup>1)</sup></b>	54,186	1,297	-3,765	<b>51,718</b>
<b>EBIT<sup>1)</sup></b>	54,229	1,235	-4,190	<b>51,274</b>

1) EBIT and EBITDA are not fixed parameters defined by IFRS

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 current operating activities was calculated using the indirect method.

Cash and cash equivalents contain the bank balances and cash posted in the balance sheet as well as short-term deposits and revolving lines of credit.

In the cash flow from current 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 5,182 TEUR (previous year: 2,163 TEUR), interest expenses of 45,821 TEUR (previous year: 6,838 TEUR) and paid income taxes of 14,097 TEUR (previous year: 7,443 TEUR) 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, particularly investment property, and investments in and sales of 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.

A dividend of 0.15 EUR per share 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 employee in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2007, a total of 56 TEUR (previous year: 50 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 counter-performance 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

In 2005, PATRIZIA Immobilien AG introduced a management participation model aimed at giving the directors and managers of Group companies the opportunity of participation in PATRIZIA Immobilien AG.

In the run-up to the IPO, the decision was made not to implement the third stage of the stock option model. With a resolution of the Annual General Meeting on February 23, 2006 the authority for the Management Board to grant stock options and for the contingent capital established to this effect was reversed.

It was announced in the consolidated annual financial statements for fiscal year 2006 that, in future, a new management participation model was to be launched which meets the requirements of the capital market.

The new management participation model 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, segment 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 after taxes and Group return on equity as well as absolute share price performance and performance in relation to reference indices.



On a segment 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 is 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.

It became effective for Management Board members on January 1, 2008.

PATRIZIA intends to extend the new management participation model to the second management level in the second half of fiscal year 2008.

### 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 (top controlling company)
- ▶ First Capital Partner GmbH, Gräfelfing
- ▶ FCP Projekt A GmbH, Gräfelfing
- ▶ FCP Anlage AG, Gräfelfing
- ▶ Wohnungsportfolio WPO Berlin GmbH, Berlin
- ▶ Wohnungsportfolio WPO Immobilienservice GmbH, Berlin
- ▶ Immobilienportfolio IPO Berlin GmbH, Berlin

- ▶ AHO Verwaltung GmbH, Augsburg
- ▶ Eurobilina 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, Chairman of the Managing Board, holds a total stake of 50.16 % indirectly and directly in the Company via First Capital Partner GmbH, in which he indirectly holds a 99.99 % 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.

Dr. Georg Erdmann, a member of the Managing Board of the Company until December 31, 2007, holds a total stake of 0.13 % in PATRIZIA Immobilien AG.

Alfred Hoschek, a member of the Managing Board of the Company, holds a total stake of 1.48 % 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.

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**

Messrs Eckhard Bolte, Gerhard Faltermeier, Werner Gorny, Jürgen Kolper, Martin Lemke, Peter Schatz und Markus Scherl also hold a total of 0.51 % as members of the additional management levels of PATRIZIA.

## **Direct Contracts and Business Relationships between the Managing Board Members and PATRIZIA**

### **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 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 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 6 TEUR plus statutory VAT.

On March 1, 2007, Friedrich-List Vermögensverwaltungs KG concluded a rental agreement for office space at Bavariaring 6, Munich, Germany with PATRIZIA Wohnungsprivatisierung GmbH. The monthly rental interest amounts to 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.

The Managing Board member, Alfred Hoschek, is a director and sole shareholder of AHO Verwaltung 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 November 29, 2007. In 2007, consultancy costs of 9 TEUR including VAT 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:

Wolfgang Egger, businessman, Chief Executive Officer

Dr. Georg Erdmann, business studies graduate, Chief Financial Officer (until December 31, 2007)

Arwed Fischer, business studies graduate, Chief Financial Officer (since March 1, 2008)

Alfred Hoschek, graduate engineer, Chief Investment Officer and Chief Financial Officer from January 1, 2008 through February 29, 2008

Klaus Schmitt, law graduate, Chief Operating Officer

In the fiscal year, the payments made to the Managing Board totaled 1,911 TEUR (previous year: 1,681 TEUR); details are included in the following table:

	Annual income			Contribution to retirement pension
	Salary	Bonus	Payments in kind and other payments	
	EUR	EUR	EUR	EUR
Wolfgang Egger (Chairman)	260,000	250,000	20,637	12,000
Dr. Georg Erdmann (Managing Board member until December 31, 2007)	180,000	250,000	11,749	6,269
Alfred Hoschek	180,000	250,000	11,222	12,000
Klaus Schmitt	180,000	250,000	25,568	12,000

### 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 i. R., Munich

The Supervisory Board received fixed remuneration of 62 TEUR (previous year: 35 TEUR); details can be found in the following table:

	Fixed remuneration
	EUR
Dr. Theodor Seitz (Chairman)	24,938
Harald Boberg	18,750
Manfred J. Gottschaller	18,750

## 9.5 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

	EUR'000
2008	1,775
2009 – 2012	1,901
2013 and later	0
	<b>3,676</b>

In conjunction with the completion 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. Since the hotel was transferred to the purchaser on December 28, 2007, the management does not foresee utilization of this obligation.

## 9.6 EMPLOYEES

The average headcount at the Group in 2007 (excluding directors) was 287 (previous year: 247).

## 9.7 AUDITOR'S FEES

The expenses for the auditor recorded in fiscal year 2007 for auditing the financial statements amounted to 410 TEUR (previous year: 370 TEUR) and 191 TEUR (previous year: 300 TEUR) for other consultancy services.

## 9.8 COSTS OF THE CAPITAL INCREASE

In conjunction with the capital increase (previous year: IPO), 2,697 TEUR (previous year: 7,791 TEUR) transaction costs were incurred, decreased by the tax effect of 832 TEUR (previous year: 3,116 TEUR), these costs were recognized as a reduction of the capital reserve instead of as expenses.

## 9.9 GERMAN CORPORATE GOVERNANCE CODE

On March 3, 2008, 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](http://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, March 10, 2008



Wolfgang Egger  
Chairman of the Board



Arwed Fischer  
Member of the Board



Alfred Hoschek  
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 of the last fiscal year
			EUR	EUR	
2007		%			
PATRIZIA Acquisition & Consulting GmbH <sup>1)</sup>	Augsburg	100	25,000.00		0.00
PATRIZIA Advisory & Sales GmbH <sup>1)</sup>	Augsburg	100	35,102.02		0.00
PATRIZIA Asset Management GmbH <sup>1)</sup>	Augsburg	100	129,810.52		0.00
PATRIZIA Bautechnik GmbH <sup>1)</sup>	Augsburg	100	118,182.33		0.00
PATRIZIA Immobilienmanagement GmbH <sup>1)</sup>	Augsburg	100	16,881.05		0.00
PATRIZIA Projektentwicklung GmbH <sup>1)</sup>	Augsburg	100	250,000.00		0.00
PATRIZIA Wohnungsprivatisierung GmbH <sup>1)</sup>	Augsburg	100	500,500.00		0.00
Deutsche Wohnungsprivatisierungs GmbH <sup>1)</sup>	Augsburg	100	13,145.51		0.00
PATRIZIA Projekt 100 GmbH <sup>1)</sup>	Augsburg	100	23,004.93		0.00
PATRIZIA Projekt 110 GmbH <sup>1)</sup>	Augsburg	100	24,216.35		0.00
PATRIZIA Projekt 120 GmbH <sup>1)</sup>	Augsburg	100	22,280.88		0.00
PATRIZIA Projekt 140 GmbH <sup>1)</sup>	Augsburg	100	34,592.95		0.00
PATRIZIA Projekt 150 GmbH <sup>1)</sup>	Augsburg	100	25,000.00		0.00
PATRIZIA Projekt 160 GmbH <sup>1)</sup>	Augsburg	100	25,000.00		0.00
PATRIZIA Projekt 170 GmbH <sup>1)</sup>	Augsburg	100	135,245,000.00		0.00
PATRIZIA Projekt 180 GmbH	Augsburg	100	11,186,378.03		1,113,928.03
PATRIZIA Immobilien Kapitalanlagegesellschaft mbH (formerly PATRIZIA Projekt 190 GmbH) <sup>1)</sup>	Augsburg	100	2,963,776.67		0.00
PATRIZIA Projekt 200 GmbH <sup>1)</sup>	Augsburg	100	6,763.95		0.00
PATRIZIA Projekt 260 GmbH <sup>1)</sup>	Augsburg	100	24,040.80		0.00
PATRIZIA Projekt 270 Verwaltungs GmbH	Augsburg	100	23,509.98		- 530.82
PATRIZIA Projekt 280 Verwaltungs GmbH	Augsburg	100	23,507.31		- 533.49
PATRIZIA Projekt 290 Verwaltungs GmbH	Augsburg	100	23,510.14		- 530.66
PATRIZIA Projekt 300 Verwaltungs GmbH	Augsburg	100	23,510.49		- 530.31
PATRIZIA Projekt 310 Verwaltungs GmbH	Augsburg	100	23,519.44		- 532.96
Wohnungsgesellschaft Olympia mbH	Hamburg	100	866,753.51		9,464.55
Stella Grundvermögen GmbH <sup>1)</sup>	Munich	100	7,538,113.38		0.00
PATRIZIA Real Estate Corporate Finance GmbH	Munich	100	20,497.06		- 899.06

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

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net
				loss of the last
2007		%	EUR	EUR
PATRIZIA Projekt 420 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 430 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 440 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 460 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 470 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 480 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 490 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 500 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 510 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00

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

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss of the last fiscal year
2007		%	EUR	EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	30,509.83	5,910.03
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	1,138.20	-2,972.22
Alte Haide Baugesellschaft mbH	Munich	94.9	1,879,828.06	-5,660,171.94
PATRIZIA Luxembourg S.à.r.l.	Luxemburg	100	135,935,720.65	697,906.88
PATRIZIA Lux 10 S.à.r.l.	Luxemburg	100	12,014,566.11	-28,535.33
PATRIZIA Lux 20 S.à.r.l.	Luxemburg	100	29,914,193.85	-128,907.59
PATRIZIA Lux 30 N S.à.r.l.	Luxemburg	100	18,089.08	-1,910.92
PATRIZIA Lux 50 S.à.r.l.	Luxemburg	100	9,016,374.85	-26,786.56
PATRIZIA Lux 60 S.à.r.l.	Luxemburg	100	3,004,314.95	-38,846.46
PATRIZIA Real Estate 10 S.à.r.l.	Luxemburg	100	9,221,856.08	-2,831,249.59
PATRIZIA Real Estate 20 S.à.r.l.	Luxemburg	100	13,056,903.67	-17,011,163.11
PATRIZIA Real Estate 30 S.à.r.l.	Luxemburg	100	18,008.25	-1,991.75
PATRIZIA Real Estate 50 S.à.r.l.	Luxemburg	100	6,588,325.24	-2,462,543.86
PATRIZIA Real Estate 60 S.à.r.l.	Luxemburg	100	2,640,895.96	-404,873.14
PATRIZIA Projekt 220 GmbH	Augsburg	100	25,947.08	-1,583.32
PATRIZIA Projekt 230 GmbH	Augsburg	100	29,081.42	-3,584.38
PATRIZIA Projekt 240 GmbH	Augsburg	100	25,384.04	-1,244.26
PATRIZIA Projekt 250 GmbH	Augsburg	100	24,290.53	-612.77
PATRIZIA Projekt 320 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 330 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 340 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 350 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 360 GmbH <sup>1)</sup>	Augsburg	100	25,000.00	0.00
F 40 GmbH (formerly PATRIZIA Projekt 370 GmbH)	Stuttgart	50	10,025,000.00	-46,107.79
PATRIZIA Projekt 380 GmbH	Augsburg	100	24,148.32	-851.68
PATRIZIA Projekt 390 GmbH	Augsburg	100	24,148.32	-851.68
PATRIZIA Projekt 400 GmbH	Augsburg	100	24,156.30	-843.70
PATRIZIA Projekt 410 GmbH	Augsburg	100	24,148.32	-851.68
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	-362,310.28	780,067.05
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	-531,211.86	691,223.04

1) As a result of the existing control and profit transfer agreements, the results of the stockholder PATRIZIA Projekt 180 GmbH have been adopted.



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

Name	Head office	Share holding	Equity		Net profit/net loss of the last fiscal year
			EUR	EUR	EUR
2007		%			
PATRIZIA Projekt A 270 GmbH & Co. KG	Augsburg	100	- 292,81		- 736,71
PATRIZIA Projekt B 280 GmbH & Co. KG	Augsburg	100	- 292,81		- 736,71
PATRIZIA Projekt C 290 GmbH & Co. KG	Augsburg	100	- 287,57		- 731,47
PATRIZIA Projekt D 300 GmbH & Co. KG	Augsburg	100	- 293,20		- 737,10
PATRIZIA Projekt E 310 GmbH & Co. KG	Augsburg	100	- 293,20		- 737,10
Objekt Dresden Altmarkt SARI GmbH & Co. KG	Augsburg	100	- 2.101,80		- 1.033,44
PATRIZIA Vermögensverwaltungs GmbH <sup>1)</sup>	Augsburg	100	687.583,35		0,00

1) As a result of the existing control and profit transfer agreements, the results of the stockholder PATRIZIA Projekt 180 GmbH have been 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, 2007. 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 14, 2008

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



Alfred Hoschek  
Member of the Board



Klaus Schmitt  
Member of the Board