Consolidated Financial Statements

Consolidated Balance Sheet

AS OF DECEMBER 31, 2011

ASSETS

EUR '000	Notes	12/31/2011	12/31/2010
A. Non-current assets			
Goodwill	4.1	610	0
Other intangible assets	4.1	45,227	0
Software	4.1	5,280	2,811
Investment property	4.1	532,321	614,945
Equipment	4.1	2,762	1,893
Investments in joint ventures	4.1	18	8
Participations in associated companies	4.1	6,809	0
Participations	4.1	3,134	3,090
Long-term tax assets	4.2	846	281
Total non-current assets		**597,007**	**623,028**
B. Current assets			
Inventories	4.3	407,529	510,438
Securities		1,634	0
Short-term tax assets	4.2	4,279	263
Current receivables and other current assets	4.5	60,007	10,282
Bank balances and cash	4.6	31,828	70,537
Total current assets		**505,277**	**591,520**
TOTAL ASSETS		**1,102,284**	**1,214,548**

EQUITY AND LIABILITIES

EUR ’000	Notes	12/31/2011	12/31/2010
A. Equity			
Share capital	5.1.1	52,130	52,130
Capital reserves	5.1.2	215,862	215,862
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	1,563	832
Valuation results from cash flow hedges	4.4	–1,331	–2,372
Consolidated net profit		41,346	27,775
Total equity		**310,075**	**294,732**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	26,314	9,701
Long-term financial derivatives	4.4	33,470	39,715
Retirement benefit obligations	5.4	371	368
Long-term bank loans	5.2	417,685	0
Non-current liabilities	9.2	2,410	1,202
Total non-current liabilities		**480,250**	**50,986**
CURRENT LIABILITIES			
Short-term bank loans	5.2	275,667	841,380
Short-term financial derivatives	4.4	233	363
Other provisions	5.5	1,092	666
Current liabilities	5.6	22,644	17,008
Tax liabilities	5.7	12,323	9,413
Total current liabilities		**311,959**	**868,830**
TOTAL EQUITY AND LIABILITIES		**1,102,284**	**1,214,548**

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

EUR '000	Notes	2011	2010
Revenues	6.1	269,007	339,593
Income from the sale of investment property	4.1	6,205	1,237
Changes in inventories	6.2	-102,910	-165,632
Other operating income	6.3	8,225	4,658
Total operating performance		**180,527**	**179,856**
Cost of materials	6.4	-45,743	-68,072
Staff costs	6.5	-35,672	-28,580
Results from fair value adjustments to investment property	4.1	3	325
Other operating expenses	6.7	-40,990	-21,376
EBITDA		**58,125**	**62,153**
Amortization of intangible assets and depreciation on property, plant and equipment	6.6	-3,494	-904
Earnings before interest and taxes (EBIT)		**54,631**	**61,249**
Earnings from companies accounted for using the equity method	4.1	5	-5
Finance income	6.8	8,988	11,494
Finance cost	6.8	-43,718	-61,250
Earnings before taxes (EBT)		**19,906**	**11,488**
Income tax	6.9	-6,413	-5,287
Net profit		**13,493**	**6,201**
Profit carried forward		27,730	21,529
CONSOLIDATED NET PROFIT		**41,223**	**27,730**
Earnings per share (undiluted), in EUR	6.10	0.26	0.12
The net profit for the period is allocated to			
Shareholders of the parent company		13,571	6,246
Non-controlling shareholders		-78	-45
		13,493	**6,201**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

EUR '000	Notes	2011	2010
Consolidated net profit		**13,493**	**6,201**
Other result			
Cash flow hedges			
Amounts recorded during the reporting period	4.4	712	2,316
Reclassification of amounts that were recorded	4.4	329	1,391
Total result for the reporting period		**14,534**	**9,908**
The total result is allocated to			
Shareholders of the parent company		14,612	9,953
Non-controlling shareholders		–78	–45
		14,534	**9,908**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

EUR '000	2011	2010
Consolidated net profit	13,493	6,201
Actual income taxes recognized through profit or loss	5,814	2,056
Financing costs recognized through profit or loss	43,718	48,806
Income from financial investments recognized through profit or loss	-2,769	-948
Amortization of intangible assets and depreciation on property, plant and equipment	3,494	904
Results from fair value adjustments to investment property	-3	-325
Loss from disposal of investment properties	-6,205	-1,237
Change in deferred taxes	599	4,185
Change in retirement benefit obligations	3	29
Ineffectiveness of cash flow hedges	-5,137	682
Changes in inventories, receivables and other assets that are not attributable to investing activities	31,907	186,574
Changes in liabilities that are not attributable to financing activities	5,597	4,763
Interest paid	-40,772	-47,585
Interest received	1,925	738
Income tax payments/refunds	-6,945	952
Cash inflow from operating activities	**44,718**	**205,795**
Capital investments in intangible assets and property, plant and equipment	-4,655	-3,464
Cash receipts from disposal of intangible assets and property, plant and equipment	0	45
Cash receipts from disposal of investment property	90,068	43,937
Profit/loss on shareholdings recognized at equity	-5	5
Payments for development or acquisition of investment property	-1,368	0
Payments for the acquisition of shareholdings recognized at equity	-6,846	0
Cash receipts from the disposal of consolidated companies and other business units	944	0
Payments for the acquisition of consolidated companies and other business units	-28,644	0
Cash inflow from investing activities	**49,494**	**40,523**
Borrowing of loans	37,171	5,571
Repayment of loans	-170,092	-237,535
Cash outflow from financing activities	**-132,921**	**-231,964**
Changes in cash	**-38,709**	**14,354**
Cash January 1	70,537	56,183
Cash December 31	31,828	70,537

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

EUR '000	Share capital	Capital reserve	Valuation result from Cash Flow Hedges	Retained earnings (legal reserve)	Consolidated net profit/loss	Shareholders of the parent company	Non-controlling shareholders	Total
Balance January 1, 2010	**52,130**	**215,862**	**–6,079**	**505**	**21,529**	**283,947**	**877**	**284,824**
Net amount recognized directly in equity, where applicable less income taxes			3,707			3,707		3,707
Net profit/loss for the period					6,246	6,246	–45	6,201
Full overall result for the fiscal year			3,707			9,953	–45	9,908
Balance December 31, 2010	**52,130**	**215,862**	**–2,372**	**505**	**27,775**	**293,900**	**832**	**294,732**
Additional non-controlling shareholders which originated in the course of the PATRIZIA Gewerbe-Invest KAG mbH acquisition							1,889	1,889
Reclassification of guaranteed dividend							–1,080	–1,080
Net amount recognized directly in equity, where applicable less income taxes			1,041			1,041		1,041
Net profit/loss for the period					13,571	13,571	–78	13,493
Full overall result for the fiscal year			1,041			14,612	–78	14,534
BALANCE DECEMBER 31, 2011	**52,130**	**215,862**	**–1,331**	**505**	**41,346**	**308,512**	**1,563**	**310,075**

Notes

Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2011

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 and European real estate market. PATRIZIA Immobilien AG, along with its subsidiaries, is a real estate agent and investment house. It specializes in buying high-quality residential and commercial real estate at commercially attractive locations in Germany with the aim of increasing their value and subsequent reselling of the real estate. Therefore, the PATRIZIA Group performs all services along the value-added chain in the real estate sector. Via its subsidiaries, PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH and PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH, the Company also issues specialized real estate funds in accordance with the Investmentgesetz (German Investment Act).

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2011 were prepared in line with IFRS and in compliance with the provisions of German commercial law additionally applicable as per Article 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied, i. e. those adopted up to the balance sheet date by the EU in the context of the endorsement process and published in the Official Journal of the EU.

The following interpretation had already been published at the time of preparing the consolidated financial statements, and was to be adopted for the first time in the current financial year:

- IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" (to be adopted for fiscal years commencing on or after July 1, 2010)

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

- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (introduction of an exemption from the disclosure under IFRS 7 – comparative figures; to be used for fiscal years commencing on or after July 1, 2010)
- Amendment to IAS 24 – "Related Party Disclosures" (introduction of a partial exemption from the disclosure requirements for government-related entities and clarification of the definition of a related party; to be adopted for fiscal years commencing on or after January 1, 2011)
- Amendment to IAS 32 – "Financial Instruments: Presentation" (changes concerning the classification of rights issues; to be adopted for fiscal years commencing on or after February 1, 2010)

- Amendment to IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (amendments regarding voluntary pre-payments within the framework of minimum funding requirements; to be adopted for fiscal years commencing on or after January 1, 2011)
- Amendments arising from the annual IFRS improvements made in May 2010 (to be adopted for fiscal years commencing on or after July 1, 2010/January 1, 2011)

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

- IFRS 9 – "Financial Instruments" (to be adopted for fiscal years commencing on or after January 1, 2015; this standard has not yet been adopted by the EU)
- IFRS 10 – "Consolidated Financial Statements" (to be adopted for fiscal years commencing on or after January 1, 2013; this standard has not yet been adopted by the EU)
- IFRS 11 – "Joint Arrangements" (to be adopted for fiscal years commencing on or after January 1, 2013; this standard has not yet been adopted by the EU)
- IFRS 12 – "Disclosure of Interests in Other Entities" (to be adopted for fiscal years commencing on or after January 1, 2013; this standard has not yet been adopted by the EU)
- IFRS 13 – "Fair Value Measurement" (to be adopted for fiscal years commencing on or after January 1, 2013; this standard has not yet been adopted by the EU)
- IFRIC 20 – "Stripping Costs in the Production Phase of a Surface Mine" (to be adopted for fiscal years commencing on or after January 1, 2013; this interpretation has not yet been adopted by the EU)

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

- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (amendments relating to fixed transition dates and severe hyperinflation; to be adopted for fiscal years commencing on or after July 1, 2011; this amendment has not yet been adopted by the EU)
- Amendment to IFRS 7 – "Financial Instruments: Disclosures" (Amendment to improve disclosures on the transfer of financial assets; to be adopted for fiscal years commencing on or after July 1, 2011)
- Amendment to IAS 1 – "Presentation of Financial Statements" (amendment relating to the presentation of other comprehensive income; to be adopted for fiscal years commencing on or after July 1, 2012; this amendment has not yet been adopted by the EU)
- Amendment to IAS 12 – "Income Taxes" (amendment relating to the recovery of underlying assets; to be adopted for fiscal years commencing on or after January 1, 2012; this amendment has not yet been adopted by the EU)
- Amendment to IAS 19 – "Employee Benefits" (comprehensive revision of the standard; to be adopted for fiscal years commencing on or after January 1, 2013; this amendment has not yet been adopted by the EU)
- Amendment to IAS 27 – "Separate Financial Statements" (elimination of the consolidation provisions; to be adopted for fiscal years commencing on or after January 1, 2013; this amendment has not yet been adopted by the EU)
- Amendment to IAS 28 – "Investments in Associates and Joint Ventures" (inclusion of rules on accounting of joint ventures; to be adopted for fiscal years commencing on or after January 1, 2013; this amendment has not yet been adopted by the EU)

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

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

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

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

- Valuation of investment property at market values;
- Valuation of financial derivatives at market value, with valuation changes being treated in profit or loss 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 of 93.21% in PATRIZIA Immobilien AG; following first listing of the shares on March 31, 2006 its stake was 50.02%. Following the capital increase carried out in January 2007 and various share purchases during the course of 2007, First Capital Partner GmbH's direct and indirect holding in PATRIZIA Immobilien AG was 50.16%. As part of existing designated sponsor agreements, First Capital Partner GmbH loaned a total of 100,000 shares to two designated sponsor banks. In August 2011 it increased its stake in the company and on December 31, 2011, its direct and indirect holding in PATRIZIA Immobilien AG was 51.55%.

2 SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 SCOPE OF CONSOLIDATION

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

Control is in principle 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 (Appendix to the Notes to the Consolidated Financial Statements). With the exception of PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH, PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH, der PATRIZIA Wohnen GmbH and Stella Grundvermögen GmbH, the subsidiaries that are listed and that are bound by a profit and loss transfer agreement each make use of the relief provided for in Article 264 (3) of the German Commercial Code. The partnerships also found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.

Joint ventures are companies that do not meet the criteria to be classified as subsidiaries since with regard to influencing their business and financial policies, two or more partner companies are bound to common management under a contractual agreement. Joint ventures are accounted for at equity within the Group.

Associated companies are companies that do not meet the criteria of a subsidiary or joint venture and whose business and financial policy can be significantly influenced by PATRIZIA Immobilien AG. A significant influence is assumed if a direct or indirect voting right share of at least 20% is held in another company. The assumption of a significant influence is rebuttable if, despite a voting share of 20% and above, contractual regulations exclude any influence on exercisable business and corporate policy and the exercisable rights consist only of industrial property rights. Associated companies are accounted for at equity within the consolidated financial statements.

In addition to the parent company, the scope of consolidation comprises 55 subsidiaries. They are included in the consolidated financial statements in line with the rules of full consolidation. In addition, one joint venture company and one participating interest in a SICAV are accounted for at equity in the consolidated financial statements. The SICAV is a stock corporation with variable equity in accordance with the laws of Luxembourg. In addition, 30% of the limited liability capital is held in one project development company (in the form of a GmbH & Co. KG). A significant influence does not apply because provisions in the partnership agreement mean that management cannot be exercised, that a significant influence cannot be exerted on the management and that there is no entitlement to appoint members of the governing organs. The shares in the project development company are accounted for at purchase cost.

In principle, the financial statements of the subsidiaries included in the consolidated financial statements are prepared as at the balance sheet date of the annual financial statements of PATRIZIA Immobilien AG. The financial statements are prepared in line with uniform accounting and valuation principles.

Company acquisitions, sales and intercompany restructuring

Under a notarial purchase agreement dated December 9, 2010, PATRIZIA Immobilien AG acquired a 94.9% stake in LB Immo Invest GmbH, Hamburg, via its indirect subsidiary PATRIZIA Project 600 GmbH (formerly PATRoffice

Real Estate 997 GmbH). The date of acquisition for implementing full consolidation of the shares has been set at January 3, 2011. Legal and financial transfer of the shares took place on January 3, 2011 following full payment of the purchase price.

LB Immo Invest GmbH is an asset management company based in Hamburg that focuses on the management of real-estate special funds. At the time of acquisition the company administered 13 real estate funds with a gross fund volume of EUR 2.3 billion.

In acquiring the asset management company LB Immo Invest GmbH, PATRIZIA has added commercial real-estate special funds to its existing portfolio of services. The aim of the acquisition was to expand the Group's activities in the field of commercial real estate.

The final cash purchase price for the shares that were acquired indirectly by PATRIZIA Immobilien AG (94.9%) was EUR 35.7 million (excluding ancillary acquisition costs). The ancillary acquisition costs amounted to EUR 0.4 million and were treated as an expense. Acquisition costs are shown under other operating expenses.

The Group has received the following assets and liabilities:

ASSETS AND LIABILITIES

	Fair Value EUR million
Intangible assets (including fund management contracts)	47.2
Property, plant and equipment	0.2
Total non-current assets	**47.4**
Shares and other variable-yield securities	1.6
Trust receivables	0.6
Other assets, prepaid expenses and deferred charges	3.5
Cash and cash equivalents	7.1
Total current assets	**12.7**
TOTAL ASSETS	**60.2**
Deferred taxes	15.3
Total non-current liabilities	**15.3**
Trust liabilities	0.6
Other current liabilities	3.1
Other current provisions	4.2
Total current liabilities	**7.9**
TOTAL LIABILITIES	**23.1**
Net assets	**37.0**
attributable to non-controlling shareholders	1.9
attributable to the controlling parent company	35.1
Purchase price	35.7

The value of the share accounted for by the non-controlling partners (5.1%) in LB Immo Invest GmbH was stated on the basis of the corresponding share of the identified net assets of the purchased company (revaluation method) and amounts to EUR 1.9 million. The resulting goodwill amounts to EUR 0.6 million and is based on expected synergistic effects between the purchased company and the existing company PATRIZIA WohnInvest KAG and also the other service companies of the PATRIZIA Group.

The goodwill will not be tax-deductible in future periods.

With the exception of the disclosure of hidden reserves in the fund management contracts and in fund shares held and a resulting adjustment of deferred tax liabilities, it was possible to take over the carrying amounts unchanged. The gross receivables are equivalent to the shown amounts as no irrecoverable debt was expected. There were no other intangible assets that could be recognized in expectation of a future economic benefit.

The fund management contracts assigned to the intangible assets are subject to depreciation over the expected residual term of the agreements. During the period under review current amortization of EUR 2.0 million was applied.

The new fair values to be determined autonomously in accordance with IFRS 3 (i. e. without any link to existing carrying amounts under local accounting provisions) are determined in accordance with uniform group-wide accounting provisions applicable within the PATRIZIA Group.

The acquired cash amounted to EUR 7.1 million.

LB Immo Invest GmbH was renamed PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH as of June 1, 2011. It contributed revenues of EUR 18.44 million and net earnings of EUR 0.7 million to the group accounts for the time of the acquisition until December 31, 2011.

Under a contract dated May 3, 2011, PATRIZIA established a subsidiary, PATRIZIA Scandinavia AB, with headquarters in Stockholm, Sweden. The starting capital was TSEK 50. The company is tasked with analysis of the northern European real estate market with a view to supporting globalization of the PATRIZIA Group and the acquisition of real estate.

A contract dated August 30, 2011, established PATRIZIA WohnModul I SICAV-FIS (SICAV-FIS) with headquarters in Luxembourg. The object of the company is the direct and indirect investment of company assets in real estate companies, real estate and the development of real estate. PATRIZIA Immobilien AG has a 9.09% stake in the capital of WohnModul I SICAV-FIS. The share capital of the SICAV-FIS is divided into two stock classes (A and B) which have the same voting rights. PATRIZIA Immobilien AG only has shares of stock class B. It holds 51% of the voting rights: Class A stockholders are entitled to appoint members of the governing organs. Consequently, PATRIZIA does not exert a controlling influence on the SICAV-FIS. As part of the process of commencing operations, PATRIZIA Immobilien AG sold 94.9% of its shares in the subsidiaries PATRIZIA Real Estate 30 S.à r.l., PATRIZIA Projekt 430 GmbH and PATRIZIA Projekt 440 GmbH, which were previously fully consolidated, to a wholly owned subsidiary of the SICAV-FIS (a Luxembourg intermediate holding company) at the carrying amount, with the result that the sub-companies were removed from the scope of consolidation with effect from August 30, 2011. The SICAV-FIS has not been included in the PATRIZIA Group's scope of fully consolidated companies due to the lack of ability to exert control over the company. The participating interest in the SICAV-FIS is accounted for at equity in PATRIZIA's consolidated financial statements.

Under a notarial agreement dated December 22, 2011, PATRIZIA Immobilien AG sold its shares in PATRIZIA Projekt 280 Verwaltungs GmbH and in PATRIZIA Projekt B 280 GmbH & Co. KG to PATRIZIA Projekt 150 GmbH, with the result that this company became sole stockholder of PATRIZIA B 280 GmbH & Co. KG. A plot of land belonging to PATRIZIA Projekt 150 GmbH was then sold to the capital company (KG) at market value. Following the subsequent sale of 90% of the shares in PATRIZIA Projekt 150 GmbH outside the Group, the company was removed from the scope of consolidation at the year-end. Under this transaction PATRIZIA Immobilien AG assumed a refurbishment obligation in an amount of EUR 2.2 million.

Under a notarial agreement dated December 20, 2011 and a supplementary notarial agreement dated December 30, 2011, PATRIZIA Immobilien AG founded a project company with AM Alpha Immobilien GmbH; PATRIZIA Immobilien AG has a 30% stake in this project company. The PATRIZIA Group does not have any material influence on decisions relating to business and financial policy; consequently, the company is not included as an associated company.

The former company PATRIZIA Project 330 GmbH was renamed PATRIZIA Facility Management GmbH with effect from December 13, 2011. The company commenced business operations in the 2011 fiscal year.

The former company PATRIZIA Projekt 460 GmbH was renamed PATRIZIA Alternative Investments GmbH with effect from December 15, 2011.

PATRIZIA Acquihold S.à r.l. with headquarters in Luxembourg was established by PATRIZIA Luxembourg S.à r.l., an indirect 100% subsidiary of PATRIZIA AG, with effect from December 2, 2011. The company has a common capital stock of TEUR 12.5 and its main object is to acquire participating interests in companies of any type in Luxembourg or in other countries.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognized in the consolidated financial statements using full consolidation. Since January 1, 2002, acquired subsidiaries have been accounted for using the purchase method under IFRS 3. Using the relief option of IFRS 1, purchases of shares in companies before this date were still accounted for on the basis of the carrying amount method in accordance with the German Commercial Code.

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 comprise the cash paid for the acquisition. Since January 1, 2010, ancillary costs that are directly attributable to the acquisition are accounted for immediately through profit or loss. The calculated acquisition costs are allocated among the identifiable assets and liabilities of the acquired company. Goodwill is to be stated if the acquisition costs exceed the share in the re-valued net worth of the acquired company that is applicable to the parent company. In the reverse case, a negative difference is to be recognized through profit or loss. The equity share held in the acquired company is authoritative in determining the net worth applicable to the Group. In principle, the re-valued net worth must be recognized in full. Non-controlling partners' interests are posted separately within consolidated equity. If the loss for a period that is applicable to the non-controlling partners exceeds their interest that is 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 and associated companies in the consolidated financial statements. In contrast to full consolidation, no assets and liabilities or expenses and income of the company valued at equity are recognized (proportionately) in the consolidated financial statements when the equity method is applied. Instead, the carrying amount of the participation is updated annually in accordance with the development of the proportionate equity in 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. During initial consolidation, the acquisition costs for the shares acquired are netted against the equity attributable to them. Any difference is examined, in accordance with the rules for full consolidation, for the existence of hidden reserves or charges and any remaining difference is treated as goodwill. During subsequent consolidation, the carrying amount of the participation is updated in line with the proportionate changes in equity at the associated company.

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

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

2.5 CURRENCY TRANSLATION

The consolidated financial statements were prepared in EURO, the Group's functional currency. With the exception of the subsidiary PATRIZIA Property Inc. in Delaware, USA, which was founded in the 2010 fiscal year, and of the subsidiary PATRIZIA Scandinavia AB, which is headquartered in Stockholm, Sweden, and was founded in the 2011 fiscal year, the scope of consolidation is made up only of subsidiaries located in the European Monetary Union; consequently, only two sets of financial statements are in a foreign currency and require translation. Similarly, there were no material assets or liabilities, contingent receivables or liabilities in foreign currencies on the reporting date.

3 SUMMARY OF KEY ACCOUNTING AND VALUATION POLICIES

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

3.1 GOODWILL

The goodwill that results from a business combination is accounted for at acquisition cost less any required impairments and shown separately in the consolidated balance sheet.

In order to verify possible impairments, the goodwill is allocated to each cash-generating unit of the Group which is expected to derive a benefit from the synergies resulting from the business combination.

The cash-generating units that are allocated a portion of the goodwill are subject to an annual impairment review. If there is evidence of an impairment for an entity, that entity is assessed more frequently. If the recoverable amount of a cash-generating unit is smaller than the unit's carrying amount, the impairment expense is initially assigned to the carrying amount of any goodwill assigned to the unit and then proportionately to the other assets based on the carrying amount of each asset within the unit.

3.2 SOFTWARE

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

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Acquired software is amortized over 3 to 10 years.

3.3 MANAGEMENT CONTRACTS

Management contracts acquired as part of the business combination with the company now known as PATRIZIA GewerbeInvest KAG are shown separately from the goodwill; at the time of their acquisition they are measured at fair value.

In subsequent periods these management contracts are measured in exactly the same way as individually acquired intangible assets (i.e. at acquisition cost less cumulative amortization and any cumulative impairments).

The period of amortization for the management contracts is based on the expected terms of the fund contracts.

3.4 EQUIPMENT

Equipment is recognized at acquisition or manufacturing cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as write-ups, taking into account amortized cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

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

3.5 IMPAIRMENT OF ASSETS

Where assets are subject to scheduled depreciation and there is an indication of impairment, a review is undertaken to ascertain whether there is a need for unscheduled depreciation. Assets that are not subject to scheduled depreciation are checked on each balance sheet date to ascertain if there is a need for value adjustment.

3.6 INVESTMENT PROPERTY

Qualifying real estate as an investment is based on a corresponding management decision to use the real estate in question to generate rental income and thus liquidity, while realizing higher rent potential over a long time period and, accordingly, an increase in value. The share of owner-occupier use does not exceed 10% of the rental space. In contrast to the real estate posted under inventories, investment property is not intended for sale in the ordinary course of business or for such sale within the framework of the construction or development process. Investment property is measured at fair value, with changes in value recognized through profit or loss.

Investment property is measured at market values. In principle, investment property is measured on the basis of external appraisals carried out by independent experts using current market prices or using customary valuation methods and consideration of the current and long-term rental situation. For individual investment properties, the residential property resale process was launched in 2010 and successfully continued and expanded in 2011. Valuation of these properties is based on current comparative values.

The market value is equivalent to the fair value. The valuation method used to determine fair value pursuant to IAS 40.38 et seq. is based on a hypothetical transaction price, the most likely amount at which the asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. With regard to content this definition also corresponds to the definition of the market value pursuant to Section 194 of the Baugesetzbuch (BauGB – Federal Building Code). In particular, this estimate excludes price assumptions that are increased or reduced by subsidiary agreements or special circumstances. Investment property is reported at this fictitious market value without any deduction of transaction costs.

With the exception of the properties earmarked for resale, the fair values of the investment property as shown in the consolidated financial statements are based on valuations by independent experts who apply international valuation standards (International Valuation Standard, Concepts/Principles No. 9.2.1.3 – Income Capitalization Approach; RICS Valuation Standards PS 3.3 – Market Value) based on discounted future cash flows in accordance with the investment method (core value and topslice) – (IAS 40.46 (c)).

In contrast to the income value method following ImmoWertV, the approach used for the investment method does not consider a separate value for the plot.

The market rent is reduced by costs of the lessor that cannot be passed on and is capitalized as perpetual annuity with the interest rate determined for the property in question. For each property, costs that cannot be passed on to the tenant, such as risk of loss of rental income, management, maintenance costs and an appropriation for operating costs that cannot be passed on, were deducted from the gross income of the rental forecast along with estimated costs for modernization and re-renting. The resulting value is referred to as core value.

The difference between the market rent and the rent received is capitalized during the remaining residual rental term assumed for residential properties (in this case up to 5 years); costs borne by the lessee and a deduction for risk are taken into consideration. The resulting value is referred to as topslice.

The market value is derived by adding the core value and the topslice, which is negative if the market rent is higher than the rent received. The costs of rental, maintenance and renovation are also deducted. The total gives the market value of the property.

Property-specific vacancy rates between 0% and 10% are assumed, which can have a material impact on the assumed remaining lease term. Key items of payments include maintenance costs averaging EUR 6 to 10 p.a./sqm living space and EUR 15 p.a. per parking space, management costs of 0.73 to 5.38% of rental income, and the risk of loss of rental income amounting to 2% of rental income. The utilized interest rate for capitalization amounts betweeeen the range of 4.5 – 5.75%.

The properties that are now earmarked for residential property resale are not valued by independent experts but are instead valued by PATRIZIA using detailed project accounting. This project accounting is based on comparative values ascertained in the direct surroundings of the properties. Both offer prices and also selling prices were used for this, but only of comparable properties.

The fair values of the investment property as shown in the consolidated financial statements are based on valuations by independent experts, who apply international valuation standards based on discounted future cash flows using the DCF method (IAS 40.46 (c)).

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

3.7 PARTICIPATIONS IN ASSOCIATED COMPANIES

PATRIZIA WohnModul I SICAV-FIS represents an associated company for PATRIZIA. Associated companies are companies in which PATRIZIA is able to assert a material influence on the company's business and financial policy (generally through a direct or indirect share of voting rights of 20 – 50%); in the consolidated financial statements, they are accounted for using the equity method and are initially reported at the cost of purchase.

PATRIZIA's share in the associated company's result following the acquisition is shown in the consolidated income statement. The cumulative changes after the date of acquisition increase or reduce the associated company's investment carrying amount. If the losses of an associated company that are attributable to PATRIZIA equal or exceed the value of the share in this company, no further shares in losses are recorded unless PATRIZIA has entered into obligations or has effected payments for the associated company.

The share in an associated company is the carrying amount of the participating interest, plus all non-current shares which, according to the business purpose, are attributable to the owner's net investment in the associated company. On every balance-sheet reporting date, PATRIZIA checks whether there is objective evidence for an impairment of the share in the associated company. If such evidence exists, PATRIZIA determines the impairment requirement as the difference between the recoverable amount and the carrying amount of the associated company. At the time when a material influence on an associated company is lost, any remaining shares are revalued at fair value. The difference between the carrying amount of the associated company and the fair value of the remaining share plus any sales proceeds is recorded through profit or loss.

3.8 INVESTMENTS IN JOINT VENTURES

The Group has a stake in a joint venture, meridomus GmbH Forderungsmanagement und Servicegesellschaft für den Vermieter, in the form of a jointly managed company. Accordingly, there is a contractual agreement between the partners on joint management of the entity's economic activities. The Group accounts for its share in the joint venture at equity (IAS 31.38). The Group includes its share in the joint venture by annually updating the carrying amount of the joint venture 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 the parent company's financial statements. If necessary, adjustments are made to ensure compliance with the uniform accounting and valuation policies applicable across the Group.

3.9 INVENTORIES

The Inventories item contains real estate that is intended for sale in the context of ordinary activities or that is intended for such sale in the context of the construction or development process; in particular, it includes real estate that has been acquired solely for the purpose of resale in the near future or for development and resale. Development also covers pure modernization and renovation activities. Assessment and qualification as an inventory is undertaken within the context of the purchasing decision and implemented in the balance sheet as at the date of addition.

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

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

3.10 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 stated 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. This also applies analogously to customary sales.

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

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

These financial instruments must be allocated to one of three steps, depending on the extent to which the fair value can be assessed:

- Level 1-valuations at fair value are those which are based on quoted prices (unadjusted) on active markets for identical financial assets or liabilities.
- Level 2-valuations at fair value are those based on parameters that do not correspond to quoted prices for assets and liabilities as in level 1 (data), but are either derived directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3-valuations at fair value are those derived from models that use parameters for the assessment of assets or liabilities that are not based on observable market data (non-observable parameters, assumptions).

The fair value of derivatives is determined by external banks. The valuation can be assigned to level 2.

Investments which have been entered into with the intention of holding them are categorized as available-for-sale **financial assets.** These are valued at acquisition cost since, due to the absence of an active market, a fair value can only be determined on the basis of specific sale negotiations. 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 quoted in an active market. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairments.

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 the impairment loss is equivalent to the difference between the carrying amount of the asset and the present value of the expected future cash flow (with the exception of expected future, 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 through profit or loss.

If the amount of the impairment decreases in the subsequent reporting periods and if this decrease can be objectively attributed to a circumstance occurring subsequent to impairment, the previous impairment 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 through profit or loss.

If, in the case of trade receivables, there are objective indications 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 takes place if they are classified as uncollectible.

3.11 CASH AND CASH EQUIVALENTS

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

3.12 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 at fair value through profit or loss. Following initial recognition, the interest-bearing loans are measured at amortized cost using the effective interest method.

3.13 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A **financial asset** (or 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, cancelled or has expired.

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 derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized through profit or loss.

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

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

Profits 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 immediately through profit or loss.

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

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

Cash flow hedges that 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 through profit or loss.

The amounts taken directly to equity are transferred to the income statement 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 income statement. If the hedging instrument expires or is sold, terminated or exercised without substitution or a rollover 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.

3.15 RETIREMENT BENEFIT OBLIGATIONS

Performance-related pension 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.

3.16 OTHER PROVISIONS

Provisions are liabilities of uncertain timing or amount. In principle, 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 it must be possible to measure in a reliable manner. Provisions are measured using the best possible estimate of the extent of the obligation. The provisions are discounted in the event of material interest effects.

3.17 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 the respective 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 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 during the negotiations and the conclusion of an operating leasing contract are added to the carrying amount of the leased object and are recognized as expenses correspondent 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.

3.18 TAXES

Actual taxes

Actual tax refund claims and liabilities for current and previous periods are measured at the amount expected to be recovered from or paid to the tax authorities. Calculation of the amount is based on the tax rates and tax laws which apply at the balance sheet date.

Actual taxes which refer to items that are directly recognized in equity are not recognized in the income statement, but rather in equity.

Deferred taxes

Deferred taxes are recognized using the liability method, for temporary differences existing on the balance sheet date between the amount stated in the balance sheet for an asset or a liability and the fiscal amount.

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 extent to which taxable income will be available against which the deductible temporary differences and the tax loss carryforwards and tax credits not yet utilized can be used.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and decreased by the extent to which it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly used. Deferred tax assets not recognized are reviewed on every balance sheet date and are 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 rates which will probably become effective in the period in which an asset is realized or a liability is settled. The tax rates and laws applicable on the balance sheet date are used as a basis. Future tax rate changes are to be taken into account on the balance sheet date if significant effectiveness requirements are met within the scope of pending legislation.

Deferred taxes which relate to items that are directly recognized in equity are not recognized in the income statement, but are also recognized in equity.

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

3.19 BORROWING COSTS

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

3.20 INCOME REALIZATION

The basic prerequisite for recognition of profit when selling real estate is the likelihood of economic benefits and reliable quantification of revenues. In addition, there must be a transfer to the purchaser of the main opportunities and risks associated with ownership of the assets, relinquishment of the legal or actual power of disposal over the assets and the ability to reliably determine the expenses relating to the sale that have been or are still to be incurred.

In the Services segment, revenue is usually recognized after performance has been provided and invoicing has taken place.

3.21 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

Due to the uncertainties associated with the operating activities, individual items in the consolidated financial statements cannot be measured with precision, and can instead 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 recognized in future. Changes are taken into account through profit or loss 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 item Inventories,
- Recognizing and measuring provisions,
- Valuing receivables subject to risk,
- Assessing whether deferred tax assets can be recognized.

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 deterioration in the earnings situation, a decrease in the value of the purchased assets and a considerable reduction in the revenues generated from residential property resale and ongoing rental.

In addition to the factors inherent in each property, the recoverability 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 a risk that, in the event of a negative development of the real estate market or of the general economic situation, the valuation estimates made by the Group may have to be corrected. If unscheduled amortization of the Group's real estate assets was required, this would have a detrimental impact on the net asset, financial and earnings situation of the Group.

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

4 NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

4.1 NON-CURRENT ASSETS

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

DEVELOPMENT OF NON-CURRENT ASSETS - 2011

EUR ’000	Goodwill	Intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2011	**0**	**3,641**	**4,929**	**8,570**
Additions	610	50,260	1,799	52,669
Disposals	0	0	0	0
Balance 12/31/2011	**610**	**53,901**	**6,728**	**61,239**
Amortization				
Balance 01/01/2011	**0**	**830**	**3,036**	**3,866**
Additions	0	2,564	930	3,494
Disposals	0	0	0	0
Balance 12/31/2011	**0**	**3,394**	**3,966**	**7,360**
CARRYING AMOUNTS AS AT 01/01/2011	**0**	**2,811**	**1,893**	**4,704**
CARRYING AMOUNTS AS AT 12/31/2011	**610**	**50,507**	**2,762**	**53,879**

DEVELOPMENT OF NON-CURRENT ASSETS – 2010

EUR ’000	Goodwill	Intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2010	**0**	**1,090**	**4,214**	**5,304**
Additions	0	2,551	913	3,464
Disposals	0	0	–198	–198
Balance 12/31/2010	**0**	**3,641**	**4,929**	**8,570**
Amortization				
Balance 01/01/2010	**0**	**551**	**2,564**	**3,115**
Additions	0	279	625	904
Disposals	0	0	–153	–153
Balance 12/31/2010	**0**	**830**	**3,036**	**3,866**
CARRYING AMOUNTS AS AT 01/01/2010	**0**	**539**	**1,650**	**2,189**
CARRYING AMOUNTS AS AT 12/31/2010	**0**	**2,811**	**1,893**	**4,704**

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Investment Property
Fair Value	
Balance 01/01/2011	**614,945**
Additions – assets	1,368
Disposal – assets	–83,995
Positive fair value changes	4,770
Negative fair value changes	–4,767
BALANCE 12/31/2011	**532,321**

DEVELOPMENT OF NON-CURRENT ASSETS – 2010

EUR '000	Investment property
Fair Value	
Balance 01/01/2010	**657,320**
Additions – assets	0
Disposal – assets	–42,700
Positive fair value changes	18,090
Negative fair value changes	–17,765
BALANCE 12/31/2010	**614,945**

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2011	**0**	**8**	**3,090**	**3,098**
Additions	6,818	5	44	6,867
Disposals	0	0	0	0
Balance 12/31/2011	**6,818**	**13**	**3,134**	**9,965**
Adjustments at equity/ amortization				
Balance 01/01/2011	**0**	**–5**	**0**	**–5**
Additions	0	10	0	10
Disposals	–9	0	0	–9
Balance 12/31/2011	**–9**	**5**	**0**	**–4**
CARRYING AMOUNTS AS AT 01/01/2011	0	8	3,090	3,098
CARRYING AMOUNTS AS AT 12/31/2011	6,809	18	3,134	9,961

DEVELOPMENT OF NON-CURRENT ASSETS – 2010

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2010	**0**	**13**	**3,090**	**3,103**
Additions	0	0	0	0
Disposals	0	0	0	0
Balance 12/31/2010	**0**	**13**	**3,090**	**3,103**
Adjustments at equity/ amortization				
Balance 01/01/2010	**0**	**0**	**0**	**0**
Additions	0	–5	0	–5
Disposals	0	0	0	0
Balance 12/31/2010	**0**	**–5**	**0**	**–5**
CARRYING AMOUNTS AS AT 01/01/2010	0	13	3,090	3,103
CARRYING AMOUNTS AS AT 12/31/2010	0	8	3,090	3,098

The intangible assets include the goodwill of TEUR 610 arising in connection with the acquisition of PATRIZIA GewerbeInvest. The goodwill will not be deductible in future fiscal periods and is therefore treated as a permanent difference when determining deferred taxes. An impairment test did not reveal any valuation requirement.

Moreover, the significant addition of TEUR 47,195 relating to the hidden reserves identified during the purchase price allocation of PATRIZIA GewerbeInvest is attributable to the fund management contracts. The hidden reserves are currently depreciated by an amount of TEUR 1,968 per annum. A review of the fair value method did not reveal any additional impairment requirement.

Investment property is property that is held for generating rental income and/or for capital appreciation; in accordance with IAS 40, it is valued at market values through profit or loss. In the year under review a total of ten investment properties in Berlin, Hamburg, Munich and Überlingen were sold. In addition, six properties in Berlin, Hamburg and Munich were privatized during the fiscal year. A further five properties will be privatized in the 2012 fiscal year. The planned fair value disposal is TEUR 170,658.

The fair value of the pledged investment properties is TEUR 532,321 (previous year: TEUR 614,945).

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

The item »Participations« includes the 5.2% (previous year: 5.2%) share in Hyrebostädter i Norra Tyskland Verwaltungs GmbH, the 6.25% share (previous year: 6.25%) in PATRoffice Real Estate GmbH & Co. KG, the 9.09% (previous year: 0%) share in PATRIZIA WohnModul I SICAV-FIS and also the 30% (previous year: 0%) share in Projekt Feuerbachstraße GmbH & Co. KG.

4.2 TAX ASSETS

Corporation tax credits of TEUR 237 (previous year: TEUR 281) with a right to payment that arose after 2008 and that are to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as non-current tax assets. Measurement is at present value.

In addition, an amount of TEUR 609 (previous year: TEUR 0) is shown for deferred tax assets in relation to loss carryforwards.

Allowable taxes 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:

INVENTORIES

EUR '000	2011	2010
Real estate intended for sale	346,443	456,507
Real estate in the development phase	61,086	53,931
	407,529	**510,438**

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

As at December 31, 2011, one property was still in the development phase. In 2011 inventories with a total carrying amount of TEUR 120,928 (previous year: TEUR 199,205) were sold. In the year under review no adjustments were made to inventories (previous year: TEUR 0).

The carrying amounts of the inventories which are pledged as security total TEUR 399.497 (previous year: TEUR 509,248).

Realization of inventories amounting to TEUR 194,308 is expected to last longer than twelve months.

4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps, interest rate collars and interest rate caps for 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 in some cases.

The changes to the fair values of the derivatives classed as ineffective are recognized through profit or loss in the income statement. In the fiscal year, they amounted to TEUR 4,947 (previous year: TEUR 470).

As at December 31, 2011, the nominal volume of the derivatives classified as ineffective totaled TEUR 524,485 (previous year: TEUR 530,518); the corresponding market values were TEUR –31,454 (previous year: TEUR –36,402).

The changes to the fair values of the effective hedging derivatives of TEUR –1,235 (previous year: TEUR 2,555) were directly recognized in equity, taking deferred taxes of TEUR –195 (previous year: TEUR –403) into account.

During the year under review market value changes of TEUR 190 (previous year: TEUR 151) were taken into account in the income statement as ineffective portions of hedging derivatives.

As at December 31, 2011, the nominal volume of these hedging derivatives totaled TEUR 60,000 (previous year: TEUR 85,000); the corresponding market values were TEUR –2,249 (previous year: TEUR –3,676).

In the year under review, no value changes in cash flow hedges (previous year: TEUR 3,870) were released through profit or loss, with derecognition of the corresponding deferred taxes applied, and transferred to the financial result.

As at December 31, 2011, the entire amount of unrecognized losses from interest hedging transactions that was transferred to the provisions for hedging transactions related to these future transactions, taking into account deferred tax effects, was TEUR –1,331 (previous year: TEUR –2,372). It is expected that 14.8% of the interest hedging transactions will end in accordance with the contracts in 2012, and that 56.2% will end in 2013 and 29.0% in 2014. For payment flows recognized through profit or loss cf. item 5.2.

4.5 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

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

RECEIVABLES AND OTHER CURRENT ASSETS

EUR '000	2011	2010
Trade receivables	9,893	4,296
Other current assets	54,393	5,986
	64,286	**10,282**

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

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

RENT RECEIVABLES

EUR '000	2011	2010
Rent receivables	225	**288**
of which < 60 days	225	288
of which > 60 days and < 180 days	0	0
of which > 180 days	0	0

Rent receivables of TEUR 225 (previous year: TEUR 288) are secured through rental deposits.

Trade receivables and other current assets are decreased by specific value adjustments of TEUR 4,388 (previous year: TEUR 3,160).

The main rise of TEUR 28,908 in other current assets was due to a receivable from the sale of a project company on December 31, 2011. It was also necessary to show receipts of monies into notary public escrow accounts which could not be forwarded in the fiscal year. These receipts amounted to TEUR 15,913.

CHANGES IN THE VALUE ADJUSTMENT ACCOUNT FOR RECEIVABLES

EUR '000	2011	2010
Balance as at January 1	**3,160**	**1,762**
Additions	**1,617**	**1,902**
Outflows due to derecognitions	–46	–504
Outflows due to payments received	–343	0
BALANCE AS AT DECEMBER 31	**4,388**	**3,160**

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

Of the bank balances, an amount of TEUR 1,831 (previous year: TEUR 20,320) is pledged as security. A breakdown is shown below:

An amount of TEUR 1,000 is pledged in favor of R+V Versicherung as collateral for a guaranty credit. This guaranty credit is security for a payment guaranty that was issued by the Bank for the general contractor in the Sternschanze water tower project. Because arbitration proceedings are pending with the general contractor, it is not possible to judge how much longer the assets will be pledged as security.

A total of TEUR 731 was pledged to Zurich Versicherung as security for a guaranty in a total amount of TEUR 5,000. This can be used for various guaranties by PATRIZIA; cash collateral is 15%.

A further amount of TEUR 100 is pledged in favor of Bayerische Landesbank (institution under public law) as collateral for an interest hedge.

5 NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

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

5.1.1 Share Capital

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

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

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

First Capital Partner GmbH is indirectly and directly a shareholder of PATRIZIA Immobilien AG with 26,871,953 no-par value shares (previous year: 26,047,572 no-par value shares), which equates to a 51.55% shareholding (previous year: 49.97%).

5.1.2 Capital Reserves

The share premiums collected for the issue of new shares that occurred in the past as part of the Company's capital increase are posted on an unchanged basis in the capital reserve.

5.1.3 Retained Earnings

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

5.1.4 Non-controlling Partners

As part of the initial consolidation of F 40 GmbH, PATRIZIA KinderHaus Foundation was allocated an amount of TEUR 878 corresponding to its share as a non-controlling partner. This amount is 5.1% of the market value of F 40 GmbH at the time of acquisition. In the year under review the company generated a result of TEUR –1,538 with the result that earnings of TEUR –78 were allocated to the non-controlling partner.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	12/31/2011	12/31/2010
Less than 1 year	90,044	523,314
1 to 2 years	81,095	88,775
More than 2 to 5 years	522,213	229,291
More than 5 years	0	0
TOTAL	**693,352**	**841,380**

Maturity by fiscal year (January 1 to December 31):

MATURITY

Year	Amount of loans due as at 12/31/2011	
	EUR '000	in %
2012	90,044	13.0
2013	81,095	11.7
2014	514,613	74.2
2015	7,600	1.1
TOTAL	**693,352**	**100**

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

All loans are in euro. Where real estate is sold, financial liabilities are in principle redeemed through repayment of a specific share of the sale proceeds.

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

In the above table, loans whose terms end within the 12 months following the reporting date are posted as bank loans with a residual term of less than one year.

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

The Group's own real estate serves as security for the bank loans. The bank loans secured by real estate liens amount to TEUR 691,553 (previous year: TEUR 837,018). In addition, financial liabilities are secured by assigning purchase prices, and by assigning future rental payments.

5.3 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

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

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

EUR '000	12/31/2011 Assets	12/31/2011 Liabilities	12/31/2010 Assets	12/31/2010 Liabilities
Investment property	0	14,694	0	16,035
Inventories	0	771	0	84
Derivatives	5,333	0	6,421	0
Tax loss carryforwards	609	0	817	0
Intangible Assets PATRIZIA GewerbeInvest KAG	0	14,597	0	0
Securities PATRIZIA GewerbeInvest KAG	0	219	0	0
Consolidation of debts	0	1,269	0	527
Other	5	102	4	297
	5,947	**31,652**	**7,242**	**16,943**
Netting	–5,338	–5,338	–7,242	–7,242
	609	**26,314**	**0**	**9,701**

Deferred tax assets of TEUR 355 (previous year: TEUR 0) exist in respect of corporation tax loss carryforwards of TEUR 2,243 (previous year: TEUR 0). Deferred tax assets of TEUR 254 (previous year: TEUR 817) exist in respect of trade tax loss carryforwards of TEUR 1,693 (previous year: TEUR 5,445).

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

According to IAS 12.24(b), the Group has not 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 Alte Haide Baugesellschaft mbH of TEUR 1,629 (previous year: TEUR 2,666) due to the lack of predictability of their tax usability.

In addition, on the balance sheet date, one company (previous year: 1 company) had corporation tax loss carryforwards of TEUR 41,909 (previous year: TEUR 49,326); no deferred tax assets were formed for these due to the lack of predictability concerning their usability for fiscal purposes.

Deferred tax assets and deferred tax liabilities are in principle offset 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.

The temporary differences relating to participating interests in subsidiaries for which no deferred taxes were recognized amounted to TEUR 9,411 (previous year: TEUR 7,478).

5.4 RETIREMENT BENEFIT OBLIGATIONS

In principle, 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 six people had a performance-related commitment. Two 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 2.5% (previous year: approx. 2.5%) on the basis of an actuarial report prepared in accordance with IAS 19. As at December 31, 2011, an actuarial interest rate of 4.6% (previous year: 4.78%) and a projected pension increase of 2.0% (previous year: 2.0%) 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 reference tables (probabilities of death and invalidity) (2005G Reference Tables). As at December 31, 2011, the pension provision recognized was TEUR 371 (previous year: TEUR 368). Due to the low level of the annual pension payments of TEUR 38 (previous year: TEUR 32) 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 unrecognized actuarial losses and/or unrecognized past service costs. The interest cost is posted under Staff costs.

5.5 OTHER PROVISIONS

A breakdown of other provisions is shown below:

OTHER PROVISIONS 2011

EUR '000	01/01/2011	Addition	Release	Drawn	01/01/2011
Other provisions	666	1,092	160	506	1,092
	666	**1,092**	**160**	**506**	**1,092**

OTHER PROVISIONS 2010

EUR '000	01/01/2010	Addition	Release	Drawn	01/01/2010
Other provisions	580	666	6	574	666
	580	**666**	**6**	**574**	**666**

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:

CURRENT LIABILITIES

EUR '000	2011	2010
Trade payables	1,606	2,655
Advance payments	309	347
Other liabilities	20,729	14,006
	22,644	**17,008**

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 in an amount of TEUR 9,062 (previous year: TEUR 6,537).

5.7 TAX LIABILITIES

The tax liabilities mainly concern subsequent taxation of the former Equity 02 portfolios amounting to TEUR 2,847 (previous year: TEUR 3,239), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 2,750 (previous year: TEUR 5,334) and income taxes in Luxembourg of TEUR 4,579 (previous year: TEUR 108) and also other taxes.

5.8 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The Group's financial assets chiefly comprise trade receivables, other assets and bank balances. The Group is exposed to a credit risk in these categories. 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, where property is sold as a single asset, security exists in the form of a commercial right of retransfer for the sold real estate in the event of default by the customer. When individual apartments are sold, 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.

Apart from derivative instruments, the main financial liabilities used by the Group comprise bank loans and revolving lines of credit, trade payables and secured loans. The main objective of these financial liabilities is to finance the Group's business activities.

The Group also has derivative financial instruments. These comprise interest rate swaps, interest rate collars and interest rate caps. The aim of these derivative financial instruments is to hedge against interest risks which result from the Group's business activities and from its financing sources.

Significant risks for the Group arising from the financial instruments include interest-related cash flow risks and liquidity and credit risks. The Management decides on strategies and procedures to manage individual risk types; these are outlined below.

Interest rate risk

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

To manage and smooth the Group's interest expense, the Group concludes 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 sets a maximum rate. The underlying obligation is hedged with these interest hedging transactions. As at December 31, 2011 and taking into account existing financial derivatives, approximately 84% (previous year: 73%) of the Group's external funds was fixed-interest-bearing.

Overview of the interest rate risk

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

The Group measures the interest rate risk with the help of the cash flow sensitivity in the case of an assumed parallel shift in the interest curve of 100 basis points. Assuming a rise of 100 basis points in the interest rate, then as at December 31, 2011 and without taking taxes into account, this would have an effect of TEUR +9,372 (previous year: TEUR +12,090) on the consolidated profit and TEUR +846 (previous year: TEUR +2,424) on consolidated equity. Taking deferred taxes into account, an increase of 100 basis points in the interest rate would have an effect of TEUR +7,251 (previous year: TEUR +7,925) on the consolidated profit and TEUR +712 (previous year: TEUR +2,041) on consolidated equity. When determining the ef-fects, existing accounting hedges were included with their characteristics as they appeared on the balance sheet date.

Credit risk

In principle, due to a wide and uncorrelated counterparty structure there is no concentration of risks in our group of companies.

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

Liquidity risk

The Group continually monitors the risk of a liquidity bottleneck using liquidity planning. This liquidity planning takes into account the terms of the financial liabilities and also 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 maturities 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 unrecognized profit.

CAPITAL MANAGEMENT

EUR '000	2011	2010
Interest-bearing loans	693,352	841,380
Trade payables and other liabilities	34,209	27,087
Less cash and short-term deposits	–31,828	–70,537
Net financial liabilities	**695,733**	**797,930**
Equity	310,075	294,732
Unrecognized losses	1,331	2,372
Total modified equity	**311,406**	**297,104**
Modified equity and net financial liabilities	1,007,139	1,095,034
Gearing ratio	69%	73%

5.9 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR '000	2011	2010
Loans and receivables	65,235	10,282
Available-for-sale financial assets	3,134	3,090
Bank balances and cash	31,828	70,537

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

CARRYING AMOUNTS OF FINANCIAL LIABILITIES

EUR '000	2011	2010
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	31,454	36,401
Financial liabilities which are measured at amortized cost	698,897	858,388
Derivative financial instruments which are designated as hedging instruments and are effective as such	2,249	3,677

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2011	2010
Loans and receivables	+1,142	+375
Available-for-sale financial assets	+96	0
Bank balances and cash	+1,722	+573
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (interest cost)	–16,851	–23,024
Financial liabilities which are measured at amortized cost	–23,564	–25,782
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (impairment)	+4,947	+470
included in consolidated profit	+190	+150

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

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

The income statement 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 TEUR 38,864 (previous year: TEUR 42,256).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of the property intended for sale is recognized through profit or loss under Changes in inventories and is corrected accordingly in Cost of materials. Consequently, the acquisition of property intended for sale leads to an increase in inventories and the sale of the corresponding property leads to a reduction in inventories.

6.3 OTHER OPERATING INCOME

Other operating income primarily includes income from cancelled obligations in the amount of TEUR 5,053 (previous year: TEUR 1,330); income from liability compensation in the amount of TEUR 588 (previous year: TEUR 588); income from payments in kind of TEUR 553 (previous year: TEUR 693); income from insurance compensation in the amount of TEUR 367 (previous year: TEUR 343), income from reimbursed court costs and lawyers' fees in the amount of TEUR 110 (previous year: TEUR 66) and income from received discounts in the amount of TEUR 193 (previous year: TEUR 330).

6.4 COSTS 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, ancillary rental costs and lease expenses. This includes TEUR 3,639 (previous year: TEUR 7,420) in maintenance expenses and also additional current expenses of TEUR 3,138 (previous year: TEUR 10,738) in respect of investment property.

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

STAFF COSTS

EUR '000	2011	2010
Wages and salaries	31,573	25,100
Social insurance contributions	4,099	3,480
	35,672	**28,580**

6.6 AMORTIZATION

Scheduled amortization of software and equipment amounted to TEUR 1,526 (previous year: TEUR 904). This item also shows amortization of the hidden reserves allocated to the fund management contracts when PATRIZIA GerwerbeInvest was acquired. Subject to an annual impairment test, the annual amortization amount is TEUR 1,968 (previous year: TEUR 0).

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

OTHER OPERATING EXPENSES

EUR '000	2011	2010
Operating expenses	6,536	4,242
Administrative expenses	10,506	5,922
Selling expenses	14,926	4,693
Other expenses	9,022	6,519
	40,990	**21,376**

6.8 FINANCIAL RESULT

FINANCIAL RESULT

EUR '000	2011	2010
Interest on bank deposits	1,722	573
Income from securities	96	0
Income from interest hedges	0	0
Changes in the value of derivatives	6,028	10,546
Other interest	1,142	375
	8,988	**11,494**
Interest on revolving lines of credit and bank loans	–23,564	–25,782
Expenses from interest hedges	–16,851	–23,024
Changes in the value of derivatives	–889	–12,172
Other finance costs	–2,414	–272
	–43,718	**–61,250**
	–34,730	**–49,756**

Interest income of TEUR 1,142 (previous year: TEUR 375), which was recognized at the effective interest rate, is attributable to loans and receivables. There were no pure measurement effects for instruments of this category. The amount of the impairment on receivables can be seen under section 4.5.

6.9 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAXES

EUR '000	2011	2010
Current taxes	–5,814	–2,056
Deferred taxes	–599	–3,231
	–6,413	**–5,287**

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

RECONCILIATION STATEMENT

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

EFFECTIVE TAX EXPENSE

EUR '000	2011	2010
IFRS consolidated profit/loss for the period before income tax	19,906	11,488
Expected actual income tax expenses	–6,137	–3,541
Tax additions and deductions	–1,326	–1,601
Use of non-capitalized loss carryforwards	1,360	1,096
Non recognition of loss carryforwards	–713	0
Trade tax effects from income subject to limited taxation	240	–1,086
Effects outside the period	561	700
Other	–398	–855
EFFECTIVE TAX EXPENSE	**–6,413**	**–5,287**

6.10 EARNINGS PER SHARE

EARNINGS PER SHARE

	2011	2010
Profit share of Group shareholders	13,571,454	6,201,680
Number of shares issued	52,130,000	52,130,000
Weighted number of shares	52,130,000	52,130,000
EARNINGS PER SHARE (UNDILUTED)	**0.26 EUR**	**0.12 EUR**

There were no diluted earnings per share in the reporting year or in the previous year. As at December 31, 2011, there was authorized capital of TEUR 26,065.

7 SEGMENT REPORTING

PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH (formerly LB Immo Invest GmbH) became a new operating subsidiary of the PATRIZIA Group with effect from January 3, 2011 (cf. item 2.1 Scope of Consolidation). This was the reason for PATRIZIA to alter the existing corporate structure. From now on, the use of real estate as residential or commercial property determines and segments the associated activities. The business activities of the PATRIZIA Group are separated into the segments residential, commercial and special real estate transactions.

The segmentation of the corporate divisions is based on the changed internal reporting lines. This means that financial reporting has to reflect the changes. The segments are as follows:

The residential segment bundles all activities relating to own and co-investments, services and funds in the field of residential real estate. The real estate for residential property resale and block sales is held as own investments. Clients include private and institutional investors that invest either in individual residential units or in real estate portfolios. As of the balance sheet date, the segment had a portfolio of 7,548 (December 31, 2010: 9,285) residential units that are listed as investment property and inventories. The asset management company PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH is also part of this segment. As at December 31, 2011, it had established five real-estate special funds. The segment manages funds of approx. EUR 1.8 bn.

The commercial segment combines the same portfolio of services for commercial real estate. This also covers PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and the co-investment PATRoffice Real Estate GmbH & Co. KG. The only proprietary investment of PATRIZIA is a commercial property with 25 units or 12,182 sqm. The segment manages funds of approx. EUR 3.4 bn.

PATRIZIA Alternative Investments GmbH, PATRIZIA Immobilienmanagement GmbH, PATRIZIA Projektentwicklung GmbH and PATRIZIA Sales GmbH, which serve both the residential and commercial real estate sectors, form the segment Special Real Estate Solutions. A significant portion of the services is used by in-house entities. Moreover, the companies act for external third parties.

The internal corporate, cross-company services provided by the holding company will remain unchanged in the segment Corporate. All consolidating entries are also processed via the segment Corporate. Thus all internal output is consolidated in the column Group, which represents the external output of the Group.

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

EBT comprises a total of revenues, income from the sale of investment property, changes in inventories, cost of materials and staff costs, amortization and depreciation, other operating income and expenses as well as earnings from investments valued at equity and the financial result. EBIT denotes EBT minus the financial result. To determine the adjusted EBIT, allowances are made for the non-liquidity-related effect of amortizations of other intangible assets (fund management contracts) created in the course of the acquisition of PATRIZIA Gewerbe-Invest Kapitalanlagegesellschaft mbH (formerly LB Immo Invest GmbH). Further adjustments are made to account for the results of the market valuation of the interest rate hedging instruments.

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

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

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. The calculation of the single financial figures is carried out on basis of non-rounded figures. Figures from the previous year have been adapted to the new structure.

FOURTH QUARTER 2011 (OCTOBER 1 – DECEMBER 31, 2011)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	3,248	923	2,013	–193	5,991
Rental revenues	0	0	1	0	1
Revenues from services	3,297	929	2,024	–242	6,008
Intercompany revenues	4,627	429	1,211	–6,378	–111
Own Investments					
Residential Property Resale					
Third-party revenues	37,371	–	82	–	37,453
Rental revenues	5,990	–	0	–	5,989
Purchase price revenues from single unit sales	25,819	–	0	–	25,819
Purchase price revenues from bloc sales	4,100	–	0	–	4,100
Other revenues	1,463	–	82	–	1,545
Intercompany revenues	46	–	31	–	77
Asset Repositioning					
Third-party revenues	55,941	483	–	–	56,424
Rental revenues	6,285	336	–	–	6,621
Purchase price revenues from bloc sales	47,200	0	–	–	47,200
Other revenues	2,457	147	–	–	2,604
Intercompany revenues	18	17	–	–	34
Funds					
Third-party revenues	3,713	4,197	–	–	7,910
Revenues from services	3,713	4,197	–	–	7,910
Intercompany revenues	0	0	–	–	0
Total Group Revenues					
Third-party revenues	100,274	5,603	2,095	–187	107,785
Rental revenues	12,274	336	1	0	12,611
Revenues from services	7,010	5,127	2,024	–242	13,919
Purchase price revenues from single unit sales	25,819	0	0	0	25,819
Purchase price revenues from bloc sales	51,300	0	0	0	51,300
Other revenues	3,834	141	70	55	4,099
Intercompany revenues	4,691	446	1,242	–6,378	0
Finance income	4,343	550	394	–953	4,333
Finance cost	–13,862	–1,586	–1,105	6,328	–10,225
Significant non-cash earnings					
Market valuation income derivatives	1,926	189	0	0	2,115
Market valuation expenditures derivatives	0	0	0	0	0
Results from fair value adjustments to investment property	3	0	0	0	3
Amortization of other intangible assets	0	–492	0	0	–492
Valuation of fund shares	0	21	0	0	21
Segment result EBIT	28,541	1,084	–1,876	–9,014	18,735
Segment result EBT	19,021	48	–2,586	–3,636	12,846
Segment result EBIT adjusted	28,539	1,576	–1,876	–9,014	19,224
Segment result EBT adjusted	17,093	330	–2,586	–3,636	11,200
Of which result from financial investments valued at equity	–	–	–	5	5
Segment assets	899,297	115,059	94,013	–6,085	1,102,284
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	6,838	6,838
Additions to non-current assets	1,368	47,195	0	0	48,563
Segment liabilities	861,906	77,892	71,781	–219,370	792,209

FOURTH QUARTER 2010 (OCTOBER 1 – DECEMBER 31, 2010)

EUR '000	Residential	Commercial[1]	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	707	519	717	1	1,944
Rental revenues	0	57	42	3	102
Revenues from services	707	463	675	0	1,844
Intercompany revenues	3,191	1,416	1,281	–5,991	-102
Own Investments					
Residential Property Resale					
Third-party revenues	35,910	–	36,910	–	72,820
Rental revenues	5,228	–	48	–	5,276
Purchase price revenues from single unit sales	29,816	–	7,618	–	37,434
Purchase price revenues from bloc sales	0	–	29,067	–	29,067
Other revenues	866	–	177	–	1,042
Intercompany revenues	77	–	0	–	77
Asset Repositioning					
Third-party revenues	42,361	555	–	–	42,916
Rental revenues	9,561	333	–	–	9,896
Purchase price revenues from bloc sales	29,352	0	–	–	29,350
Other revenues	3,448	221	–	–	3,669
Intercompany revenues	6	18	–	–	25
Funds					
Third-party revenues	686	0	–	–	686
Revenues from services	686	0	–	–	686
Intercompany revenues	0	0	–	–	0
Total Group Revenues					
Third-party revenues	79,663	1,074	37,627	1	118,365
Rental revenues	14,791	390	90	3	15,272
Revenues from services	1,381	463	635	0	2,478
Purchase price revenues from single unit sales	29,816	0	7,618	0	37,434
Purchase price revenues from bloc sales	29,350	0	29,067	–2	58,417
Other revenues	4,326	221	217	0	4,764
Intercompany revenues	3,275	1,435	1,281	–5,991	0
Finance income	7,116	77	177	–175	7,196
Finance cost	–15,397	–346	–770	3,127	–13,386
Significant non-cash earnings					
Market valuation income derivatives	6,795	0	0	0	6,795
Market valuation expenditures derivatives	–1,391	0	0	0	–1,391
Results from fair value adjustments to investment property	325	0	0	0	325
Amortization of other intangible assets	0	0	0	0	0
Valuation of fund shares	0	0	0	0	0
Segment result EBIT	9,289	607	7,514	–864	16,546
Segment result EBT	1,010	339	6,922	2,080	10,350
Segment result EBIT adjusted	8,964	607	7,514	–864	16,221
Segment result EBT adjusted	–4,719	339	6,922	2,080	4,621
Of which result from financial investments valued at equity	–	–	–	–5	–5
Segment assets	1,056,940	17,553	61,982	78,073	1,214,548
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	8	8
Additions to non-current assets	0	0	0	0	0
Segment liabilities	1,020,548	16,726	37,849	–155,307	919,816

[1] Without PATRIZIA GewerbeInvest KAG (member of the Group since January 3, 2011)

TWELVE MONTHS OF 2011 (JANUARY 1 – DECEMBER 31, 2011)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	3,879	2,266	4,583	–185	10,544
Rental revenues	0	0	1	2	3
Revenues from services	3,879	2,266	4,582	–242	10,485
Intercompany revenues	14,233	2,286	6,148	–22,985	–318
Own Investments					
Residential Property Resale					
Third-party revenues	138,692	–	404	–	139,096
Rental revenues	20,810	–	310	–	21,120
Purchase price revenues from single unit sales	95,895	–	0	–	95,895
Purchase price revenues from bloc sales	15,833	–	0	–	15,833
Other revenues	6,154	–	94	–	6,248
Intercompany revenues	165	–	31	–	196
Asset Repositioning					
Third-party revenues	91,119	2,104	–	–	93,223
Rental revenues	32,820	1,380	–	–	34,200
Purchase price revenues from bloc sales	47,200	0	–	–	47,200
Other revenues	11,099	724	–	–	11,823
Intercompany revenues	54	68	–	–	122
Funds					
Third-party revenues	7,763	18,381	–	–	26,144
Revenues from services	7,763	18,381	–	–	26,144
Intercompany revenues	0	0	–	–	0
Total Group Revenues					
Third-party revenues	241,453	22,752	4,987	–185	269,007
Rental revenues	53,630	1,380	311	2	55,323
Revenues from services	11,642	20,648	4,582	–242	36,629
Purchase price revenues from single unit sales	95,895	0	0	0	95,895
Purchase price revenues from bloc sales	63,033	0	0	0	63,033
Other revenues	17,254	724	94	55	18,127
Intercompany revenues	14,452	2,354	6,179	–22,985	0
Finance income	8,932	1,117	1,056	–2,116	8,988
Finance cost	–51,150	–3,431	–3,087	13,949	–43,718
Significant non-cash earnings					
Market valuation income derivatives	5,696	332	0	0	6,028
Market valuation expenditures derivatives	-889	0	0	0	–889
Results from fair value adjustments to investment property	3	0	0	0	3
Amortization of other intangible assets	0	–1,968	0	0	–1,968
Valuation of fund shares	0	21	0	0	21
Segment result EBIT	73,299	3,770	–2,873	–19,565	54,631
Segment result EBT	31,081	1,456	–4,903	–7,727	19,906
Segment result EBIT adjusted	73,297	5,738	–2,873	–19,565	56,596
Segment result EBT adjusted	26,272	3,071	–4,903	–7,727	16,712
Of which result from financial investments valued at equity	–	–	–	5	5
Segment assets	899,297	115,059	94,013	–6,085	1,102,284
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	6,838	6,838
Additions to non-current assets	1,368	47,195	0	0	48,563
Segment liabilities	861,906	77,892	71,781	–219,370	792,209

TWELVE MONTHS OF 2010 (JANUARY 1 – DECEMBER 31, 2010)

EUR '000	Residential	Commercial[1]	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	1,541	2,118	3,219	5	6,883
Rental revenues	0	322	565	5	891
Revenues from services	1,541	1,797	2,654	0	5,992
Intercompany revenues	13,785	4,563	4,922	–23,601	-330
Own Investments					
Residential Property Resale					
Third-party revenues	202,392	–	42,677	–	245,069
Rental revenues	23,429	–	87	–	23,517
Purchase price revenues from single unit sales	128,930	–	13,305	–	142,235
Purchase price revenues from bloc sales	42,100	–	29,067	–	71,167
Other revenues	7,933	–	218	–	8,150
Intercompany revenues	278	–	0	–	278
Asset Repositioning					
Third-party revenues	80,566	2,027	–	–	82,594
Rental revenues	38,143	1,255	–	–	39,397
Purchase price revenues from bloc sales	29,352	0	–	–	29,352
Other revenues	13,072	773	–	–	13,844
Intercompany revenues	6	43	–	–	49
Funds					
Third-party revenues	5,048	0	–	–	5,048
Revenues from services	5,048	0	–	–	5,048
Intercompany revenues	2	0	–	–	2
Total Group Revenues					
Third-party revenues	289,547	4,146	45,896	5	339,593
Rental revenues	61,572	1,576	652	5	63,805
Revenues from services	6,589	1,797	2,654	0	11,040
Purchase price revenues from single unit sales	128,930	0	13,305	0	142,235
Purchase price revenues from bloc sales	71,452	0	29,067	0	100,519
Other revenues	21,005	773	218	0	21,995
Intercompany revenues	14,072	4,607	4,922	–23,601	0
Finance income	11,254	268	666	–694	11,494
Finance cost	–69,048	–1,337	–2,539	11,675	–61,250
Significant non-cash earnings					
Market valuation income derivatives	10,546	0	0	0	10,546
Market valuation expenditures derivatives	–12,172	0	0	0	–12,172
Results from fair value adjustments to investment property	325	0	0	0	325
Amortization of other intangible assets	0	0	0	0	0
Valuation of fund shares	0	0	0	0	0
Segment result EBIT	61,301	2,268	6,096	–8,416	61,249
Segment result EBT	3,508	1,198	4,223	2,558	11,488
Segment result EBIT adjusted	60,976	2,268	6,096	–8,416	60,924
Segment result EBT adjusted	4,810	1,198	4,223	2,558	12,789
Of which result from financial investments valued at equity	–	–	–	–5	–5
Segment assets	1,056,940	17,553	61,982	78,073	1,214,548
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	8	8
Additions to non-current assets	0	0	0	0	0
Segment liabilities	1,020,548	16,726	37,849	–155,307	919,816

[1] Without PATRIZIA GewerbeInvest KAG (member of the Group since January 3, 2011)

8 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

Cash and cash equivalents contain the short-term bank balances and cash posted in the balance sheet. Of the cash and cash equivalents, an amount of TEUR 1,831 (previous year: TEUR 20,320) is restricted in terms of availability.

Cash flow from investing activities contains financial investments and sales, especially in/of investment property, and also property, plant and equipment and investments in financial assets.

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

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

9 OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

In principle, there are no performance-related pension schemes at the Group. An exception to this is a scheme that was transferred in 2002 as part of an acquisition process 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 six people had a performance-related commitment. Two of these people are retired persons who already receive ongoing pension benefits. 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 involves a risk of subsidiary liability for the Group if the fund does not have sufficient assets to pay all benefits relating to work performed by the employees in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2011, a total of TEUR 72 (previous year: TEUR 56) was paid in contributions to the provident fund.

Most employees in the Group have compulsory state pension insurance and are thus covered by a state defined contribution scheme. Under this pension commitment, the Group is neither legally nor factually obliged to pay contributions over and above this. Contributions under defined contribution pension systems are paid in the year in which the employee provided the counterperformance for these contributions.

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

9.2 MANAGEMENT PARTICIPATION MODEL

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

The fundamental requirement of PATRIZIA's management participation model is a consistent target system that supports the corporate strategy. It is based on a long-term, multidimensional and neutral approach. The system sets directors and managers of Group companies quantitative and qualitative Company, business line and individual goals. In principle, the degree to which quantitative goals are achieved is based on projected figures derived from the Company's planning. Key objectives include in particular consolidated profit before taxes of the past fiscal year, without taking changes in the market value of investment property and of interest hedging instruments into account and without taking amortization on intangible assets (fund management contracts arising on the acquisition of PATRIZIA GewerbeInvest KAG) into account. This adjusted pre-tax profit is published in PATRIZIA's financial reports as so-called EBT adjusted and reflects its operating earnings power. Other objectives include the Group return on equity and also share price performance in relation to reference indices.

At business line level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and of performance interdependencies among the parties involved in processes. Directors and managers of Group companies involved in the provision of services or in qualitative projects are set common targets.

At individual level, the quantitative results or qualitative project results for which the directors and managers of Group companies hold individual responsibility are taken into account.

The degree to which the individual goals are achieved determines the amount of the variable portion of remuneration. A cap is placed on achievable variable compensation components. If the Group achieves less than two-thirds of the forecast consolidated profit, the directors and managers of Group companies lose the entire variable portion of remuneration.

The variable portion of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive is paid directly after it has been established that the targets have been achieved. The long-term incentive is a salary commitment with a virtual link to the PATRIZIA share price. It is not paid until two years after 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 respective individual director or manager of a Group company should they leave the Group. Depending on the reason for leaving, an individual may receive all, part or none of the promised but as yet undistributed claims.

In 2011, a long-term incentive of TEUR 976 was established for the first and second management level. This corresponds to the provision formed for the maximum achievable long-term variable compensation. The final calculation cannot be made until all data required for the calculation are known; these data will not be known until after the consolidated financial statements have been approved. This monetary amount is converted into performing share units at the average Xetra price 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the next year but one (vesting period).

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

Based on the average share price of the PATRIZIA share 30 days before and after December 31, 2011, the average price is EUR 3.45. This corresponds to 284,817 shares. No expenses or income related to the stock option plan arose during the reporting period.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	No. of performing share units	Fair values 12/31/2011 EUR '000	Fair values 12/31/2010 EUR '000	Paid out EUR '000
Tranche performing share units fiscal year 2011	284,817	976	0	0
Tranche performing share units fiscal year 2010	178,581	613	789	0
Tranche performing share units fiscal year 2009	97,725	335	363[1]	0

[1] These figures relate to the number of performing share units as at December 31, 2010.

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

PERFORMING SHARE UNITS

units	12/31/2011	12/31/2010
Outstanding at the start of the reporting period	276,306	80,186
Granted for the reporting period	284,817	213,669
Forfeited in the reporting period	0	17,549
Paid out in the reporting period	0	0
Outstanding at the end of the reporting period	**561,123**	**276,306**

9.3 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

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

The related companies of the Group are listed individually below:

- WE Verwaltungs GmbH, Augsburg
- WE Vermögensverwaltung GmbH & Co. KG, Augsburg
- First Capital Partner GmbH, Gräfelfing
- FCP Service GmbH, Gräfelfing
- FCP Anlage AG, Gräfelfing
- FCP Biotech Holding GmbH, Gräfelfing
- Wohnungsportfolio WPO Berlin GmbH, Berlin
- Wohnungsportfolio WPO Immobilienservice GmbH, Berlin
- Immobilienportfolio IPO Berlin GmbH, Berlin
- Eurobilia AG, Gräfelfing
- Hansa-Langenhorn-Immobilien GmbH, Hamburg
- Verwaltung EHG Erste Hanseatische Grundvermögen GmbH, Hamburg
- E.H.G. Erste Hanseatische Grundvermögen GmbH & Co. KG, Hamburg
- Wolfgang Egger Verwaltungs-GmbH, Gräfelfing
- Wolfgang Egger GmbH & Co. KG, Gräfelfing
- Stadtresidenz Friedrich-List Vermögensverwaltungs KG, Augsburg
- Objektgesellschaft An der Alster 47 GmbH & Co. KG, Augsburg
- LBG 3 GmbH, Gräfelfing
- ArsRatio Holding GmbH, Innsbruck, Austria
- ArsRatio GmbH, Kirchbichl, Austria
- ArsRatio Forschung & Entwicklung GmbH, Kirchbichl, Austria
- Tottenham Hale S.à r.l., Luxembourg
- Saven Hill Holding S.à r.l., Luxembourg
- Shawmut Holding S.à r.l., Luxembourg
- PRIME Development Proje gelistirme Ltd. STI, Istanbul, Turkey

The company maintains the following business relationships with related parties:

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

As at the balance sheet date, Wolfgang Egger, CEO, indirectly and directly holds a total stake of 51.55% in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100% stake via WE Vermögensverwaltung GmbH & Co. KG.

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

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

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

In addition, Johannes Altmayr, Dr. Bernhard Engelbrecht, Markus Fischer, Werner Gorny, Jürgen Kolper and Martin Lemke hold a total of 0.4% as members of PATRIZIA's additional management level.

Contracts and business relationships between the Managing Board members and PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG provide various services for Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In particular, these services relate to management of real-estate portfolios and construction projects. The scope of services to be provided by PATRIZIA Immobilien AG and/or its subsidiaries is precisely defined in the framework agreement of March 25, 2010. The remuneration for services provided as agreed in the contract is in line with current market conditions. In the 2011 fiscal year, PATRIZIA provided services to the value of TEUR 523 (previous year: TEUR 534).

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, including parking spaces, used by the Company as its head office (Fuggerstrasse 18 – 24 and also Fuggerstrasse 26 in Augsburg) at a current monthly rent of TEUR 103 (previous year: TEUR 93).

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 GmbH & Co. KG), as well as general partner of Friedrich-List Vermögensverwaltungs KG.

Consultancy agreement with the law firm Seitz, Weckbach, Fackler

There is a consultancy relationship with the law firm Seitz, Weckbach, Fackler of Augsburg, under which the company is advised on competition and employment law. A partner in this law firm, Dr. Theodor Seitz, is also Chairman of the Company's Supervisory Board. The consultancy agreement was approved by means of a Supervisory Board resolution dated December 13, 2010. In 2011 consultancy costs of TEUR 1 (previous year: TEUR 10) were incurred at the law firm Seitz, Weckbach, Fackler.

9.4 SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

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

In the fiscal year, the payments made to the Managing Board totaled TEUR 1,682 (previous year: TEUR 1,110); details can be found in the following table:

MANAGING BOARD REMUNERATION 2011

EUR	Annual income[1]				
	Fixed compensation	Short-term variable compensation[2]	Payments in kind and other payments[3]	Long-term variable compensation[4]	Contribution to pension fund
Wolfgang Egger	310,000	229,484	24,407	114,742	12,000
Arwed Fischer	290,000	215,000	37,814	86,560	12,000
Klaus Schmitt	300,000	179,857	47,100	89,929	24,000
TOTAL	900,000	624,341	109,321	291,231	48,000

[1] Payment in the 2011 fiscal year
[2] Cash component of the variable compensation for the 2010 fiscal year that was paid in the 2011 fiscal year once all data required for its determination were known.
[3] The item primarily includes monetary benefits from the use of company cars and insurance premiums.
[4] Conversion to performance share units with two-year vesting period at an average price of EUR 4.02. to be paid out at the Xetra average rate 30 days before and after December 31, 2012.

MANAGING BOARD REMUNERATION 2010

EUR	Annual income[1]				
	Fixed compensation	Short-term variable compensation[2]	Payments in kind and other payments[3]	Long-term variable compensation[4]	Contribution to pension fund
Wolfgang Egger	260,000	0	22,704	0	12,000
Arwed Fischer	240,000	240,000	40,048	0	12,000
Klaus Schmitt	240,000	0	31,225	0	12,000
TOTAL	740,000	240,000	93,977	0	36,000

[1] Payment in the 2010 fiscal year
[2] Up until 2010 Mr. Fischer was granted a minimum compensation of EUR 240,000 per year. Under the terms of a contract extension, a cash bonus was agreed with him replacing the previous minimum variable compensation and this is linked to individual targets.
[3] The item primarily includes monetary benefits from the use of company cars and insurance premiums.
[4] Conversion to performance share units with two-year vesting period; No performance share units were granted for the 2009 fiscal year, as the defined target hurdle was not achieved and no long-term variable compensation was therefore paid.

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 (Düsseldorf), Hamburg
- Manfred J. Gottschaller, director of Bayerische Handelsbank AG, Munich, retired

The Supervisory Board received fixed remuneration of TEUR 63 (previous year: TEUR 63); details can be found in the following table:

SUPERVISORY BOARD REMUNERATION 2011

EUR	Fixed compensation	Variable compensation[1]
Dr. Theodor Seitz, Chairman	25,000	0
Harald Boberg	18,750	0
Manfred J. Gottschaller	18,750	0
TOTAL	**62,500**	**0**

[1] Subject to the 2012 Annual General Meeting and the appropriation of net profits.

SUPERVISORY BOARD REMUNERATION 2010

EUR	Fixed compensation	Variable compensation
Dr. Theodor Seitz, Chairman	25,000	0
Harald Boberg	18,750	0
Manfred J. Gottschaller	18,750	0
TOTAL	**62,500**	**0**

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

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

OBLIGATIONS ARISING FROM EXISTING MAINTENANCE AND LEASING AGREEMENTS

EUR '000	
2012	1,544
2013 – 2016	3,701
2017 and later	462
	5,707

Use of part of our office building is based on operating lease agreements. This also reduces capital tie-up and leaves the investment risk with the lessor. The leasing agreement for the office building in Augsburg still has a residual term of just under ten years and results in an annual leasing expense of TEUR 1,225. Rental agreements have also been concluded for subsidiaries' offices in other locations; they have remaining terms of between three months and three years. The obligations amount to TEUR 848 for 2012, TEUR 693 for 2013 and TEUR 491 for 2014.

9.6 EMPLOYEES

The average headcount at the Group in 2011 (excluding members of the Managing Board) was 455 (previous year: 364).

9.7 AUDITOR'S FEES

The auditor's expenses charged for the 2011 fiscal year in connection with auditing the financial statements amounted to TEUR 343 (previous year: TEUR 324). In addition, in the last fiscal year the auditors charged TEUR 15 for tax advisory services and TEUR 6 for other assurance work.

9.8 GERMAN CORPORATE GOVERNANCE CODE

On December 12, 2011, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the German Stock Corporation Act and published it on the Company's homepage (www.patrizia.ag).

10 STATEMENT OF THE MANAGING BOARD

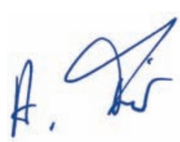
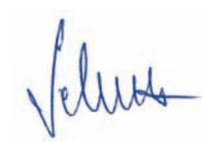
The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and of the report on the position of the Company and the Group.

The Managing Board released these financial statements for publication on March 22, 2012. Adoption of the financial statements will take place at the Supervisory Board meeting on March 27, 2012.

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 Article 315 of the German Commercial Code.

Augsburg, March 22, 2012

Wolfgang Egger
Chairman of the Board

Arwed Fischer
Member of the Board

Klaus Schmitt
Member of the Board

Appendix to the Notes to the Consolidated Financial Statements

LIST OF SHAREHOLDINGS

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding in %	Equity in EUR	Net profit/net loss for the last fiscal year in EUR
PATRIZIA Acquisition & Consulting GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Investmentmanagement GmbH[1]	Augsburg	100	164,912.54	0.00
PATRIZIA Immobilienmanagement GmbH[1]	Augsburg	100	16,881.05	0.00
PATRIZIA Projektentwicklung GmbH[1]	Augsburg	100	250,000.00	0.00
PATRIZIA Wohnen GmbH[1]	Augsburg	100	618,682.33	0.00
Deutsche Wohnungsprivatisierungs GmbH[1]	Augsburg	100	13,145.51	0.00
PATRIZIA Projekt 100 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 110 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 120 GmbH[1]	Augsburg	100	22,280.88	0.00
PATRIZIA Sales GmbH[1] (formerly: PATRIZIA Projekt 140 GmbH)	Augsburg	100	34,592.95	0.00
PATRIZIA Projekt 150 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 160 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH[1]	Augsburg	100	135,245,000.00	0.00
PATRIZIA Projekt 180 GmbH[1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH[1] (formerly: PATRIZIA Immobilien Kapitalanlage-gesellschaft mbH)	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 220 GmbH	Augsburg	100	15,292.85	–1,484.59
PATRIZIA Projekt 230 GmbH	Augsburg	100	18,656.57	–2,084.74
PATRIZIA Projekt 240 GmbH	Augsburg	100	15,582.49	–1,553.02
PATRIZIA Projekt 250 GmbH	Augsburg	100	14,837.33	–1,450.38
PATRIZIA Projekt 260 GmbH[1]	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Hamburg	100	112,693.33	87,128.74
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Augsburg	100	11,458.31	–1,167.73
PATRIZIA Projekt 420 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Alternative Investments GmbH[1] (formerly: PATRIZIA Projekt 460 GmbH)	Augsburg	100	25,000.00	0.00
PATRIZIA Property Inc.	Wilmington, Delaware USA	100	–1,589.62[2]	–1,662.89[2]
PATRIZIA Scandinavia AB	Stockholm	100	50,000.00 SEK[3]	–9,086.66 SEK[3]
meridomus GmbH Forderungsmanagement- und Servicegesellschaft für den Vermieter	Cologne	50	36,634.02[3]	19,890.72[3]
Hyresbostädter i Norra Tyskland Verwaltungs GmbH	Augsburg	5.2	25,000.00	0.00

[1] As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.
[2] Amounts from 2010
[3] Provisional financial statements

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding in %	Equity in EUR	Net profit/net loss for the last fiscal year in EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	492,559.33	467,559.33
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	47,433.89	2,103.15
Alte Haide Baugesellschaft mbH	Augsburg	100	8,278,999.60	684,796.92
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	139,536,137.22	1,287,574.25
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,051,045.16	5,295.63
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	30,058,689.17	58,620.83
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	86,366.07	–4,643.47
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	9,082,570.75	15,792.79
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	699,974.47	4,319.56
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	17,693,162.02	4,405,412.46
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	–77,984,883.81	4,084,364.62
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	–1,807,448.46	–5,846,106.32
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	–825,586.30	5,655,625.37
PATRIZIA Acquihold S.à r.l.	Luxembourg	100	12,349.00	–151.00
F40 GmbH	Augsburg	94.9	10,221,828.97	–1,538,272.69
PATRIZIA Projekt 380 GmbH	Augsburg	100	12,452.32	–1,741.50
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–688,396.89	–31,888.75
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–1,010,626.61	–313,466.19
PATRIZIA Projekt 600 GmbH	Augsburg	100	737,713.09	716,125.07
PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH	Hamburg	94.9	5,000,100.00	0.00[1]
LB Invest GmbH	Hamburg	100	43,645.70	46.43
PATRIZIA Facility Management GmbH (formerly: PATRIZIA Projekt 330 GmbH)[2]	Augsburg	100	25,000.00	0.00

1 As a result of the existing control and profit transfer agreements, the results are adopted by the stockholder PATRIZIA Projekt 600 GmbH.
2 As a result of the existing control and profit transfer agreements, the results are adopted by the stockholder PATRIZIA Projekt 180 GmbH.

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

Name	Head office	Share holding in %	Equity in EUR	Net profit/net loss for the last fiscal year in EUR
PATRIZIA Vermögensverwaltungs GmbH[1]	Augsburg	100	687,583.35	0.00
Blitz 11-677 GmbH	Munich	100	24,062.83	–937.17
Blitz 11-678 GmbH & Co. KG	Munich	100	226.08	–273.92
Blitz 11-679 GmbH	Munich	100	24,122.52	–877.48
Blitz 11-680 GmbH & Co. KG	Munich	100	286.77	–213.23
Blitz 11-683 GmbH	Munich	100	24,122.52	–877.48
Blitz 11-684 GmbH & Co. KG	Munich	100	286.77	–213.23
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	9.09	164,485,586.35	–202,837.52

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

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 for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the report on the position of the company and the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code is the responsibility of the company's Managing Board. Our responsibility is to express an opinion on these consolidated financial statements and the report on the position of the company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net asset, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the company and the Group 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 report on the position of the company and the Group 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 report on the position of the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PATRIZIA Immobilien AG, Augsburg, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law as per Article 315a (1) of the German Commercial Code and give a true and fair view of the net asset, financial and earnings situation of the Group in accordance with these requirements. The report on the position of the company and the Group 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 26, 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

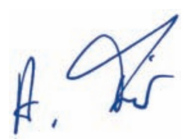
Klinger
German Public Auditor

Becker
German Public Auditor

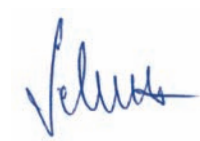
Responsibility Statement by the Legal Representatives of PATRIZIA Immobilien AG

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

Wolfgang Egger
Chairman of the Board



Arwed Fischer
Member of the Board



Klaus Schmitt
Member of the Board