

**A** | PREFACE AND REPORTS

**B** | MANAGEMENT REPORT OF  
THE COMPANY AND THE GROUP

**C** | CONSOLIDATED FINANCIAL STATEMENTS  
AND NOTES AS AT DECEMBER 31, 2007

**D** | FURTHER INFORMATION

<b>A I</b>	28	Letter to our Shareholders
	30	Report of the Supervisory Board
	34	Corporate Governance Report
	44	The PATRIZIA Share
	46	The PATRIZIA KinderHaus Foundation

## LETTER TO OUR SHAREHOLDERS

**Dear Ladies and Gentlemen,  
Dear Shareholders and Business partners,**

If we take a look back at fiscal year 2007 we can see that this was a year with highs and lows for PATRIZIA Immobilien AG. On the one hand it was a year of growth for the Company and on the other there are some goals that we did not achieve to the extent that we had assumed at the beginning of 2007. The environment that we work in deteriorated massively during the year, particularly due to the US real estate crisis and its effects on the entire real estate market.

The first quarter of 2007 was affected most notably by the acquisition of the large portfolios into our holdings, as notarized in November and December 2006. These acquisitions enabled us to increase our existing portfolio from around 1,200 residential units at around 9,500 residential units. We began with the integration and processing of the new portfolios directly following the ownership transfer. The integration process, however, took more time than we had originally planned. It was only in September 2007 that we were able to put the first larger portfolio items from the newly purchased real estate holdings onto the market. Up to this point we could only privatize using the so-called old portfolio. Of these 1,200 apartments, we sold around 25 % during fiscal year 2007. Despite the difficult market environment, this is equal to the average selling-off percentage of previous years.

Based on the delayed sales start, we sold only 487 individual residential units to tenants, owner-occupiers and private investors in 2007. This figure lagged behind our own expectations and those of the market. We established that the economic recovery in Germany had not yet reached the end customer, meaning that confidence in investments was quite reserved. Neither were we able to realize the planned

block sales of approximately 1,000 units. Consolidated revenues amounted to EUR 193.3 million in fiscal year 2007 (previous year: EUR 237.6 million). Lower sell-offs in privatization as well as a lack of block sales lead to a year-on-year decline in revenues and liquid earnings. We did not match either our expectations or those of the market or the shareholders with regards to quality of earnings. This led to a distinct decline in our share price. Even if the negative market environment played a role in the price performance of our shares, we are aware that the disappointing development of our operating business also had an impact on the price downturn. For this reason, the utmost priority for fiscal year 2008 is to win back the confidence of the shareholders. We will show that we can sell off our projects on schedule, thereby generating liquid earnings.

Therefore, realizing liquid earnings is the Company's main focus. In addition to the segments to date, we further extended our business model, introduced new structures and developed innovative products for our customers. By founding our PATRIZIA Immobilien Kapitalanlagegesellschaft mbH in Spring 2007, we can now provide tailored solutions for institutional investors who wish to invest indirectly in real estate through fund products. For this, we have already launched two funds – the German Residential Fund 1 which invests exclusively in residential real estate in Germany as well as the Euro City Residential Fund 1 which conducts residential real estate investments in selected European locations. Our own employees assume all services with regard to funds, from purchasing due diligence, fund management through to asset management. This is how we achieve the best performance for our customers.

We also demonstrated our position in the commercial real estate sector. We launched a co-investment together with two prestigious European pension funds in April 2007 which is to invest around EUR 700 million in German commercial real estate. By the end of 2007, we had already invested EUR 261 million in our co-investment. PATRIZIA holds an equity interest of 6.25 % on this joint venture. In addition, we also took on all services for the commercial real estate portfolio. Service fees coming from fund products as well as from the co-investment ensure regular income for the PATRIZIA Group. This not only secures the further expansion of the Investments segment but also simultaneous development of the Services segment in which we will have an increased focus on the business units Investment and Asset Management in the coming years. The objective is to continually develop the volume of assets under management, therefore generating recurring income for the Company.

Overall we have achieved a broader positioning for the PATRIZIA Group. The two Company pillars, Investments and Services, were strengthened further in 2007. In fiscal year 2007, around 11,700 residential and commercial units were transferred to our ownership in the Investments segment. With the current level of approximately 13,120 units, we have built a good basis for ourselves which we can continue to operate. As part of the Residential Property Resale business line, a portion of the residential units is to be sold to tenants, owner-occupiers and private investors in the future. However, Residential Property

Resale only represents one distribution channel for us. Around fifty percent of our current portfolio has been allocated to the Asset Repositioning business line and is to be sold in the form of block sales. Attractive projects were also acquired for PATRIZIA Project Development in fiscal year 2007. An example of one of these projects is the "Frankfurt am Main Feuerbachstrasse" project that we will be developing as part of a joint venture together with our partner, a subsidiary of the Landesbank Baden-Württemberg. Our objective for the future of the Project Development business line is to develop further projects, also as joint venture partnerships.

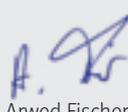
The PATRIZIA Immobilien AG business model covers the purchase, the development and the sale of real estate, in a nutshell: Invest. Optimize. Realize. Following increased purchases in 2007, the focus for fiscal year 2008 is the implementation of measures to increase the value of our real estate as well as selling off this real estate to private or institutional investors. The objective for the Management and the entire PATRIZIA team is to win back the confidence in our Company and our business model through the generation of liquid earnings.

Looking back at 2007 but also looking forward to the future, we wish to thank our business partners for their trusted cooperation and we also wish to thank our employees for the efforts they have made and their untiring dedication to PATRIZIA.

#### The Managing Board



Wolfgang Egger  
Chairman of the Board



Arwed Fischer  
Member of the Board



Alfred Hoschek  
Member of the Board



Klaus Schmitt  
Member of the Board

## REPORT OF THE SUPERVISORY BOARD

**Dear Shareholders,  
Dear Ladies and Gentlemen,**

Especially in times associated with greater challenges, in which the market environment becomes ever-more difficult, the advisory and particularly the monitoring function of the Supervisory Board is more important than ever. My Supervisory Board colleagues and I take our function as the supervisory body of PATRIZIA Immobilien AG very seriously and also worked closely with the Managing Board in fiscal year 2007.

The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law and the Articles of Association with great care. The Supervisory Board carefully examined and monitored the legality, propriety, expediency and efficiency of the Company's management. It was kept informed extensively and promptly as well as verbally and in writing on the Company's business performance, its profitability and its financial and earnings position by the Managing Board and regularly advised the Managing Board on managing the Company. The Managing Board fulfilled its reporting duties to the Supervisory Board as prescribed by law and the by-laws in full and on time. The operating performance in the Group, all transactions of material significance and the further development of the strategy, the Company's planning and the associated opportunities and threats were discussed in depth and the measures of the Managing Board closely assisted.

The Supervisory Board came together in four ordinary meetings during the fiscal year. All Supervisory Board members attended every meeting. The Supervisory Board refrained from forming committees as it only comprises three members. Based on the reports and the resolutions of the Managing Board, the Supervisory Board passed resolutions on measures which require its approval in accordance with the law, the Articles of Association and the bylaws of the Managing Board.

The Supervisory Board was also promptly informed of projects and processes of particular relevance to PATRIZIA's position and performance between meetings. When necessary, decisions of the Supervisory Board were also passed by circulation. Furthermore, the Supervisory Board also stood by the Managing Board in an advisory capacity, regularly meeting personally. No Supervisory Board or Managing Board

members were involved in any conflicts of interest which must be disclosed to the Supervisory Board.

### TOPICS OF THE SUPERVISORY BOARD

The Supervisory Board continued to pay particular attention to strategy and investments in the past fiscal year. The purchases of the various portfolios were examined by the Supervisory Board, each with regard to the acquisition criteria. In the past fiscal year, PATRIZIA has increasingly freed itself from its strict focus on residential real estate for privatization. Alongside residential real estate for individual sale, more and more properties were acquired for asset re-positioning. The services area was also expanded further. In particular, conclusion of the first co-investment agreement in commercial real estate was intensively discussed. The Supervisory Board welcomed this strategic further development, even in view of the risk distribution. The Company's stronger commitment in project development, such as the purchase of the development site in Frankfurt's Westend, thus met with our approval.

The Supervisory Board's advice also focused on the risk management system in place at PATRIZIA. The Supervisory Board enquired about the risk situation in the Group and particularly about recording individual operating risks. The Supervisory Board satisfied itself that the standard risk management system implemented throughout the PATRIZIA Group is suitable for identifying opportunities and risks in good time and appropriately responding to them.

Advice regularly centered on the net assets, financial position and result of operations of the Group and its subsidiaries. In this context, PATRIZIA's share price performance on the capital market and its effects on the communication requirements expected of the Company as well as the potential consequences for the operating business and access to market potential were discussed in detail at the meetings on September 20, 2007 and November 30, 2007. Likewise, the Supervisory Board subjected the hedging instruments applied for refinancing expiring loans to its own examination and assured itself that the financing of further real estate purchases is not impaired. The

Supervisory Board was informed in good time of the current trends in each business line. The Managing Board fully explained the causes for variances and the steps to be initiated. In addition, the Managing Board provided information on the effects of the interest limitations as a result of the 2008 German corporate taxation reform and the measures taken by PATRIZIA.

Beyond this, the Supervisory Board monitored the propriety and expediency of the Managing Board's management. In this respect, the Supervisory Board discussed the organization of the Company and the Group with the Managing Board and satisfied itself that this organization was effective.

The Managing Board also informed the Supervisory Board about compliance measures on a regular basis.

#### CORPORATE GOVERNANCE

The Supervisory Board has extensively informed itself of changes to the German Corporate Governance Code. Based on the Code, the Supervisory Board adopted new bylaws for the Managing Board which specifically assigns the individual business areas to the individual Managing Board members through the allocation of duties. This operating optimization ensures that decisions are taken faster and more efficiently. New bylaws were also adapted for the Supervisory Board. Furthermore, a new regulation about the variable compensation of the Supervisory Board as stipulated by the Code was discussed at the Supervisory Board Meeting of March 12, 2007. The compensation system for Supervisory Board members was presented to the Annual General Meeting for resolution and, following its approval, came into effect on July 1, 2007.

The Managing Board and Supervisory Board issued an updated declaration of conformity on March 3, 2008 in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act). Apart from a few exceptions, the recommendations of the Code are met. This was permanently made available for shareholders and interested members of the public to view on the website of PATRIZIA Immobilien AG.

No members of the Supervisory Board were involved in any conflicts of interest as defined by section 5.5.3 of the German Corporate Governance Code in fiscal year 2007. Further information on corporate governance can be found in the Corporate Governance Report in this Annual Report.

#### ANNUAL GENERAL MEETING FOR 2007

The Supervisory Board dedicated its meetings of March 12, 2007 and April 14, 2007 to drawing up an agenda for the Annual General Meeting and resolution proposals for the individual items on the agenda. The Annual General Meeting on June 13, 2007 was also PATRIZIA Immobilien AG's first Annual General Meeting as a listed company. In the preparations, the Supervisory Board primarily attended to the introduction of a management participation model in line with the market. This program was presented to the Annual General Meeting.

#### ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2007, AUDIT AND DEPENDENT COMPANY REPORT

The annual financial statements of PATRIZIA Immobilien AG which are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) for fiscal year 2007 as well as the management report for PATRIZIA Immobilien AG and the Group were examined by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping, and each issued with an unqualified audit opinion. The auditor was chosen by the Annual General Meeting on June 13, 2007 and commissioned with the audit by the Supervisory Board.

As regards the Company's risk management system, the auditor found that the Managing Board of PATRIZIA Immobilien AG had taken the measures required by Article 91 (2) of the AktG and that the Company's early risk detection system was suitable for early detection of developments that jeopardize the continued existence of the company.

All documents relevant to the annual financial statements and the audit reports of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were supplied to the Supervisory Board in good time. The Supervisory Board examined the annual financial statements, consolidated financial statements, management report and Group management report. While doing this, the Supervisory Board carefully studied the reports of the auditor, consulted them when examining the annual financial statements, consolidated financial statements, management report and Group management report and compared the reports of the auditor

with the documents for the annual financial statements. The auditor's report did not find any violations of the law or the Articles of Association.

The Supervisory Board also examined the completeness and accuracy of the management report and Group management report. The statements made in the management report are consistent with the reports of the Managing Board to the Supervisory Board during the year. They also comply with the Supervisory Board's own opinions of the Company and the Group's position.

The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information in the accounts meeting of the Supervisory Board on March 25, 2008. The information in the annual financial statements, consolidated financial statements, management report and Group management report were examined with regard to their legality, propriety and expediency on this basis.

Following the final findings of its examination, the Supervisory Board has no objections against the annual financial statements, consolidated financial statements, the management report of PATRIZIA Immobilien AG and of the Group or the findings of the examination by the auditor. The annual and consolidated financial statements prepared by the Managing Board were expressly approved. The annual financial statements of PATRIZIA Immobilien AG for fiscal year 2007 have thus been adopted in accordance with Article 172 of the AktG.

The dependent company report on relationships between PATRIZIA Immobilien AG and affiliated companies prepared by the Managing Board in line with Article 312 of the AktG was examined by the auditor. The auditor has provided the following audit opinion:

Following our mandatory audit and assessment, we hereby confirm that:

1. The information given in the report is correct
2. With regard to the any legal transactions listed in the report, the Company's performance was not unduly high
3. No circumstances arise from the measures listed in the report which necessitate any significant change to the assessment made by the Managing Board.

The report of the auditor on the dependent company report was available to all Supervisory Board members in good time and was thoroughly examined by the Supervisory Board. The dependent company report and the auditor's report were the subject of the meeting on March 25, 2008 and were extensively discussed with the auditors present. In its examination, the Supervisory Board also found, following the findings of its examination, that it had no objections against the report and the concluding declaration by the Managing Board contained therein.

The proposal on the appropriation of net profit by the Managing Board was also the subject of consultation in the Supervisory Board meeting on March 25, 2008.



The Supervisory Board examined the proposal considering the Group's accounts structure, liquidity, finance and investment planning and agreed to the Managing Board's proposal on the appropriation of net profit.

### PERSONNEL CHANGES

The Annual General Meeting on June 13, 2007 re-elected Dr. Theodor Seitz to the Supervisory Board. In the constituent meeting that followed he was confirmed in office as Chairman, Harald Boberg was confirmed as the first deputy and Manfred Gottschaller as the second deputy.

In the meeting on April 12, 2007 we decided to extend the expiring terms of office of CEO Wolfgang Egger and Chief Investment Officer Alfred Hoschek early by an additional five years. Messieurs Egger and Hoschek have thus been appointed as members of PATRIZIA Immobilien AG's Managing Board until end of April 2012.

CFO Dr. Georg Erdmann left the Company by mutual agreement for family reasons on December 31, 2007. The Supervisory Board very much regrets this decision and thanks Dr. Erdmann for his long-standing, successful commitment and his services for the benefit of PATRIZIA. Alfred Hoschek additionally assumed responsibility for this area from Dr. Erdmann for two months until Arwed Fischer was appointed as the new

Chief Financial Officer of PATRIZIA Immobilien AG on March 1, 2008. Arwed Fischer has been responsible for accounting/taxes, controlling, investor relations, IT and risk management since March 1, 2008. The transfer and redistribution of responsibilities until the new CFO was appointed was agreed with the Supervisory Board.

The term of office for all Supervisory Board members ends when the Annual General Meeting for 2008 draws to a close. In its meeting, the Supervisory Board decided to propose that all the current Supervisory Board members be reelected.

We would like to thank the Managing Board, the directors of the operating companies and all employees for their work in the last fiscal year. They made a decisive contribution to PATRIZIA's further development through their assiduousness, reliability and competence. We would also like to thank the shareholders that placed their confidence in PATRIZIA in 2007, which was a difficult year on the stock exchange for the Company

Augsburg (Germany) – March 25, 2008

For the Supervisory Board

Dr. Theodor Seitz  
Chairman



## CORPORATE GOVERNANCE REPORT

For PATRIZIA Immobilien AG, responsible corporate management is inevitably associated with transparent processes and structures aimed at long-term value enhancement. We believe that good corporate governance primarily involves efficient cooperation between the Managing Board and Supervisory Board for the benefit of the company, the trusting cooperation of all employees, consideration for the interests of investors, customers and business partners as well as open and honest communication.

PATRIZIA welcomes the recommendations and suggestions of the German Corporate Governance Code and acts in line with the recognized principles of good corporate management. The Code encourages the principles long practiced by PATRIZIA while stimulating the active further development of the corporate culture at the same time. The amendments to the Code resolved by the Government Commission of the German Corporate Governance Code on June 14, 2007 entered into force on July 20, 2007 when they were published in the official section of the electronic Bundesanzeiger (Federal Gazette). The Managing Board and Supervisory Board of PATRIZIA Immobilien AG adopted the Declaration of Conformity adapted to this in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on March 3, 2008. PATRIZIA complies with and will continue to comply with the recommendations of the German Corporate Governance Code with the exceptions below.

→ The Company did not send notification of the convening of the General Meeting together with the convening documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means as it does not yet have the Annual General Meeting resolution to amend the Articles of Association. However the Company does plan to present a proposal for resolution to this effect to the next Annual General Meeting in 2008.

→ Contrary to 3.8 of the German Corporate Governance Code, the D&O insurance policy concluded by PATRIZIA for the Managing Board and Supervisory Board does not provide for a deductible. The Managing Board and Supervisory Board of the Company do not believe that a deductible affects the sense of responsibility and loyalty with which the committee members fulfill the duties and functions assigned to them. In our opinion, a deductible is not needed for this reason and is not planned for the near future.

→ The compensation of the Managing Board should also include components with a long-term incentive effect and risk elements. In particular, company stocks with a multi-year blocking period, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with a long-term incentive effect and risk elements. The total compensation of PATRIZIA Immobilien AG's Managing Board currently includes fixed and variable components but no compensation components with a long-term incentive effect and risk elements. Therefore the Company does not comply with the corresponding recommendations of the German Corporate Governance Code. The Annual General Meeting on June 13, 2007 was presented with a concept to create a variable compensation component with a long-term incentive effect and risk elements, which is comparable to a stock option program in terms of its form and corresponds to the requirements of the German Corporate Governance Code. The Managing Board's new compensation model entered into effect at the beginning of fiscal year 2008.

→ Furthermore, the Corporate Governance Code recommends forming committees on the Supervisory Board. Since it is composed of three members, the Supervisory Board of PATRIZIA Immobilien AG believes that it is neither necessary, nor does it make sense, for it to form committees. The Supervisory Board in particular is of the opinion that forming committees would not increase the efficiency of its supervisory board activities.

→ The new regulation resolved by the Annual General Meeting in fiscal year 2007 about compensation of PATRIZIA Immobilien AG's Supervisory Board takes the chair of the Supervisory Board into account but does not distinguish between deputy chairman on the Supervisory Board or a simple member as the Board comprises only three members.

The current version and previous versions of the declaration of conformity can be found on the Investor Relations pages of the PATRIZIA website at [www.investor.patrizia.ag](http://www.investor.patrizia.ag), where we also provide you with detailed information on all topics of relevance for the Annual General Meeting. Shareholders can easily retrieve all the documents and information for the Annual General Meeting, including our interim reports for the year, on our website. Details of the presence and results of the votes are also published here immediately after the Annual General Meeting.



Corporate governance is both motivation and responsibility for us and encompasses all areas of the Company. It is our aim to confirm and further strengthen the confidence placed in PATRIZIA by investors, customers and business partners as well as employees and the public. As a continuous process, we will optimize our corporate governance on an ongoing basis and also adapt it to the amendments of the Code in the future.

### CONSIDERATION OF SHAREHOLDER INTERESTS

We seek to communicate actively and contribute towards PATRIZIA's credibility by communicating openly. Our aim is to bind shareholders to us in the long term. We provide information on key events in the Company at an early stage. The main recurring fixtures, such as the date of the Annual General Meeting, are published in the form of a financial calendar. In the context of our investor relations work, discussions are also held regularly with analysts and institutional investors. In fiscal year 2007, PATRIZIA participated in ten investor conferences. We take suggestions from investors and analysts as suggestions to continuously improve our work. The Company made new facts that were communicated to financial analysts and comparable addressees available to shareholders contemporaneously.

As in the previous year, we informed our shareholders and the interested members of the public about PATRIZIA's developments by means of detailed reporting in the Annual Report and also in the interim reports. In the year under review, we again expanded the basis of information by introducing different forms of media: our in-house Research department produces the PATRIZIA Residential Property Investment Compass every quarter, for instance, which takes a position on the selected target markets in Germany and the rest of Europe. In it, relevant microeconomic key figures and real estate indicators are examined and commented on. Our "news & trends" newsletter also enables us to report on current trends in the German residential real estate market several times a year. The focus here is on individual cities. PATRIZIA's presentations can be found on the Investor Relations pages at [www.investor.patrizia.ag](http://www.investor.patrizia.ag).

### COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The joint aim of the Managing Board and the Supervisory Board is to sustainably increase the enterprise value. Both executive bodies work together closely to achieve this goal. The Managing Board informs the three-member Supervisory Board regularly, promptly and extensively about the Company's business performance, risk situation, risk management and all planning-related issues in at least four Supervisory Board meetings and at additional meetings, if required. Deviations in the actual course of business are discussed at length and reasons for these are provided. The Managing Board also provides the Supervisory Board with comprehensive information about the measures taken to observe legislation, corporate guidelines and to uphold the values of PATRIZIA (known as compliance).

### THE MANAGING BOARD

The Managing Board manages the transactions of PATRIZIA Immobilien AG in accordance with the law, the Articles of Association, the bylaws for the Managing Board and the allocation of duties. The Managing Board of PATRIZIA Immobilien AG comprised four members as at December 31, 2007. The bylaws and allocation of duties govern the precise areas of responsibility of the individual Managing Board members, the matters reserved for the Managing Board as a whole and the required majorities for Managing Board resolutions. The bylaws also include a precise definition of the transactions that may only be conducted with the approval of the Supervisory Board. Dr. Georg Erdmann resigned from his position as Chief Financial Officer (CFO) by mutual agreement with effect from December 31, 2007 for family and private reasons. Alfred Hoschek has temporarily assumed Dr. Erdmann's duties until a new CFO was appointed. Some of Alfred Hoschek's duties were transferred to the Chief Operating Officer Klaus Schmitt. The transfer and redistribution of responsibilities until a new CFO was appointed was agreed with the Supervisory Board. A detailed description of the areas of responsibility on the Managing Board can be found in the section "Further Information" at the end of this Annual Report.

## THE SUPERVISORY BOARD

The Supervisory Board of PATRIZIA Immobilien AG comprises three members and does not believe that it makes sense for it to form committees since it is composed of only three members. PATRIZIA does not follow the recommendation of the German Corporate Governance Code regarding the formation of committees for the reasons mentioned.

On the basis of its bylaws, the Supervisory Board monitors and advises the Managing Board on managing the Company. Furthermore, it appoints and dismisses the members of the Managing Board. In fiscal year 2007, the Supervisory Board extended the term of office for the Chairman of the Managing Board (CEO) Wolfgang Egger and the Chief Investment Officer (CIO) Alfred Hoschek by an additional five years until end of April 2012.

## TRANSPARENCY

The securities transactions of PATRIZIA Immobilien AG's executive body members and of other reportable persons with management duties within the PATRIZIA Group – known as Directors' Dealings – were immediately published in accordance with Article 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and made accessible on the PATRIZIA website at [www.investor.patrizia.ag](http://www.investor.patrizia.ag). In 2007, the following transactions in shares of the Company or financial instruments related to them were communicated in accordance with Article 15a of the WpHG:

Date	Name	Reason for notification requirement/position	SIN (Security Identification Number)	Type of transaction (purchase/sale)	Stock exchange	Price per share	Number of shares
February 15, 2007	Gerhard Faltermeier	Person with management duties	PAT1AG	Sale	Frankfurt, Stuttgart	23.15 Euro	5,002
February 19, 2007	Gerhard Faltermeier	Person with management duties	PAT1AG	Sale	Xetra, Frankfurt	23.12 Euro	5,000
April 3, 2007	Klaus Schmitt	Managing body (Managing Board)	PAT1AG	Purchase	Xetra, Frankfurt, Stuttgart	16.87 Euro	10,756
April 12, 2007	Gerhard Faltermeier	Person with management duties	PAT1AG	Purchase	Xetra	15.35 Euro	3,000
November 1, 2007	Wolfgang Egger via Immobilienportfolio IPO Berlin GmbH	Company closely related to a person with management duties	PAT1AG	Purchase	Xetra, Frankfurt	8.28 Euro	1,509,000
November 2, 2007	Wolfgang Egger via Immobilienportfolio IPO Berlin GmbH	Company closely related to a person with management duties	PAT1AG	Purchase	Xetra, Frankfurt	8.162 Euro	930,000
December 27, 2007	Alfred Hoschek	Managing body (Managing Board)	PAT1AG	Security loan	Off-market	Not quantifiable	500,000

Shares held directly and indirectly by the Managing Board members of PATRIZIA Immobilien AG exceed 1 % of the shares issued, with the result the total ownership as of December 31, 2007 can be broken down as follows:

	Number of shares	Percentage of share capital
Wolfgang Egger indirectly via First Capital Partner GmbH	26,147,572	50.16 %
Dr. Georg Erdmann (CFO until December 31, 2007)	69,244	0.13 %
Alfred Hoschek	769,320	1.48 %
Klaus Schmitt	80,000	0.15 %
<b>TOTAL</b>	<b>27,066,136</b>	<b>51.92 %</b>

Overall, the members of the Managing Board held 27,066,136 shares as of December 31, 2007, corresponding to 51.92 % of the Company's share capital. The members of the Supervisory Board of PATRIZIA held no shares in the company as of December 31, 2007.

In accordance with Article 26 (1) of the WpHG, voting right notifications in fiscal year 2007, i.e. when the rights reach, exceed or fall below the legal reporting thresholds, were published immediately after they were announced to the Company. On November 6, 2007, Wolfgang Egger informed the Company that the voting rights attributable to him had exceeded the threshold of 50 % of the voting rights in PATRIZIA Immobilien AG. All relevant information was made available promptly and at the same time to all shareholders and interested members of the public through various communication media, such as the Internet.

#### COMPENSATION REPORT

In accordance with the Code recommendations, we include the compensation report for the Managing Board and Supervisory Board of PATRIZIA Immobilien AG in the Corporate Governance Report. At the same time, the management report and the notes to the consolidated financial statements also include relevant information.

#### COMPENSATION OF THE MANAGING BOARD

The amount and structure of the compensation paid to the Managing Board members are determined and regularly reviewed by the Supervisory Board. In addition to the financial position and success of PATRIZIA, the remit, the personal performance of individual Managing Board members and the performance of the entire Managing Board are criteria for the appropriateness of Managing Board compensation. The compensation of the Managing Board members is made up of non-performance-related and performance-related components. The non-performance-related components comprise fixed basic compensation that is paid as a monthly salary, pension contributions and other agreed payments. In addition, the compensation of the Managing Board members includes payments in kind and other payments which chiefly consist of the values to be applied in accordance with tax guidelines for use of a company car and insurance premiums. PATRIZIA has also taken out accident insurance with the customary extent of cover for all Managing Board members.

Performance-related, variable compensation components include one-time and annually payable components as well as components linked to the performance of the Company. The variable compensation is paid in the form of an annual bonus payment. The amount of the bonus depends on the consolidated net profit before taxes, calculated in accordance with IFRSs, as well as the return on equity of the current fiscal year and the two previous fiscal years. The bonus is contractually limited to a maximum of EUR 250,000.

There were no other variable compensation components such as stock options or comparable instruments in fiscal year 2007. In order to fully meet the requirements of the German Corporate Governance Code, calculation of the variable Managing Board compensation was changed at the beginning of fiscal year 2008. As presented to the shareholders at the Annual General Meeting on June 13, 2007, an additional criterion for calculating the variable compensation is the performance of PATRIZIA's shares over three years in relation to the DIMAX reference indices and an index applicable at the end of the year, such as the SDAX. The variable compensation, which is oriented towards the short-term target figures, is paid after the valuation period has ended.

The portion of the variable compensation components with a long-term incentive effect is granted to the Managing Board members in the form of performing share units, i.e. they are not paid out directly in cash. Performing share units are virtual shares which grant the legitimate claimant the right to receive a monetary amount after a performance period of two years has passed. The performance shares do not carry any

voting or dividend rights. After the valuation period, the variable compensation components with a long-term incentive effect are first translated into performing share units by dividing the variable compensation components with a long-term incentive effect by the share price of PATRIZIA Immobilien AG. After the performance period of two years has ended, the performing share units calculated in this way are multiplied by the current share price of PATRIZIA Immobilien AG. The resulting product determines the monetary amount to be paid out in the form of variable compensation components with a long-term incentive effect. The variable compensation components with a long-term incentive effect are thus dependent on the Company's share price performance.

There are no agreements in place in the case of a change of control. The Managing Board's total compensation in fiscal year 2007 amounted to EUR 1.9 million, of which EUR 0.9 million was from fixed components and EUR 1.0 million from variable components.

More specifically, the following amounts were granted:

	Annual income			Pension contribution
	Fixed compensation	Variable compensation	Payments in kind and other payments*	
	EUR	EUR	EUR	EUR
Wolfgang Egger	260,000	250,000	20,637	12,000
Dr. Georg Erdmann (CFO until December 31, 2007)	180,000	250,000	11,749	6,269
Alfred Hoschek	180,000	250,000	11,222	12,000
Klaus Schmitt	180,000	250,000	25,568	12,000
<b>TOTAL</b>	<b>800,000</b>	<b>1,000,000</b>	<b>69,176</b>	<b>42,269</b>

\* The item primarily includes non-cash benefits from the provision of company cars and insurance premiums

All transactions between the members of the Managing Board and related parties comply with standards customary in the sector and are set out on page 9.3 of the notes to the consolidated financial statements. No conflicts of interest arose between members of the Managing Board and the Company.



A 5



A 6

## COMPENSATION OF THE SUPERVISORY BOARD

The Annual General Meeting of PATRIZIA Immobilien AG on June 13, 2007 passed a resolution to amend the compensation rules for the Supervisory Board. In line with the recommendations of the German Corporate Governance Code, the compensation of the Supervisory Board will be made up of a fixed and a variable component, starting from fiscal year 2007. The fixed compensation of the simple Supervisory Board members and the Deputy Chairman of the Supervisory Board of EUR 18,750.00 was paid out in three installments in fiscal year 2007: the first installment of EUR 9,375.00 was payable on June 30, 2007 and the next two installments of EUR 4,687.50 respectively were each payable three months after the previous installment was due. From fiscal year 2008 and for the first time, the Supervisory Board members will be paid the annual fixed compensation in the current fiscal year in four identical installments, in each case at the end of a quarter. The variable components are based on the dividend that is distributed to shareholders for the previous fiscal year. Each Supervisory Board member receives EUR 675 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.05 per share but does not exceed a dividend amount of EUR 0.50 per share. Each Supervisory Board member receives an additional EUR 375 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.50 per

share but does not exceed a dividend amount of EUR 0.75 per share. Each Supervisory Board member receives an additional EUR 225 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.75 per share but does not exceed a dividend amount of EUR 1.00 per share. The variable compensation is payable upon the close of the Annual General Meeting which decides on the appropriation of profit for the previous fiscal year in each case.

The Chairman of the Supervisory Board receives 1.33-times the fixed and variable compensation respectively. The fixed compensation of EUR 24,937.50 was paid in three installments in fiscal year 2007: the first installment of EUR 12,468.50 was payable on June 30, 2007 and the next two installments of EUR 6,234.50 respectively were each payable three months after the previous installment was due. From fiscal year 2008 and for the first time, the Chairman of the Supervisory Board will be paid the annual fixed compensation in the current fiscal year in four identical installments, in each case at the end of a quarter



If a Supervisory Board member was not a member for the entire fiscal year, he/she only receives the fixed and variable compensation pro rata temporis. The members of the Supervisory Board also receive reimbursement for all expenses as well as reimbursement for any value-added tax payable on their compensation and expenses.

The fixed components of the Supervisory Board compensation for fiscal year 2007 amounted to EUR 62,437.50, plus reimbursement for expenses. The variable compensation cannot be calculated and paid out until the Annual General Meeting of 2008 has approved the proposal on the appropriation of net profit by the Managing and Supervisory Boards

	Fixed compensation
	EUR
Dr. Theodor Seitz, Chairman	24,937.50
Harald Boberg	18,750
Manfred J. Gottschaller	18,750
<b>TOTAL</b>	<b>62,437.50</b>

In the fiscal year, PATRIZIA Immobilien AG was in a consultancy relationship with the law firm Seitz, Weckbach, Fent & Fackler of Augsburg, whose partner is Dr. Theodor Seitz, the Chairman of PATRIZIA Immobilien AG's Supervisory Board. The consultancy agreement was approved by the resolution of the Supervisory Board from November, 29, 2007. This law firm was paid EUR 8,290 plus VAT for the services provided in competition and employment law consultation in the

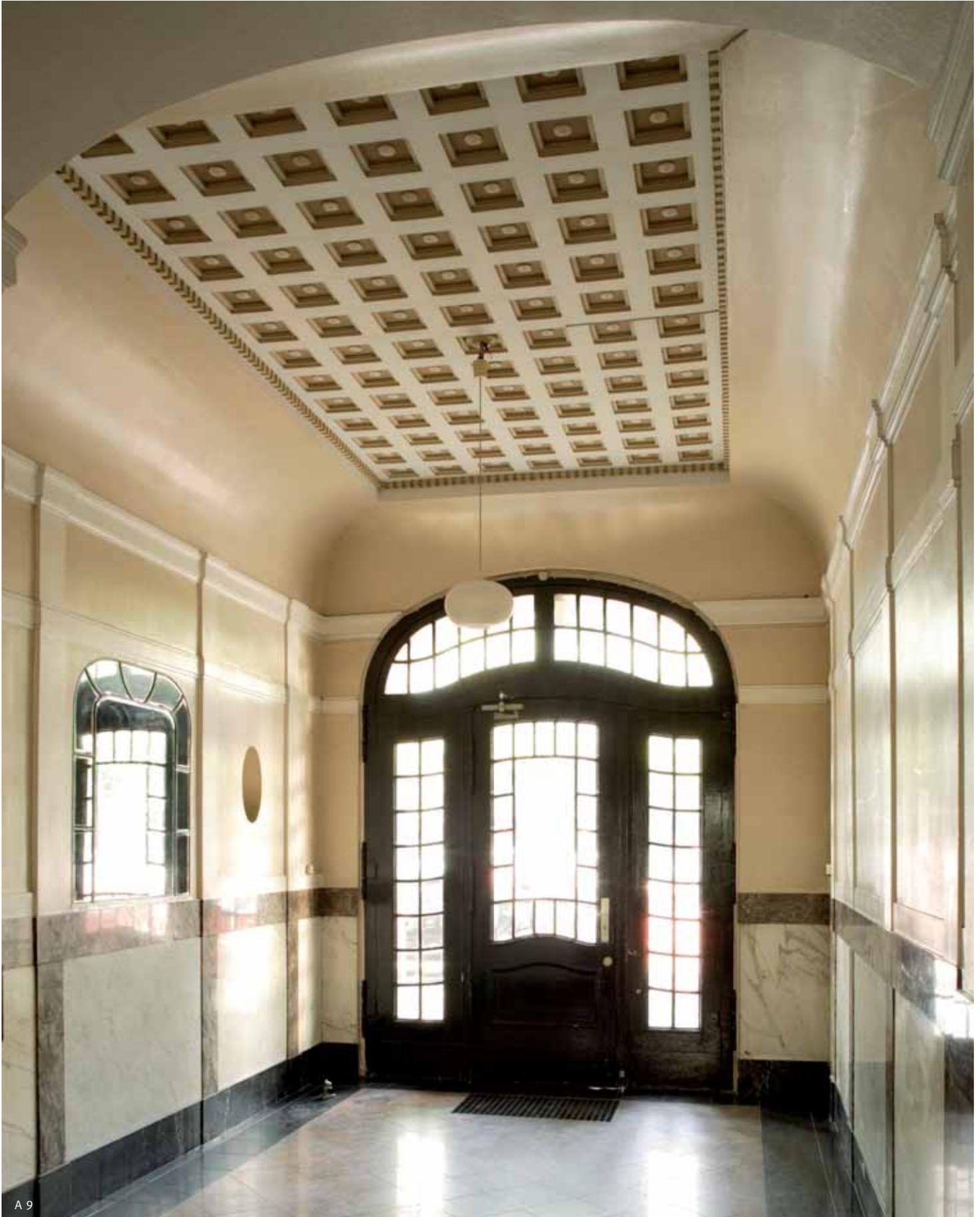
fiscal year. No compensation was paid for services personally provided to members of the Supervisory Board either. In addition, none of the Supervisory Board members has business or personal relations with the Company or members of the Managing Board that could cause a conflict of interest. Furthermore, none of the Supervisory Board members is a former member of the Managing Board of PATRIZIA Immobilien AG.

## REPORTING AND AUDITING

PATRIZIA regularly provides its shareholders and interested members of the public with information by publishing the Annual Report including the consolidated annual financial statements and Group management report and by means of three interim reports. As in fiscal year 2006, reporting was carried out on the basis of the International Financial Reporting Standards (IFRSs). The consolidated financial statements were examined by the Supervisory Board and the auditors Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft.

The Annual Report for fiscal year 2006 and the interim reports for fiscal year 2007 were published within the periods recommended by the German Corporate Governance Code. The Company will not publish the Annual Report on fiscal year 2007 within the recommended 90-day period after the end of the fiscal year. The consolidated financial statements will be published on April 2, 2008, which means that the legal publication period of 120 days will be observed. Arwed Fischer – the newly appointed CFO as of March 1, 2008 – is to have the time necessary to familiarize himself with the reporting for fiscal year 2007.

The Supervisory Board has checked the independence of the auditor and found that there are no legal obstacles to appointing the firm. The Supervisory Board and the auditor have agreed between them that the auditor shall report to the Supervisory Board without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit. In addition, the auditor shall inform the Supervisory Board and/or note in the auditor's report if the auditor comes across facts which show a deviation from the declaration of conformity with the Code issued by the Managing Board and Supervisory Board.



## THE PATRIZIA SHARE

For real estate stocks in 2007, the year on the stock exchange was dominated by high volatility and hefty price losses. While real estate shares were still spurred on at the beginning of the year by hopes riding on the introduction of G-REITs, the second quarter led to substantial price adjustments in the sector. The mortgage crisis in the USA and increases in interest rates provided for additional pressure, especially in the second half of the year. Investor fears of the crisis on the US mortgage market spreading to the entire financial sector and other industries had negatively impacted the stock markets worldwide. Defaults on poorly secured loans made the global capital markets insecure and make it more difficult for all banks to refinance. The resulting higher cost and shortage of debt primarily led to high uncertainty in the case of real estate stocks, in addition to financial stocks – also as a result of falling real estate prices in the USA. PATRIZIA was not the only company with shares experiencing high volatility due to the troubled market environment as all German real estate shares saw the same, suffering from markdowns that continue to this day. Discussions about the effects of corporation taxation, which will be changing from 2008, and taxation of the “EK 02” (previously untaxed earnings classified as EK 02 under the former corporation tax credit system) served to unsettle investors further.

PATRIZIA's shares lost 77.1 % in 2007, starting trading at EUR 22.56 and closing at EUR 5.16 on December 28, 2007.

A cash capital increase (without rights) of 4,730,000 no-par value registered shares was placed with institutional investors on January 12, 2007 to partially finance already notarized residential real estate portfolios (around 9,500 residential units) and also to secure further growth. Since then, the number of shares totals 52,130,000.

Following the promising start to the year, March saw the upward trend in the share price set in. This was due to confirmation of the decrease to our earnings forecast – already communicated in December 2006

– when the annual financial statements for 2006 were published. The adjustment was triggered by the holding period granted until April 2008 on parts of the portfolio which we had already notarized in December 2006 but did not apply to our portfolios until March 2007. The result of the sales ban agreed with the seller is a shift of the revenues and earnings projected for 2007 to subsequent years. Instead of the profit growth announced for 2007 of almost 50 % compared with the previous year, the aim was now to boost net profit by around 39 % to EUR 45 million. At this time, there were also general market fears of a rising number of defaults on payments for mortgage loans on the US real estate market. In March alone, PATRIZIA's shares lost almost 20.7 % of their value. Over the course of the year, the sub-prime crisis and its consequences remained the dominant topic on the stock markets, especially for financial stocks and real estate shares.

In November, the share price fell sharply once again when our nine-month figures were published. Due to the published number of residential units sold, which remained below our own expectations and those of the market. Following its low of EUR 4.82 in 2007 on November 21, the share price recovered again slightly, only to reach a new all-time low at the beginning of the fiscal year 2008.

As a result of its share price loss, PATRIZIA fell back in the total market value ranking of listed stocks. Coupled with significant new issues in fiscal year 2007, this led to the shares being reclassified from the MDAX to the SDAX on September 24, 2007.

PATRIZIA's trading volume on all German stock exchanges amounted to an average of around 284,700 shares per day. Compared with the previous year, this represents an increase of 71.5 % (previous year: average of 166,000 shares per day).



At the start of November 2007, First Capital Partner GmbH, whose majority shareholder is CEO of PATRIZIA Immobilien AG Wolfgang Egger, raised its 45.48 % interest in PATRIZIA to 50.16 %. At the end of 2007,

approximately 90 % of all PATRIZIA shares were held by institutional investors, including the interest of First Capital Partner GmbH.

#### The PATRIZIA Share at a Glance

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Indices	SDAX, EPRA, GEX, DIMAX
Issue date	March 31, 2006
Share capital as at December 31, 2007	EUR 52,130,000
No. of shares as at December 31, 2007	52,130,000
Share prices in 2007*	
High	EUR 23.35
Low	EUR 4.82
Closing price on December 28	EUR 5.16
Share price performance	-77.1 %
Market capitalization as at December 31, 2007*	EUR 269.0 million
Average trading volume per day**	
Average number of shares traded per day**	284,713
Earnings per share (EPS)	EUR 0.92

\* Closing prices in Xetra trading

\*\* All German stock exchanges

## PURPOSEFUL AND SUSTAINABLE OUT OF PRINCIPLE – THE PATRIZIA KINDERHAUS FOUNDATION AID PROJECTS



“WE BELIEVE THAT ACTIVELY WORKING TOGETHER IS THE ONLY PRODUCTIVE BASIS FOR DIALOGUE AND THEREFORE THE ONLY EFFECTIVE STEP TOWARDS THE FUTURE.”

DR. RUPERT NEUDECK

Responsibility to our society is a topic that is always being discussed. Sometimes more, sometimes less controversially; sometimes more, sometimes less emotionally. The following has emerged as an expert opinion from the all the diverse discussions taking place: the aid provided through individually selected projects for which the proper measures are clearly identified beforehand and are appropriately implemented can be classified as positive whereas aid that tries to encompass all areas of society at once generally cannot.

For this reason, success stories are to be found on a more local basis. In addition to a general willingness to take responsibility for society, some of the key requirements for aid projects are close cooperation with specialists in the respective subject area as well as the clear objective of helping others to help themselves. This also includes staying in contact with partners and those affected even after a project has successfully been completed. These all build the principles of the PATRIZIA KinderHaus Foundation.

The PATRIZIA KinderHaus Foundation has committed itself to the careful selection of individual projects that focus on helping others to help themselves through new developments designed for the exact needs of each project. Each project is carried out in cooperation with partners who are equally experienced and renowned and to whom we maintain constant contact. To date, this has led to the establishment of two PATRIZIA KinderHaus facilities for critically ill children: an isolation ward in the

Mission Hospital in Peramiho, Tanzania and an after-care center in the Kinderklinik Dritter Orden (the Dritter Orden children’s clinic) in Munich, Germany. The third facility of this kind, a unique aftercare center for Northern Germany in the Hamburg Children’s Hospital Wilhelmstift, that supports the parents of critically and chronically ill children until they succeed in living with the illness, is due for completion in Fall 2008.

The Foundation initiated a fourth aid project in February 2008 in cooperation with Dr. Rupert Neudeck and the peace corps that he founded, “Grünhelme e. V.” (“Green Helmets”): the future PATRIZIA KinderHaus – a desperately needed residential establishment – will complement a professional training center for technical professions in Rwanda which was recently completed by the Green Helmets and will make this a facility that offers young people the chance for a future that they have previously never experienced. In Dr. Rupert Neudeck, made famous in 1979 by his refugee rescue ship “Cap Anamur”, the Foundation has once again found an equally ranked partner. The objective for Dr. Rupert Neudeck and the Green Helmets is to build a fairer world through practical local work, unbureaucratically and as quickly as possible. This takes place in regions destroyed by war and violence, where the Green Helmets, together with the native peoples, are working on rebuilding a vital infrastructure which also encompasses schools. In 2008, the fourth PATRIZIA KinderHaus will also be handed over for its intended use.

### Pictures A

A1, A2 Regensburg, Käthe-Kollwitz-Strasse | A3 Regensburg, Franz-von-Taxis-Ring | A4 Berlin, Clausewitzstrasse | A5 – A7, Kolbermoor, Bodenseestrasse | A8 Kolbermoor, Walchenseestrasse | A9 Berlin, Bismarckstrasse |