

→ PREFACE AND REPORTS

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F.L.T.R.: KLAUS SCHMITT (COO),
WOLFGANG EGGER (CEO),
ARWED FISCHER (CFO)



LETTER TO OUR SHAREHOLDERS

**Dear shareholders,
Dear ladies and gentlemen,**

What began as a subprime crisis in the US, led to a crisis of unexpected magnitude on the world's financial markets in 2008. Throughout the year, the effects of this financial market crisis spread to the goods and services industry and will also negatively impact the global economic situation in 2009. For the companies, this meant that all positive expectations from the beginning of 2008 were derailed. Our Company was also unable to escape the effects of the financial market crisis.

In March 2008, we published a forecast of EUR 25 million to EUR 30 million in earnings before tax for the full year. Due to the intensification of the financial market crisis from September 2008 onward, we were forced to distance ourselves in November 2008 from achieving this target. Although we managed to generate a positive result in operations in the first nine months of the year, we did not achieve profits at the same level during the fourth quarter, which was strong in terms of the real estate market. Earnings before tax (EBT adjusted) now amounts to EUR 0.8 million for 2008. Non-cash effects from the market va-

luation of interest rate hedges (EUR -32.8 million) as well as one-time effects accrued in the period under review (EUR-0.5 million) were not taken into account when calculating this value. In light of the previously described trends and the resulting conditions for our business model, the operating profit (EBT adjusted) of EUR 0.8 million means that we did not achieve our earnings target for 2008. We are not satisfied with this result.

We did not reach our target of selling 1,400 to 1,500 residential units as we merely sold a total of 1,198 units in fiscal year 2008. A comparison of the adjusted key figures (EBT adjusted) for 2007 and 2008 shows that we increased our earning power in operating activities in the past fiscal year. Compared with the previous year, we grew operating profit (EBT adjusted) by EUR 13.3 million. A respectable success, but still far from satisfactory. This also applies to the share price performance which is relevant for you.

The significant deviation between earnings in line with IFRSs (EUR -32.4 million) and earnings as we

have posted them, adjusted for all non-cash items (EUR 0.8 million), is chiefly due to the market valuation of interest rate hedges. Here, net income and expenses was close to zero after the first nine months of 2008. However, due to key interest rates being reduced several times, this turned in the fourth quarter, negatively impacting earnings 2008 in total by EUR 32.8 million.

A subject that dominated the real estate market in 2008 was the valuation of real estate portfolios and the potential impairment on the book value of the real estate. Our real estate was also revalued in terms of market value, generally by external appraisers. We are proud of the fact that the market value of our real estate was confirmed as part of the valuation and there were no impairment requirements for our portfolio. For us, this is a confirmation of our past statements that we hold high-quality real estate in attractive locations in our books.

A worry that was constantly communicated to us throughout 2008 by our shareholders and analysts related to our financing situation. As a Company with a high debt ratio and an equity ratio of almost 20%, our dependence on the interest rate level and the availability of credit financing cannot be denied. The share of our loans with a residual term of less than twelve months accounts for around 50% of the total financing volume. In this respect, we are currently in talks with our financing banks and are confident of receiving and/or extending sufficient financing at customary conditions on an ongoing basis in fiscal year 2009. Despite the difficult economic environment, we have proved that we can be depended on to show sufficient internal financing power for servicing bank loans and for debt redemption. The short term financing of our portfolios is in line with our real estate agent business model. In the course of the interest rate level being significantly reduced, we have come into a disadvantage in terms of interest rate hedging: with a hedged acquisition interest rate averaging 4.15%, we are at a far higher level than the ECB base interest rate, exposing ourselves to the negative effects of the market valuation of interest rate hedging. We are currently renegotiating part of the interest rate hedging with the banks due to the fact that we do not expect – in the medium term – that the general interest rate will approach to any significant degree the interest rate we have hedged.

But let's get back to operations. The residential property resale of 476 apartments to our tenants, to owner-occupiers and to private investors puts us slightly

below the level of 2007. This represents a respectable result in view of the difficult market environment. However, it falls short of the residential property resale rate that we wanted to reach on a sustainable basis. The objective for the coming years is to stabilize sales figures at a higher level. This is no easy task in light of the economic downturn and the continued hesitant investment attitude of private households – even though the facts of the matter, as we understand them, highlight the advantages of anyone owning their own real estate. Residential property resale shows a very different picture for each individual city: the pattern of sales in Munich and Hamburg is more successful than in Berlin for example. In contrast, we are experiencing positive figures in block sales, which performed particularly well in 2008. As a reminder, we did not process any block sales in the previous year and in 2008 we achieved five transactions with a number of 722 units. The market shows us that the interest in the real estate investment class category still exists, although ongoing uncertainty is hampering investment decisions. Residential real estate in particular is viewed as less susceptible to economic conditions and is currently the preferred investment. Should doubts about market stability ease again, we anticipate that investment intentions will be converted into actual business transactions. Despite the financial market crisis, nothing has changed in terms of the positive fundamental data regarding the German residential real estate market.

What are PATRIZIA's targets and strategy for fiscal year 2009, you might rightly ask. In 2009, we will chiefly be operating as a seller. At present, we are fully invested and our portfolio contains high-quality real estate in attractive locations. The value retention of our real estate portfolios, confirmed by independent external experts, has affirmed our view that we are providing quality products to the market. As part of this, the 'block sale' sales channel will continue to gain importance in 2009. In project development, we will continue implementation of the existing projects and also intensify the focus on sales in 2009. In the Services segment, we intend to increase our efforts in establishing ourselves as an investment company and asset manager for real estate products. In fiscal year 2009, we will also be concentrating on co-investments, for which we are operating in both an investor and a service provider capacity.

As it is difficult to estimate the degree of the economic downward trend in 2009, a forecast on investors' attitudes toward investing is difficult to gauge. For

this reason, we have decided not to publish a detailed quantitative earnings forecast for fiscal year 2009. However, we anticipate a positive operating result in fiscal year 2009. Based on the quality of our real estate portfolio, the expertise and the experience of our employees and based on our diversified business model, we believe that we are well prepared to meet successfully the challenges that 2009 sends our way.

The Managing Board



Wolfgang Egger
Chairman of the Board



Arwed Fischer
Member of the Board



Klaus Schmitt
Member of the Board

REPORT OF THE SUPERVISORY BOARD

**Dear shareholders,
Dear ladies and gentlemen,**

The reporting year 2008 was shaped by a difficult and uncertain market environment. The second six months of 2008 in particular were heavily impacted by the financial market crisis and the resulting more wait-and-see attitude of private and institutional investors toward investments of any kind. Contrary to expectations at the beginning of fiscal year 2008, the market environment has still not improved. You, dear shareholders, were faced with a volatile share recording a declining share price, which even fell below EUR 1 for a period. Particularly in the current situation, the monitoring function of the Supervisory Board is essential. My Supervisory Board colleagues and I take our function as the supervisory body of PATRIZIA Immobilien AG very seriously and have also worked closely with the Managing Board in the past fiscal year.

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. We carefully examined and monitored the legality, propriety, expediency and efficiency of the Company's management and satisfied ourselves that the organization was effective. The Managing Board provided information to the Supervisory Board comprehensively and promptly both in writing and verbally. We were integrated directly and without delay in all decisions that were of fundamental importance to PATRIZIA. The central subject of discussion was the course of business in terms of the Company, the net asset, financial and earnings situation as well as risk management. The Managing Board fulfilled its reporting duties to the Supervisory Board as prescribed by law and the bylaws in full and comprehensively. The operating performance in the Group, all transactions of material significance as well as the Company's planning and the associated opportunities and risks were discussed in depth and the measures of the Managing Board closely assisted. Deviations from the planned course of business and the associated objectives were discussed with us in detail as well as being discussed and checked in plenary meetings.

The Supervisory Board came together in four ordinary meetings during the fiscal year. No member missed a meeting. In addition to its meetings, regular exchanges took place between the members of the Supervisory Board and the Managing Board to discuss

significant matters. The Supervisory Board refrained from forming committees as it only comprises three members. Based on the reports and resolutions of the Managing Board, we passed resolutions on the measures that require approval of the Supervisory Board in accordance with the law, the Articles of Association and the bylaws of the Managing Board.

The Supervisory Board was also promptly informed of 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

In the Supervisory Board meetings, regular reports were submitted regarding the revenues and earnings situation of the Group and the individual segments as well as regarding significant projects. The financial situation of the Group as well as its subsidiaries was also discussed in the meetings. Attention was paid to the risk management system, implemented across the Group, in order to recognize opportunities and risks at an early stage and to deal with these appropriately.

During the Supervisory Board accounts meeting on March 25, 2008 and in the presence of the auditor, the Supervisory Board approved the annual financial statements for PATRIZIA Immobilien AG and the Group as well as the management report for PATRIZIA Immobilien AG and the Group. Furthermore, after separate examination, we also approved the dependent company report. Due to Arwed Fischer's appointment to CFO on March 1, 2008, the Supervisory Board resolved a new allocation of duties for the Managing Board. Additional topics discussed were Company and liquidity planning as well as the planned sales in fiscal year 2008, both in individual privatization as well as block sales. The agenda for the Annual General Meeting and the relevant resolution proposals were also discussed and resolved.

As part of the second Supervisory Board meeting on July 29, 2008, the Managing Board explained the business performance of PATRIZIA in the first six months of 2008. In particular, the sales situation both in the Residential Property Resale line and in block sales was discussed in great detail. In light of the expanding financial market crisis, the Managing Board reported extensively on ongoing financing and extending loans. In view of the share price performance, we remain thoroughly informed of capital market assessments and Investor Relations activities.

The premature termination of Alfred Hoschek's Managing Board contract in the third Supervisory Board meeting on November 10, 2008 was of particular importance. The Supervisory Board approved Alfred Hoschek's request to terminate prematurely his contract as Chief Investment Officer as of November 30, 2008. We greatly regret his departure. Alfred Hoschek is due our particular thanks and acknowledgement for his long-standing and very successful activity on behalf of PATRIZIA. No new appointment was made for his area of responsibility on the Managing Board. The responsibilities he had been charged with were transferred to members of the Managing Board Arwed Fischer, Chief Financial Officer, and Klaus Schmitt, Chief Operating Officer. Therefore, the financing remit was transferred to Arwed Fischer and the investments remit was transferred to Klaus Schmitt. The transfer and redistribution of responsibilities were agreed jointly by the Managing Board and the Supervisory Board. An additional item discussed in the meeting was the course of business in the third quarter of 2008. In the course of discussions on the quarterly figures and the quarterly report, particular attention was paid to outstanding receivables as part of receivables management.

In the Supervisory Board meeting on December 10, 2008, the Company's planning and the associated objectives for fiscal year 2009 were on the agenda. We dedicated a great deal of time to the planned resale figures in Residential Property Resale as well as to the area of block sales. The financing structure for the Group and its subsidiaries and liquidity planning for fiscal year 2009 were also discussed in the meeting. The contents of the German Corporate Governance Code were also examined intensively as part of the plenary session. The Managing Board and Supervisory Board then issued an updated declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – The German Stock Corporation Act). Apart from a few exceptions, the recommendations of the Code are met. The declaration of conformity was

permanently made available for shareholders and interested members of the public to view on the website of PATRIZIA Immobilien AG. Based on the Corporate Governance Code, we, the members of the Supervisory Board, carried out an efficiency examination. Results show that the efficiency of cooperation amongst ourselves as well as with the Managing Board can be categorized as very good.

ANNUAL GENERAL MEETING 2008

The Annual General Meeting on June 3, 2008, elected all former members of the Supervisory Board to retain their office on the Supervisory Board for a further three years. In the constituent meeting following the Annual General Meeting, Dr. Theodor Seitz was once again appointed to Chairman of the Supervisory Board. Harald Boberg was confirmed as the first deputy and Manfred Gottschaller as the second deputy. The term of office for all Supervisory Board members ends when the Annual General Meeting in 2011 draws to a close.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2008, 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 2008 as well as the combined 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 3, 2008 and commissioned with the audit by the Supervisory Board.

All relevant annual financial statement documents as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were available on time to the members of the Supervisory Board for the accounts meeting on March 24, 2009. The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information. The Supervisory Board carefully examined the PATRIZIA Immobilien AG annual financial statements, the consolidated financial statements

and the combined management report for PATRIZIA Immobilien AG and the Group and had no objections. We aligned ourselves with the findings of the audit by the auditors. We expressly approved the annual and consolidated financial statements prepared by the Managing Board. The annual financial statements for fiscal year 2008 have thus been adopted in accordance with Article 172 of the AktG. In respect of the Group's liquidity and finance and investment planning, the Supervisory Board examined the proposal by the Managing Board on the appropriation of net profit and approved the proposal to carry profits entirely forward to new account.

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 detection of developments in good time that jeopardize the continued existence of the Company.

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 issued 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 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 auditor's report on the dependent company report was made available to all members of the Supervisory Board in good time before the accounts meeting and was examined thoroughly by us and discussed in detail with the auditors present. The Supervisory Board found that it has no objections to the report and the concluding declaration by the Managing Board contained therein.

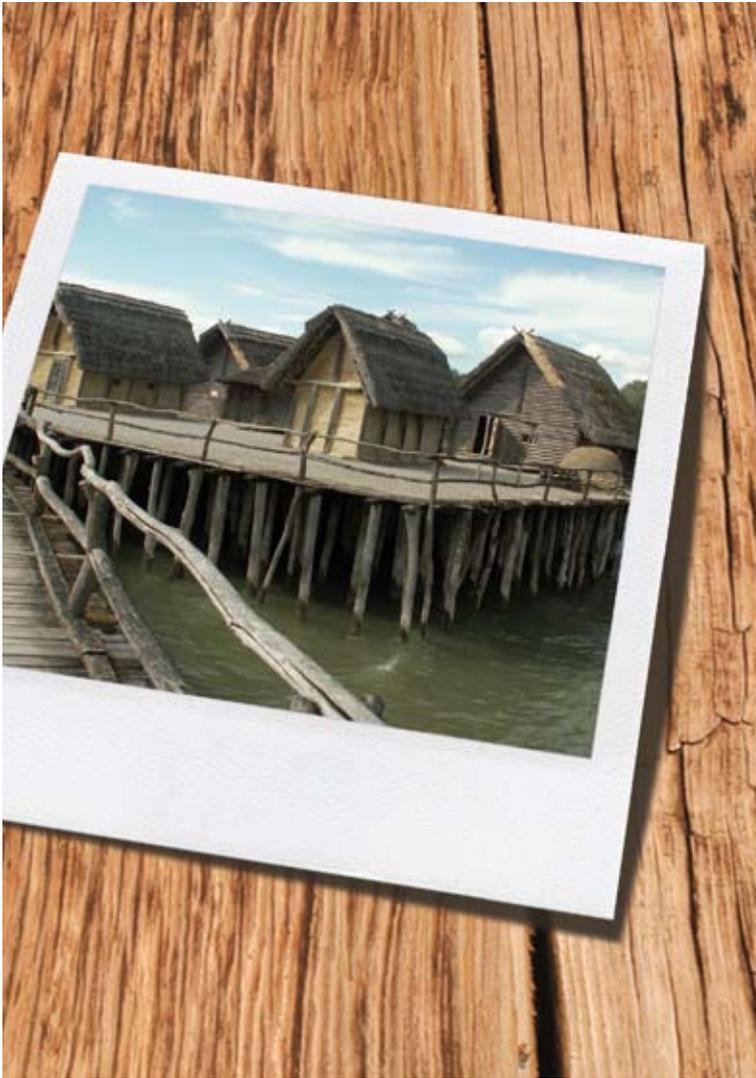
We would like to thank the Managing Board, the directors of the operating companies and all employees for their dedication and fine work. It is only when each individual gives their personal best that a common success can be achieved.

Augsburg (Germany) – March 24, 2009

For the Supervisory Board



Dr. Theodor Seitz
Chairman



→ 1 PILE DWELLINGS



→ TOP: 2 IGLOO → BELOW: 3 YURT

close to nature

→ Use what's there. Water, sand, stone, lime, wood, whatever. Nature is a smart supplier, providing just the right materials to build homes in every climate, every environment, letting people live in and harmonize with the world around them. Affording them safety, protection, well-being.



⇨ LEFT: **4** CLIFF-DWELLING ⇨ RIGHT: **5** ALP COTTAGE



- 1 Unteruhldingen, Germany
- 2 Kinngait, Greenland (DK)
- 3 Kysylkum desert, Uzbekistan
- 4 Cappadocia, Turkey
- 5 Canton Valais, Switzerland

CORPORATE GOVERNANCE

Our good reputation is important to us, which is why a responsible corporate policy forms the basis of our business dealings. For the Managing Board and Supervisory Board of PATRIZIA Immobilien AG, integrity and long-term value enhancement are essential aspects of responsible corporate management. Particularly in turbulent economic times, good corporate governance is essential for conveying a sense of responsible company management. Our aim is to highlight the opportunities and risks for PATRIZIA through comprehensive and honest communication and thus to strengthen the confidence that shareholders, investors, business partners, customers and our own employees have in PATRIZIA. All areas of the Company and our subsidiaries are involved in implementing the guidelines that are in place for this purpose, as, for us, corporate governance is both an obligation and a challenge.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE CODE

In the 2008 reporting year, the Managing Board and Supervisory Board again dealt extensively with implementation of the recommendations and suggestions in the Code. Based on the new requirements contained in the version of the Code dated June 6, 2008, the Managing Board and Supervisory Board of PATRIZIA Immobilien AG issued an updated declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on December 10, 2008. This declaration and all the declarations preceding it are permanently available to our shareholders and interested members of the public on our website at www.patrizia.ag. It was not necessary to adapt PATRIZIA's internal standards in line with the amendments to the Code, as PATRIZIA already implements the recommendations concerned. However, it was not possible to implement the following recommendations of the Code in the 2008 fiscal year:

→ The Company did not send notification of the convening of the 2008 Annual General Meeting together with the convening documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means as it did not at that time have the Annual General Meeting resolution to amend the Articles of Association. The Annual General Meeting on June 3, 2008 approved the amendment of the Articles of Association with respect to electronic transmission of information to

shareholders by way of remote data transmission, with the result that the Annual General Meeting could be convened by electronic means in the future.

→ Contrary to the recommendations of the Code, the D&O insurance concluded by the Company 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. For this reason, a deductible is not needed and is not planned for the future.

→ The Supervisory Board of PATRIZIA Immobilien AG comprises three members. Due to the number of Supervisory Board members, the Company believes that it is neither necessary, nor does it make sense, for the Supervisory Board to form committees. The recommendations relating to the forming of committees are therefore not of significance to PATRIZIA.

→ Contrary to the recommendations of the Code, the compensation model for the Supervisory Board does not distinguish between chairman and deputy chairman of the Supervisory Board. Due to the Supervisory Board having three members, a distinction is only made between chairman and other members.

CONSIDERATION OF SHAREHOLDER INTERESTS

Particularly in a difficult market environment such as that experienced by PATRIZIA in the period under review, it is important to maintain the credibility of the Company. We inform our shareholders of significant events early, comprehensively and at the same time. This includes making all publications available on our website at www.patrizia.ag.

At the Annual General Meeting, every share is represented by one vote. To support shareholders in safeguarding their rights, PATRIZIA Immobilien AG offers the possibility of being represented at the Annual General Meeting by a proxy who is bound by instructions. The proxies are available at any time during the Annual General Meeting. Likewise, it is a matter of importance to us that we support our international investors in exercising their shareholders' rights. All the documents required for the Annual General Meeting are published on our website in good time and can

be easily retrieved. As previously, the Annual General Meeting will not be transmitted on the Internet due to cost reasons. However, the main content, such as the CEO's speech, will be made available promptly. We also publish details of attendance and results of votes immediately after the Annual General Meeting.

In the context of our investor relations work, discussions with analysts and institutional investors were also held regularly. In the 2008 fiscal year, we conducted several roadshows in Germany and abroad and participated in various investor conferences and special events for private shareholders. Furthermore, our IR Team will be pleased to answer any questions from our shareholders.

TRANSPARENCY

All target groups – shareholders, analysts, the press and interested members of the public – are informed promptly and on an equal basis regarding current business developments to guarantee the highest possible level of transparency. All publications are simultaneously posted on our website at www.patrizia.ag. The main recurring fixtures, such as the publication dates of our Annual Report and interim reports and the date of the Annual General Meeting, are also published on our website in the form of a financial calendar.

In accordance with Article 26 (1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), voting right notifications in fiscal year 2008, i.e. when the rights reach, exceed or fall below the legal reporting thresholds, were published immediately after they were announced to the Company. 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.

THE MANAGING BOARD

Although the Managing Board has sole responsibility for management of the PATRIZIA Group, it is bound by the interests of the Company and is obligated to increase the enterprise value sustainably.

By way of its resolution of January 21, 2008, the Supervisory Board appointed Arwed Fischer to the position of CFO of PATRIZIA Immobilien AG with effect from March 1, 2008. Arwed Fischer was most recently a member of the managing board of KarstadtQuelle AG. At PATRIZIA, he is responsible for the areas of Accounting and Tax, Controlling, Finance, IT, Investor Relations and Risk Management.

At the end of the 2008 fiscal year, the PATRIZIA Immobilien AG Managing Board comprised three members. With effect from November 30, 2008, Alfred Hoschek, Chief Investment Officer of PATRIZIA Immobilien AG, relinquished his position on the Managing Board at his own request. The Supervisory Board fulfilled his request to terminate his Managing Board contract ahead of time. Alfred Hoschek stepped down after 15 years of being with the Company, six of which were spent on the Managing Board. He remains with the Company in a consultant capacity and as a shareholder. No new appointment was made for the role of Chief Investment Officer; the responsibilities attached to this Managing Board position were integrated into the remits of the Chief Financial Officer, Arwed Fischer, and the Chief Operating Officer, Klaus Schmitt.

The securities transactions of PATRIZIA Immobilien AG's executive body members and of certain employees with management duties – known as Directors' Dealings – were immediately published in accordance with Article 15a of the WpHG and made accessible on the PATRIZIA website. The Company was notified of the following securities transactions in the 2008 fiscal year:

Date	Name	Reason for notification requirement/position	SIN (Security Identification Number)	Transaction type	Stock exchange	Price per share	Number of shares
Dec. 17, 2008	Wolfgang Egger via First Capital Partner GmbH	Company closely related to a person with management duties	PAT1AG	Security loan as part of designated sponsor agreements	Off-market	Not quantifiable	100,000

Following Alfred Hoschek's departure from the Managing Board of PATRIZIA Immobilien AG, the security loan agreements concluded as part of the designated sponsor agreements were terminated. The loaned shares were transferred back to him. In their place, Wolfgang Egger provided the shares required via First Capital Partner GmbH. New security loan agreements relating to a total of 100,000 shares were concluded between First Capital Partner GmbH, to which Wolf-

gang Egger can be assigned, and the designated sponsor banks. Wolfgang Egger's voting rights share thus decreased from 50.16% to 49.97%.

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, 2008 can be broken down as follows:

	Number of shares	Percentage of share capital
Wolfgang Egger directly and indirectly via First Capital Partner GmbH	26,047,572	49.97 %
Arwed Fischer (since March 1, 2008)	0	0.00 %
Klaus Schmitt	80,000	0.15 %
TOTAL	26,127,572	50.12 %

Overall, the members of the Managing Board held 26,127,572 shares at the end of the fiscal year, corresponding to 50.12% of share capital. The members of the Supervisory Board held no shares in the Company as of December 31, 2008.

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.

The performance-related, variable compensation components are calculated based on predetermined targets, which are divided into three categories: Company targets, business line targets and individual targets. The targets are further subdivided into quantitative and qualitative targets. The amount of variable compensation is thus dependent on the degree to which the agreed targets are achieved.

One criterion for achievement of Company targets is consolidated profit before tax for the reporting period, as calculated in accordance with IFRSs. Every year, depending on the Company's planning, a target figure that exactly specifies the amount of consolidated profit before tax to be achieved in accordance with IFRSs is defined. If consolidated profit before tax in accordance with IFRSs is less than 67% of the defined target figure (so called hurdle), the variable compensation of the Managing Board is omitted completely, irrespective of which other target figures – Company,

business line or individual targets – were achieved. A further Company target is based on the return on equity in the period under review and the two previous fiscal years. Target figures are also defined in this context. An additional criterion for calculating the variable compensation is the performance of PATRIZIA's shares over two years in relation to the DIMAX reference indices and the Deutsche Börse index applicable at the end of the year – in this case the SDAX.

The target figures defined for each target correspond to a degree of achievement of 100%. If the actual value determined corresponds to more than 120% of the defined target value, 150% of the variable compensation is paid; this is also the upper limit that has been defined for the maximum amount of variable compensation that can be achieved. If 80% of the target is achieved, 50% of the variable compensation is granted.

For each target, a variable compensation amount is calculated depending on the degree to which the target is achieved. The total of all the amounts is paid out in two components. Two-thirds of the amount is paid out in the form of a cash payment, which is designated as a short-term component. The remaining third of the variable compensation is granted in the form of performing share units, i.e. it is not paid out directly in cash. This third is intended as a component with a long-term incentive effect. 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 performing share units do not carry any voting or dividend rights. As explained above, the variable compensation components with a long-term incentive effect are first translated into performing share units; this is done by dividing the relevant third of the variable compensation calculated by the share price of PATRIZIA Immobilien AG at the end of the respective fiscal year. 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.

Minimum variable compensation of EUR 240,000 per year in excess of the existing compensation model was agreed with Managing Board member Arwed Fischer. This will be granted in the form of a cash payment. There are no agreements in place in the case of a change of control. The Managing Board's total compensation in fiscal year 2008 amounted to EUR 1.1 million, of which EUR 0.9 million was from fixed components and EUR 0.2 million from variable components.

More specifically, the following amounts were granted:

Compensation of the Managing Board in 2008 (EUR)	Annual income			Long-term variable compensation**	Contribution to retirement pension
	Fixed compensation	Short-term variable compensation	Payments in kind and other payments*		
	EUR	EUR	EUR	EUR	EUR
Wolfgang Egger	260,000	0	21,963	0	12,000
Arwed Fischer (since March 1, 2008)	200,000	200,000	26,160	0	10,000
Alfred Hoschek (until November 30, 2008)	165,000	0	9,471	0	11,000
Klaus Schmitt	180,000	0	29,389	0	12,000
TOTAL	805,000	200,000	86,983	0	45,000

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

** Conversion into performing share units with a two-year waiting period; to be paid out at the Xetra closing price on the last trading day of 2010. No performing share units were granted for the 2008 fiscal year, as the defined target hurdles were not achieved.

The members of the Managing Board or related parties also effected transactions with PATRIZIA Immobilien AG in 2008. A list of transactions complying with standards customary in the sector can be found in the notes under item 9.3. No members of the Managing Board, Supervisory Board or Company were involved in any conflicts of interest.

COMPENSATION OF THE SUPERVISORY BOARD

The Supervisory Board advises and monitors the Managing Board with regard to managing the businesses. The Supervisory Board of PATRIZIA Immobilien AG comprises three members. Due to its size, the Supervisory Board refrained from forming committees.

In line with the recommendations of the German Corporate Governance Code, the compensation of the Supervisory Board is made up of a fixed and a variable component. The fixed compensation is paid to the Supervisory Board members 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. In 2008, no variable compensation was paid out as no dividends were distributed for the 2007 fiscal year.

The Chairman of the Supervisory Board receives 1.33-times the fixed and variable compensation respectively. 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 2008 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 2009 has approved the proposal on the appropriation of net profit by the Managing and Supervisory Boards. The proposal provides that retained earnings for the 2008 reporting period are fully carried forward to new account. This would mean that – as in the previous year – the Supervisory Board would not receive any variable compensation.

In 2008, the following amounts were granted to the Supervisory Board:

	Fixed compensation	Variable compensation
	EUR	EUR
Dr. Theodor Seitz, Chairman	24,937.50	0
Harald Boberg	18,750.00	0
Manfred J. Gottschaller	18,750.00	0
TOTAL	62,437.50	0

There is a consultancy agreement in place between PATRIZIA Immobilien AG and the law firm Seitz, Weckbach, Fackler, Augsburg, for advice on competition and employment law matters. The Chairman of PATRIZIA Immobilien AG's Supervisory Board, Dr. Theodor Seitz, is a partner of this law firm. The consultancy agreement was approved by the resolutions of the Supervisory Board from November 29, 2007 as well as from February 23, 2009. Consultancy costs of EUR 8,847.65 VAT included were incurred. No compensation was paid to members of the Supervisory Board for personally provided services. 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.

COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The Managing and Supervisory Boards work closely together to increase the value of the enterprise in a sustainable manner. In this process, the Managing Board regularly consults with and reports to the

Supervisory Board on the course of the business. Transactions of fundamental importance require the approval of the Supervisory Board and are defined in both the Company's statutes and the bylaws for the Managing Board.

REPORTING AND AUDITING

The consolidated financial statements and interim reports for 2008 were prepared in accordance with the International Financial Reporting Standards (IFRSs). The consolidated financial statements were examined by the Supervisory Board and the auditors Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich. The auditors 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 Corporate Governance Code issued by the Managing Board and Supervisory Board. The Managing Board discusses quarterly and semi-annual reports with the Supervisory Board prior to publication.

THE PATRIZIA SHARE

In 2008, the stock exchange was impacted by the increased gravity of the global financial market crisis with significant price losses and a high level of volatility – something that left its mark across all industries and indices. At the beginning of January, the DAX – at 8,100 points – needed only an additional 50 points to reach its record level of July 2007. Not even three weeks later, fears of a recession triggered the first fall in prices of the year. The sub-prime crisis, which began in the USA, continued and escalated to a global bank crisis. The situation deteriorated as the US investment bank Lehman Brothers entered into insolvency in September following failed rescue negotiations. Revived economic fears as well as the fear of shortages in credit financing on both sides of the Atlantic generated panic-driven sales of shares on the stock exchanges. On October 24, the DAX – at 4,015 points – reached its lowest level since November 2004. It ended the full year at 4,810 points, a drop of 40.4%. The reference index SDAX, relevant for PATRIZIA, fell by 46.1% to 2,801

points in the same period; the share index for German real estate companies, the DIMAX, fell by 49.7%.

The threatening effects of the financial market crisis also carried across to the goods and services industry. The forecast global economic downturn impacted sentiment on the stock exchange noticeably. In addition to financial stocks, real estate stocks suffered particularly from the lack of confidence shown by investors. Real estate shares are often associated with shares of financial companies and, in particular, banks due to the fact that in the real estate industry the debt ratio is normally higher than in other industries. More restrictive new bank lending has also made it more difficult for real estate companies to finance additional acquisitions. The consequence of this is that many market participants considered the chances of growth within these companies as limited and distanced themselves from an investment. As a result of reduced demand, share prices fell drastically.

PATRIZIA share performance 2008



PATRIZIA shares began 2008 with a share price of EUR 5.16. On December 2, the share price reached its year-low/all-time-low of EUR 0.87. At the end of the year, the share price experienced a slight increase and finished trading on December 30 at EUR 1.63. Viewing the year as a whole, the PATRIZIA share price recorded a loss of 68.4%. As a result of the continued share price decrease, PATRIZIA dropped even further in the total market value ranking of listed stocks. However, the Company retained its position on the SDAX based on the high trading volume. At the end of the fiscal year, market capitalization amounted to EUR 85.0 million.

PATRIZIA's trading volume on all German stock exchanges amounted to an average of around 311,700 shares per day. Compared with the previous year, this represents an increase of 9.5% (previous year: ave-

rage of 284,700 shares per day). Based on PATRIZIA Immobilien AG's total number of shares (52.13 million), the 79.2 million PATRIZIA shares traded during the reporting year represent a turnover of 1.52 (previous year: 1.38).

In the reporting year, four analyst companies took up coverage of the PATRIZIA share. As a result of restructuring within the banking industry, three of the analyst companies have discontinued respectively suspended their coverage. The upshot is that, at present, eleven analysts are assessing PATRIZIA. We publish the latest consensus overview on the PATRIZIA website.

At the end of 2008, approximately 76% 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, 2008	EUR 52,130,000
No. of shares in issue as at December 31, 2008	Shares 52,130,000
Share prices in 2008*	
High	EUR 5.67
Low	EUR 0.87
Closing price on December 30	EUR 1.63
Share price performance	-68.4 %
Market capitalization as at December 31, 2008*	EUR million 85.0
Average trading volume per day**	
Average trading volume per day**	EUR 739,900
Average trading volume per day**	Shares 311,700
Earnings per share (EPS)	EUR -0.65

* Closing prices in Xetra trading

** All German stock exchanges



→ TOP: **1** SATELLITE TOWN → BELOW: **2** SKYSCRAPER



→ **3** TREE HOUSE

sky-high

→ The stairway to the heavens never ends. Up, up into the deep blue yonder, reaching for the clouds, the moon, the very stars. Higher, ever higher – at least until the lift shudders to a halt. Home in a “world between” on the 48th floor: far removed from the Earth, reaching for the skies.



- 1** Bratislava, Slovakia
- 2** Tokyo, Japan
- 3** Somewhere, Germany