

## PREFACE AND REPORTS

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## LETTER TO OUR SHAREHOLDERS

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

2009 was indisputably another challenging year for the real estate business. As we saw, investors continued to emphasize asset security, which speaks in favor of purchasing tangible assets. This was clearly underscored by private investors in 2009 and in 2010 will even extend to institutional investors.

Take, for instance, our residential property resales, which were up a pleasing 38 % from the previous year. We are also beginning to see the green shoots of recovery for the transaction market, primarily for smaller portfolios. Global sales as of the end of 2009 made a decisive contribution to our earnings target achievement. Despite the negative impact of the financial market crisis, our earnings situation has improved. With operating pre-tax earnings of EUR 2.4 million, we generated positive operating profit as expected, outpacing 2008 results by EUR 0.8 million.

We have shown that we are a dependable partner: Our operating earnings improved from quarter to quarter, which allowed us to more than compensate for the losses incurred during the first half of 2009.

A significant contributing factor here was successful residential property resales, which at 657 units sold exceeded our initial expectations. In our asset repositioning portfolio, we further improved our rental income and reduced the number of vacancies. We are also very pleased with developments in the funds area. We recently launched two more funds with a target volume totaling EUR 485 million.

In addition to the positive operating profit, we reached further targets in 2009: We renewed our loans for a total of EUR 582 million – EUR 530 million of which was during the first quarter – essential to reinforcing the trust of investors and business partners in PATRIZIA. It clearly evidences the lending banks' trust in the quality of our properties and our credit rating.

In 2009, the assessments of our properties again did not require us to make any value adjustments. The quality and value of our investment property was recently confirmed by renowned, outside experts. But the sustained value of our real estate assets is no

coincidence. In addition to being selective about the properties we purchase, we continually invest in maintenance and modernization measures, while improving our performance on an ongoing basis with active management. Optimizing our real estate is one of our core competencies; the purchase prices achieved confirm that our approach is on target.

We continue to pursue our strategic path, staying ahead of market trends and demands. The volatile nature of the transaction business has to be supported by stable, recurring income. The expansion of our service business over the last few years has helped us generate reliable income in the form of fees from asset, fund and property management. The Services segment's rising share of earnings is proof positive that our strategy was correct. We will continue to expand our Fund and Investment Management areas going forward to meet the high demand for indirect real estate products. This will boost earnings from our investments that we continue to make and support sustainable income.

What will 2010 bring for PATRIZIA and for you, our investors? The first half of 2009 was overshadowed by an extreme public debate about the company's liquidity situation in the midst of the financial crisis. Without a doubt, 2010 will be a critical year for us. We will continue to stress that PATRIZIA and its business model are back on the track to success and will generate enough income to offer shareholder dividends again.

We will maintain residential property resales as a strong pillar of our business model, keeping the sales figures at last year's level. The pleasing number of notarizations during January and February 2010 are clear evidence that the trend toward condominium purchases continues, and we are well on our way to surpassing last quarter's sales figures. For block sales, we anticipate a healthy revival of the business after four transactions with 289 units sold in 2009. The current market environment is challenging. The primary interest is in prime location condominiums – well-maintained properties in prosperous cities with a mid- to upper price range. These criteria fit perfectly with PATRIZIA's portfolio. In 2010, we will focus on selling off large portions of our asset repositioning portfolio. Since pur-



F.l.t.r.: Klaus Schmitt (COO), Wolfgang Egger (CEO), Arwed Fischer (CFO)

chasing these properties, we have gradually improved them to make them ready for market. By selling off our inventory, we will be able to steadily pay down our bank loans and strengthen our equity base. Loans due for renewal this year are not excessive and therefore do not pose a financial obstacle to us.

Many people continue to dream of owning their own homes. The unflinching popularity of one's "own four walls" is most promising for PATRIZIA and its business model. Institutional investors have expressed an intention to purchase real estate assets – good news, as residential

property remains in the foreground. By reinforcing our Services segment, we have gotten much closer to our goal of becoming an investment house for residential property assets. In 2010, we intend to continue our positive business developments, generating a tangible improvement in earnings.

In closing, we would like to thank our employees for their fine work in 2009. We also thank our shareholders for the trust they have placed in us – more important than ever during this time of financial market crisis.

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 2009 fiscal year just ended was shaped by the impact of the global financial and economic crisis. For this reason we also started the year with subdued expectations. Today we can conclude that PATRIZIA has mastered the past fiscal year successfully and confronted emerging risks in a prudent manner. The Managing Board introduced measures to review the cost structure at an early stage; these measures played their part in contributing to the success of PATRIZIA. However, the basis for our success in the 2009 fiscal year was provided by our real estate. Particularly in this difficult market environment our sales successes have shown that quality prevails.

My Supervisory Board colleagues and I take our function as the supervisory body of PATRIZIA Immobilien AG very seriously and have for many years worked closely with the Managing Board as an efficient team. The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law, the Articles of Association and the bylaws with great care in fiscal year 2009. We regularly advised the Managing Board on corporate management issues and monitored management measures. To this end we were integrated directly and without delay in all decisions that were of key importance to PATRIZIA. The Managing Board fulfilled its reporting duties to the Supervisory Board as prescribed by law and the bylaws in full and comprehensively and provided us with information promptly both in writing and verbally. 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. Target achievement measures were agreed with us at an early stage and we regularly monitored their implementation.

The Supervisory Board came together in four ordinary meetings during the reporting year. Each member attended every 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. Contrary to the recommendations of the German Corporate Governance Code we refrained from forming committees owing to the number of just three Supervisory Board members. Based on the reports and resolutions of the Managing Board, we passed resolutions on all measures that require the 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 informed promptly between meetings of events and projects of particular relevance to PATRIZIA's position and performance. When necessary, resolutions of the Supervisory Board were also passed by circulation. The Supervisory Board stood by the Managing Board in a personal advisory capacity on several occasions. No Supervisory Board or Managing Board members were involved in any conflicts of interest subject to prompt disclosure to the Supervisory Board.

## TOPICS OF THE SUPERVISORY BOARD

Reporting on operating business performance as well as on the net asset, financial and earnings situation of the Group and its subsidiaries took place regularly at the Supervisory Board meetings. Attention was also paid to overseeing the accounting process and the effectiveness of the control and risk management system implemented throughout the Group. The report on risk audits carried out was discussed with us in detail, potential opportunities and risks were weighed up by the Supervisory Board and proposed measures subjected to our audit.

During the Supervisory Board accounts meeting on March 24, 2009 and following detailed discussions with the attendant auditors, the Supervisory Board approved the 2008 annual financial statements for PATRIZIA Immobilien AG and the Group as well as the management report for PATRIZIA Immobilien AG and the Group. Following a separate examination the Supervisory Board also approved the dependent company report for the 2008 fiscal year. Further topics discussed were the Group's liquidity planning and financing as well as events in the operating segments. The agenda for the Annual General Meeting and the relevant resolution proposals were also discussed and resolved. The discussions concerning an amendment to the performance-related, variable compensation system of the Managing

Board were of particular significance. According to the existing target agreement the indicator of the corporate target to be achieved comprised PATRIZIA's consolidated profit after tax in accordance with IFRSs. The reason for the renewed discussion was the fact that this profit figure in accordance with IFRSs can be very strongly influenced by the market valuation of interest rate hedges and fair value adjustments to investment property. However, these effects, which do not impact liquidity, do not have any influence on the operating earnings power of the Group. Having said this, the operating results are of direct relevance for corporate management. For example, if the general interest rate increases then the market value of our interest hedge agreements goes up. This would then have a positive effect on consolidated profit – although it would not impact liquidity – and would therefore likewise have a positive impact on the variable compensation of the Managing Board. In order to bring the compensation structure into line with the sustained operating performance of the Company we have adjusted the target system in order to align it with consolidated profit before tax excluding the appreciation and depreciation of real estate and the effects of interest rate hedging instruments. This enables us to guarantee that the variable compensation of Managing Board members is geared exclusively to consolidated operating results and that the Group's liquidity situation is also taken into account.

At the second Supervisory Board meeting on May 6, 2009 the Managing Board reported on the business performance of PATRIZIA in the first quarter of 2009. Against the backdrop of the termination of the interest hedge agreement for a loan and the associated termination costs this option was also discussed intensively with regard to further financings. To this end the outstanding renewals and the financing of individual project developments were also the subject of our discussions. Concerning the performance of the share price – at this point the share price was back above the EUR 2 mark again – we also used the meeting to obtain updates on our shareholder management and the reactions of the capital market.

Following our Annual General Meeting on June 23, 2009 my Supervisory Board colleagues and I also met for our third meeting in the 2009 fiscal year. The performance of the operating segments and the financing and liquidity situation were also on the agenda this time. A lot of attention was accordingly devoted to the

analysis of the projected figures for residential property resales and global sales. In addition, the Managing Board announced an optimization of the Group's structure entailing the closure of a total of 20 shelf companies. Furthermore, the Managing Board reported on the general market situation for residential real estate in Germany and the opportunities arising from this for PATRIZIA.

In the Supervisory Board meeting on December 14, 2009 our attention was focused on the Company's planning and the associated objectives for the new fiscal year 2010. The planning for each business line was discussed in detail including the underlying planning assumptions and their impact on the overall consolidated profit. We talked in depth about the planned residential property resales and block sales and their placement opportunities on the market. In this respect we were informed about potential buyer groups on the German residential real estate market and made on-site visits to various properties in Munich. The financing structure for the Group and its subsidiaries and liquidity planning for fiscal year 2010 were also discussed at the meeting. Following a comprehensive review the Supervisory Board approved the 2010 annual planning. We also approved the new allocation of duties for the Managing Board, according to which the Group Acquisition and HR units have been transferred from CEO Wolfgang Egger to Chief Operating Officer Klaus Schmitt. The responsibilities of the individual members of the Managing Board are set out in Section D of this Annual Report and are also available for viewing on the Company's website. Furthermore, the provisions of the *Vorstandsvergütungsgesetz* (*VorstAG* – German Management Remuneration Act) and amendments to 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* – German Stock Corporation Act). Apart from a few exceptions, the recommendations and suggestions of the Code are met. This as well as all previous declarations of conformity are permanently available for viewing on the website of PATRIZIA Immobilien AG. Based on the Corporate Governance Code, my Supervisory Board colleagues and I this year once again carried out an efficiency examination. The results show that the efficiency of cooperation among ourselves as well as with the Managing Board can be categorized as very good.

## ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2009, 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 the International Financial Reporting Standards (IFRSs) for fiscal year 2009 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.

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, 2010. The Managing Board and the responsible auditors explained the findings of the audit and answered all our questions. 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 agreed with the findings of the audit by the auditors and expressly approved the annual and consolidated financial statements prepared by the Managing Board. The annual financial statements for fiscal year 2009 have thus been adopted in accordance with Article 172 of the AktG. In respect of the Group's gearing ratio and investment planning, the Supervisory Board examined the proposal by the Managing Board on the appropriation of net profit and approved the proposal to forego a dividend payment for the 2009 fiscal year.

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 detecting developments in good time that jeopardize the continued existence of the Company and for adequately confronting these developments. No risks are known at present that could jeopardize the continued existence of the PATRIZIA Group either by themselves or in combination with other risks.

All legal and business relationships with related parties were submitted to the Supervisory Board, which carried out an in-depth review of market conformity. These contractual relationships with related parties were also checked by the auditors and are in line with current market conditions also applicable to the conclusion of such relationships between the PATRIZIA Group and third parties.

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 take this opportunity to express our sincere thanks to all who have contributed to the well-being of PATRIZIA. We wish to thank the Managing Board, the directors of the operating companies and all employees, who, through their strong performance, have once more demonstrated their abilities. We will also be counting on the skills and commitment of our employees in 2010. We would also like to thank our shareholders for placing their confidence in PATRIZIA during a difficult year on the stock markets.

Augsburg (Germany) – March 24, 2010

For the Supervisory Board



Dr. Theodor Seitz  
Chairman

## CORPORATE GOVERNANCE

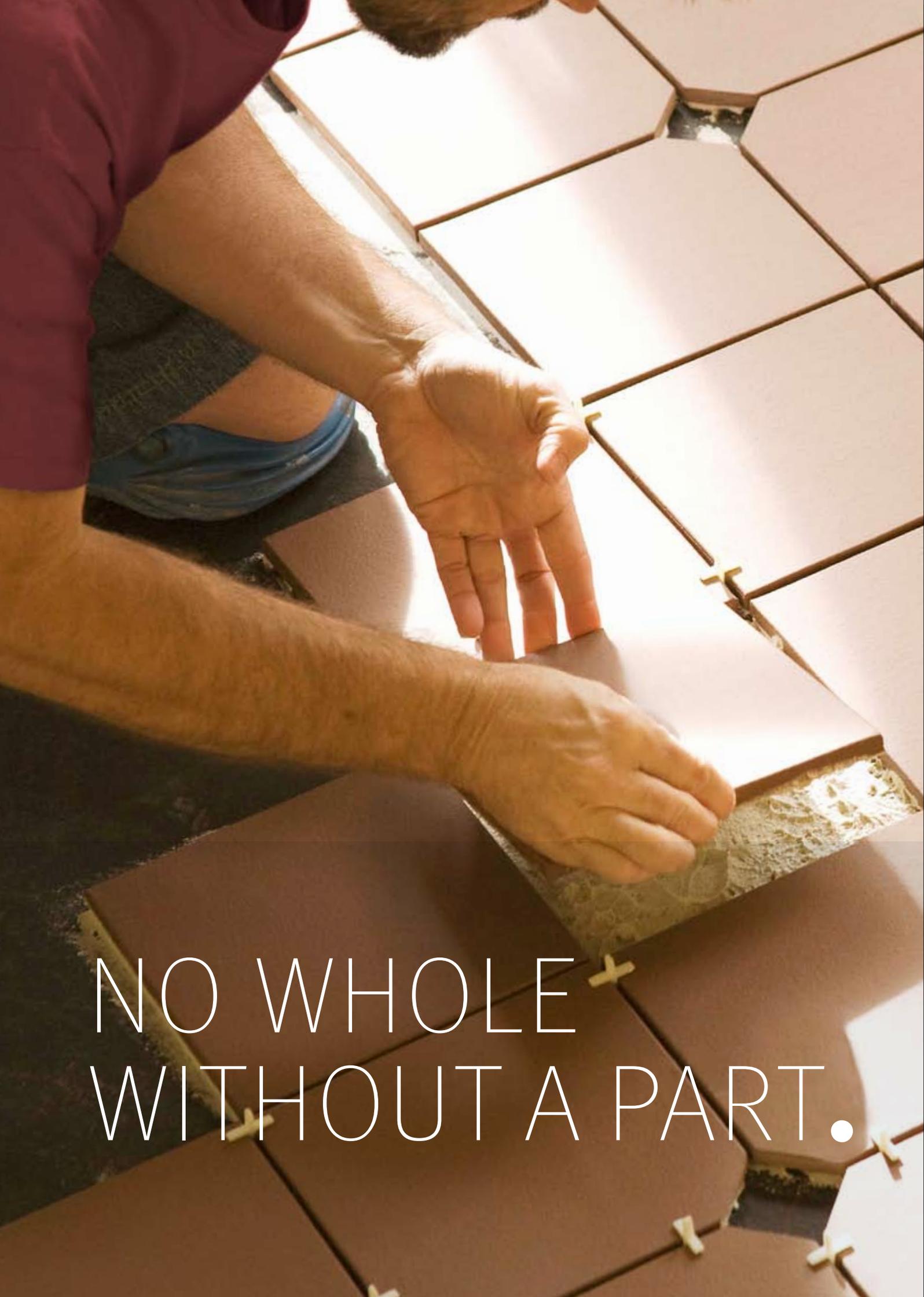
The discussion concerning benchmarks for good, value-oriented corporate governance and control is being carried out very intensively amid the ongoing financial market crisis. Companies are today no longer judged solely on the basis of their financial success. Conventional ideas have been put to the test and have led to further far-reaching reforms in bank, financial, capital market and equity legislation. Despite all the new legal provisions we think that it is first and foremost the job of the Company and its representatives to confirm and enhance confidence in sustained corporate governance. For PATRIZIA a responsible corporate policy forms the basis of our business dealings and has established itself as the norm in our dealings with one another: Integrity and long-term value enhancement are essential aspects of good corporate governance. The corporate governance principles of PATRIZIA Immobilien AG are essentially incorporated in the Company's Articles of Association as well as the bylaws of the Managing Board and Supervisory Board. Precisely during the present turbulent and economically challenging time the importance of good corporate governance increases as an expression of corporate responsibility. In order to strengthen the confidence of shareholders, investors, business partners, customers and our own employees in PATRIZIA, we place great importance on illustrating and communicating the performance of the business and the associated opportunities and risks for PATRIZIA in an honest and transparent manner. 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. For us it goes without saying that we provide information on significant events in a timely and comprehensive manner. To this end all target groups – shareholders, analysts, the press and interested members of the public – are informed simultaneously about current business developments.

## IMPLEMENTATION OF THE CODE

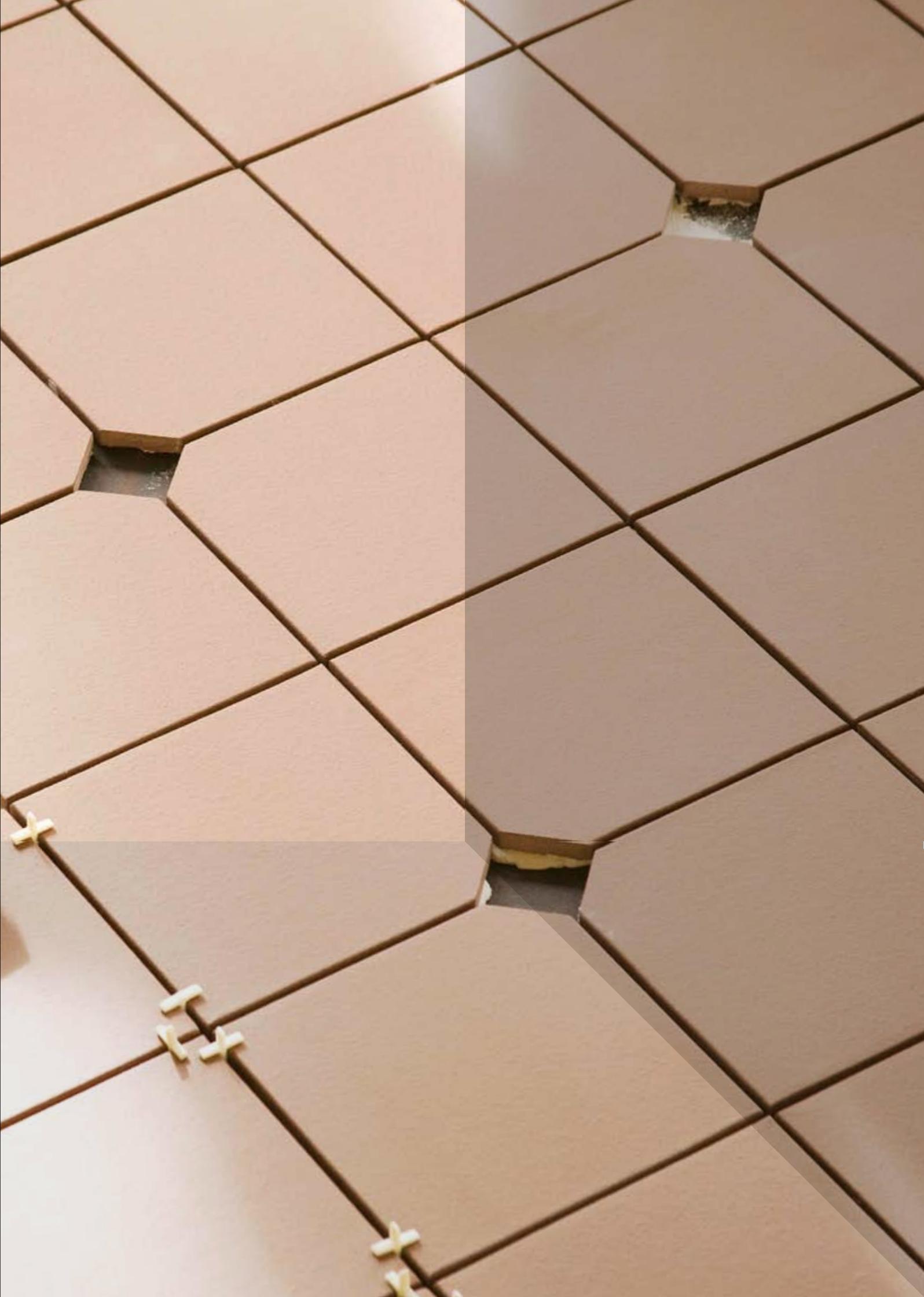
The Managing Board and Supervisory Board again dealt extensively with implementation of the recommendations and suggestions of the Code in 2009 and in particular with the changes contained in the version of the Code dated June 18, 2009. The declaration of conformity in accordance with Article 161 of the AktG was passed by the Managing Board and Supervisory

Board of PATRIZIA Immobilien AG on December 14, 2009. This and all preceding declarations of conformity are permanently available for access on our website [www.patrizia.ag](http://www.patrizia.ag). As part of the changes to the Code some internal standards at PATRIZIA were amended. The following recommendations of the Code could not be complied with in the 2009 fiscal year and will also not be complied with in the future:

- The Company did not send notification of convening the 2009 Annual General Meeting together with the convening documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means. Although the Articles of Association permit transmission by electronic means, the Company considers convening the Annual General Meeting in this manner not yet to be practicable at the present time and to be only insufficiently practicable from a legal perspective.
- Contrary to the recommendations of the Code, the professional liability insurance or so-called D&O insurance concluded by the Company for the Managing Board and Supervisory Board does not provide for a deductible. For the Managing Board the deductible will be introduced in accordance with the legal provisions as of July 1, 2010. The committee does not believe that a deductible for the Supervisory Board affects the sense of responsibility and loyalty with which the members of the Supervisory Board 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 forming 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. Because no committees have been established, committee remuneration is irrelevant.



NO WHOLE  
WITHOUT A PART.



In order to enhance transparency and underline the importance of the Corporate Governance Code for PATRIZIA Immobilien AG in a comprehensive manner, our current declaration of conformity also makes reference to compliance with the recommendations of the Code. With the exception of the following recommendations, all recommendations of the version of the Code dated June 18, 2009 were complied with in the 2009 fiscal year or are to be complied with in 2010:

- Due to cost reasons the 2009 Annual General Meeting was not broadcast on the Internet. Also due to cost reasons, there are likewise no plans to broadcast the 2010 Annual General Meeting on the Internet.
- The Codes recommends gearing the performance-related remuneration of the Supervisory Board to the long-term performance of the enterprise. The variable compensation of the Supervisory Board of PATRIZIA depends on the amount of the dividend for the respective fiscal year and therefore contains no components geared towards the long-term performance of the enterprise.

#### MANAGING BOARD AND SUPERVISORY 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. In close cooperation with the Supervisory Board it develops the strategic approach of PATRIZIA and is responsible for its operative implementation. At the end of the 2009 fiscal year, the PATRIZIA Immobilien AG Managing Board comprised three members. In the reporting year the areas of responsibility on the Managing Board

were partially reorganized. The newly created Fund Distribution department was integrated into the responsibility of the Chairman. Responsibility for the HR department was transferred from Wolfgang Egger to Klaus Schmitt. A complete overview of the responsibilities of the individual members of the Managing Board can be found in section D.

The Supervisory Board of PATRIZIA Immobilien AG advises and monitors the Managing Board with regard to corporate governance and is always involved in decisions of fundamental importance for PATRIZIA. The Supervisory Board likewise consists of three members; no former members of the Managing Board are on the Supervisory Board.

Both committees work together on a trusting basis for the well-being of PATRIZIA. To this end the Managing Board informs the Supervisory Board regularly and in a timely manner about the development of the business and all issues of relevance to PATRIZIA. The Managing Board also reports on opportunities and risks and the risk management system.

Executive body members of PATRIZIA Immobilien AG, certain employees with management duties as well as parties related to them are obliged to disclose the acquisition and disposal of equities of PATRIZIA Immobilien AG, so-called directors' dealings. No such reportable transactions were carried out in the reporting year. Shares held directly and indirectly by the Managing Board members of PATRIZIA Immobilien AG exceed 1 % of the shares issued so that the total ownership as of December 31, 2009 can be broken down as follows.

The members of the Supervisory Board held no shares in the Company as of December 31, 2009.

	Number of shares	Percentage of share capital
Wolfgang Egger, indirectly and directly via First Capital Partner GmbH	26,047,572	49.97 %
Arwed Fischer	0	0.00 %
Klaus Schmitt	80,000	0.15 %
<b>TOTAL</b>	<b>26,127,572</b>	<b>50.12 %</b>

## REPORTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements and interim reports for 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated and annual financial statements of PATRIZIA Immobilien AG were audited by both the Supervisory Board and the auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, as was the 2010 declaration of conformity. The three 2009 quarterly reports were discussed by the Managing Board with the Supervisory Board prior to publication.

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 Management Remuneration Act which came into force on August 5, 2009 has not resulted in any need for amendment to the compensation system of the Managing Board of PATRIZIA Immobilien AG. All compensation components are and remain appropriate, both individually and in total.

The amount and structure of the compensation paid to the Managing Board members are determined and regularly reviewed by the Supervisory Board. The compensation paid to Managing Board members is based on their respective remit, the personal performance of the individual Managing Board member and of the Managing Board as a whole as well as the economic and financial situation and performance of PATRIZIA. The compensation paid to Managing Board members is performance-related and made up of non-performance-related and performance-related components as well as components with a long-term incentive effects. 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 on the basis of targets set at the start of the fiscal year, 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 paid out accordingly depends on the degree to which the predetermined targets are achieved, undercut or exceeded.

The primary criterion for the achievement of Company targets is consolidated profit before tax for the reporting period, as calculated in accordance with IFRS and without taking into account changes in the fair value of the investment property and interest rate hedges. Since the start of the 2008 fiscal year this performance variable has been published in the quarterly and annual reports of PATRIZIA. So-called adjusted EBT acts as an important control variable for the Group and reflects its operating earnings power. Every year, depending on the Company's planning, a target figure that exactly specifies the amount of consolidated profit to be achieved is defined. If this consolidated profit before tax in accordance with IFRS without taking into account changes in the fair value of the investment property and interest rate hedges 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 targets – 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 predefined 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 performance 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. Performance 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 share units do not carry any voting or dividend rights. As explained above, the variable compensation component with a long-term incentive effect is initially converted into performance share units at the average Xetra rate of the PATRIZIA share 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the sha-

res calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the next year but one, i.e. after the end of the vesting period. The variable compensation components with a long-term incentive effect are thus dependent on the Company's share price performance.

Minimum 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 2009 amounted to EUR 1.0 million, of which EUR 0.8 million was from fixed components and EUR 0.2 million from variable components.

The following payments were granted to the members of the Managing Board in 2009:

IN EURO	Fixed compensation		Payments in kind and other payments*		Contribution to retirement pension		Total non-performance related compensation	
	2009	2008	2009	2008	2009	2008	2009	2008
Wolfgang Egger, Chairman	260,000	260,000	21,828	21,963	12,000	12,000	293,828	293,963
Arwed Fischer**	240,000	200,000	41,586	26,160	12,000	10,000	293,586	236,160
Klaus Schmitt	180,000	180,000	30,554	29,389	12,000	12,000	222,554	221,389
<b>TOTAL</b>	<b>680,000</b>	<b>640,000</b>	<b>93,968</b>	<b>77,512</b>	<b>36,000</b>	<b>34,000</b>	<b>809,968</b>	<b>751,512</b>

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

\*\* For the previous year 2008 compensation is shown pro rata temporis since Mr. Fischer did not become a Managing Board member until March 1, 2008.

#### Variable compensation (performance-related)

IN EURO	Short-term variable compensation*		Variable compensation with a long-term incentive effect**	
	2009	2008	2009	2008
Wolfgang Egger, Chairman	0	0	0	0
Arwed Fischer***	240,000	200,000	0	0
Klaus Schmitt	0	0	0	0
<b>TOTAL</b>	<b>240,000</b>	<b>200,000</b>	<b>0</b>	<b>0</b>

\* Payment in fiscal year.

\*\* Conversion into performance share units with a two-year vesting period; to be paid out at the Xetra average rate 30 days before and after December 31 of the next fiscal year but one. No performance share units were granted for the 2008 and 2009 fiscal years since the specified target hurdle was not achieved and no variable compensation was paid at all.

\*\*\* Mr. Fischer is granted minimum compensation of EUR 240,000 per year. Payments above this limit depend on the achievement of targets. For the previous year 2008 compensation is shown pro rata temporis since Mr. Fischer did not become a Managing Board member until March 1, 2008.

The members of the Managing Board or related parties also effected transactions with PATRIZIA Immobilien AG and its subsidiaries in 2009. A list of transactions complying with standards customary in the sector and market prices 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

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. In view of the size of the Supervisory Board with just three members no committees were formed so that the recommended committee remuneration is therefore irrelevant.

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 ex-

ceeds a dividend of EUR 0.75 per share but does not exceed a dividend amount of EUR 1 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 2009, no variable compensation was paid out as no dividends were distributed for the 2008 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 2009 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 2010 has approved the proposal on the appropriation of net profit by the Managing and Supervisory Boards. The proposal provides that retained earnings for the 2009 reporting period are fully carried forward to new account. This would mean that – as in the previous two years – the Supervisory Board would not receive any variable compensation.

In 2009, the following amounts were granted to the Supervisory Board:

	Fixed compensation	Variable compensation
<b>IN EURO</b>		
Dr. Theodor Seitz, Chairman	24,937.50	0
Harald Boberg	18,750.00	0
Manfred J. Gottschaller	18,750.00	0
<b>TOTAL</b>	<b>62,437.50</b>	<b>0</b>

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 February 23, 2009. Consultancy costs of EUR 12,886.38 including VAT 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.

## THE PATRIZIA SHARE

At the start of the year the stock markets were still very much impacted by the financial market and economic crisis, although positive economic signals gradually led to an improvement in sentiment on stock markets. Following sharp price losses, international stock markets embarked on a clear upward trend again in the spring, supported on a fundamental basis by better than expected company results. This trend faltered for a period in the fall, only to resume and lead to new highs on the indices by the end of the year.

The German benchmark index DAX rose by 24 % in the reporting year to 5,957 points, advancing by 65 % since its lowest point in the spring. The reference index relevant to PATRIZIA, the SDAX, recorded an increase of 27 % to 3,549 points in 2009. The share index for German real estate companies, the DIMAX, rose by 20 % in the same period.

PATRIZIA shares also made up for lost ground, performing considerably better than the reference indices thanks to a rise of 87.7 %. Nevertheless, it should not be forgotten that the share started 2009 at the very low level of EUR 1.63. Despite encouraging performance in the year under review, we remain far from our previous price levels. Considering the current equity requirements for granting new loans and basic equity funding, PATRIZIA is again not paying a dividend for fiscal year 2009.

At the start of the year the PATRIZIA share was trading at a price of EUR 1.63, closing at EUR 3.06 on December 30, 2009 after another volatile year. The 2009 closing

prices on Xetra ranged between EUR 1.29 and EUR 4.02. The PATRIZIA share decreased in value in the first quarter of 2009. As of April, this trend turned positive again and very consistently continued its upward course in the following months. Profit taking was reflected in declining prices at the year-end. Performance in 2009 was boosted by the successful renewal of our loans as well as increasing residential property resales. However, our shares also benefited from the general confidence in the residential real estate sector. After the shares had lost value again in the last two months of the fiscal year, PATRIZIA Immobilien AG's market capitalization amounted to EUR 159.5 million as at December 31, 2009 (December 31, 2008: EUR 85.0 million).

PATRIZIA's trading volume on all German stock exchanges amounted to an average of around 75,400 shares per day. Compared with the previous year, this represents a reduction of 75.8 % (previous year: average of 311,700 shares per day). Based on PATRIZIA Immobilien AG's total number of shares (52.13 million), the 19.14 million PATRIZIA shares traded during the reporting year represent a turnover of 0.37 (previous year: 1.52). The PATRIZIA share thus suffered considerably in terms of tradability in 2009. It is not in danger of losing its place in the SDAX at present.

As a result of continuing restructuring within the banking industry, four of the analyst companies have discontinued their coverage of the PATRIZIA share. By contrast, one bank has taken up research on our shares. The upshot is that, at present, eight analysts are regularly issuing assessments of PATRIZIA. We publish the latest consensus overview on the PATRIZIA website.





**SOUND SHAREHOLDER BASE**

At the end of 2009, approximately 79 % of all PATRIZIA shares were held by institutional investors (previous year: 76 %): German institutional investors held 62.5 % of all shares. First Capital Partner GmbH, which is attributable to our CEO, Wolfgang Egger, remains the main shareholder with 49.97 %. Alfred Hoschek, a former member of the Managing Board, increased his proportion of the share capital to 3.23 % in the year under review. Apart from this, we are not aware of any shareholdings requiring disclosure (over 3 %). We attribute the decline in private shareholders by 3 percentage points to 21 %

to the fact that the share displayed significant volatility. The shares in free float taken into consideration by Deutsche Börse AG in its index weighting remained constant at 50.03 % in the 2009 fiscal year.

In the context of our investor relations work, discussions with analysts and institutional investors are held regularly. In the 2009 fiscal year we conducted several roadshows in Germany and abroad and participated in various investor conferences. Our IR Team will of course also be pleased to answer questions from private shareholders at any time.

PATRIZIA SHARE 2009 AT A GLANCE	
Share capital as at December 31, 2009	EUR 52,130,000
No. of shares in issue as at December 31, 2009	52,130,000 shares
Share prices in 2009*	
High	EUR 4.02
Low	EUR 1.29
Closing price on December 30	EUR 3.06
Share price performance	+87.7 %
Market capitalization as at December 31, 2009*	EUR 159.5 million
Average trading volume per day 2009**	EUR 189,900
Average trading volume per day 2009**	75,400 shares
<b>Earnings per share (EPS)</b>	<b>EUR -0.18</b>

\* Closing prices in Xetra trading    \*\* All German stock exchanges